

**Docket Nos. UE-240004, UG-240005, and UE-230810
(Consolidated) - Vol. II**

**WUTC v. Puget Sound Energy / In the Matter of: Puget
Sound Energy**

November 4, 2024



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BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
))
Complainant,)
))
v.) DOCKETS UE-240004 and
) UG-240005
) (Consolidated)
PUGET SOUND ENERGY,)
))
Respondent.)

))
In the Matter of the Petition)
of) DOCKET UE-230810
))
PUGET SOUND ENERGY)
))
Petitioner,)
))
For an Accounting Order)
Authorizing deferred)
accounting treatment of)
purchased power agreement)
expenses pursuant to RCW)
80.28.410)

EVIDENTIARY HEARING

VOLUME II

Lacey, Washington

DATE TAKEN: November 4, 2024

REPORTED BY: Andrea L. Clevenger, RPR, CCR #3041

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1 LACEY, WASHINGTON; NOVEMBER 4, 2024

2 9:03 a.m.

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4 (Commissioners not present.)

5 JUDGE BROWN: Today is Monday, November 4th,
6 and the time is 9:05 -- 9:03. Sorry. My name is James
7 E. Brown, II, an administrative law judge with the
8 Washington UTC. And I'm presiding along with the
9 commissioners and Administrative Law Judge Bijan Hughes.

10 And we're here today for an evidentiary hearing
11 in Docket UE-240004 and UG-240005, which is captioned
12 Washington UTC versus Puget Sound Energy.

13 So let's take appearances, starting with the
14 company.

15 MS. CARSON: Good morning, Your Honor.
16 Sheree Strom Carson, with Perkins Coie, representing
17 Puget Sound Energy. And also here are Byron Starkey and
18 David Steele, representing PSE.

19 JUDGE BROWN: Staff?

20 MR. CALLAGHAN: Good morning, Your Honor.
21 Nash Callaghan, assistant attorney general, on behalf of
22 commission staff. With me also is Lisa Gafken. Thank
23 you.

24 JUDGE BROWN: Public counsel.

25 MS. JOHANSON-KUBIN: This is Jessica

1 Johanson-Kubin, for public counsel. Tad Robinson
2 O'Neill is also on the call.

3 JUDGE BROWN: AWEC.

4 MS. MOSER: Good morning, Your Honor.
5 Sommer Moser, on behalf of AWEC. Also joining me is
6 Corinne Olson.

7 JUDGE BROWN: The Energy Project.

8 MR. ZAKAI: Good morning, Your Honor. Yochi
9 Zakai, with Shute, Mihaly & Weinberger for The Energy
10 Project. Joining me today is Seth Goldman.

11 JUDGE BROWN: Joint Environmental Advocates.

12 MR. HASSELMAN: Morning. My name is Jan
13 Hasselman, with Earthjustice. I'm joined by Jim
14 Dennison, of the Sierra Club.

15 JUDGE BROWN: Walmart.

16 MS. CAVIGLIA: Good morning, Your Honor.
17 Justina Caviglia, with the law firm of Parsons Behle &
18 Latimer, on behalf of Walmart.

19 JUDGE BROWN: Nucor Steel.

20 MR. XENOPOULOS: Good morning, Your Honor.
21 This is Damon Xenopoulos, with Office of Stone Mattheis
22 Xenopoulos & Brew, and I'm joined by Laura Baker. Thank
23 you.

24 JUDGE BROWN: Federal Executive Agencies.

25 MS. LIOTTA: Good morning, Your Honor. This

1 is Rita Liotta, with the Federal Executive Agencies, or
2 FEA. Thank you.

3 JUDGE BROWN: Fred Meyer's stores.

4 MR. BOEHM: Good morning, Your Honor. Kurt
5 Boehm, appearing on behalf of Fred Meyer's stores.

6 JUDGE BROWN: And Microsoft.

7 MR. PEPPLER: Good morning, Your Honor. This
8 is Tyler Pepple, on behalf of Microsoft.

9 JUDGE BROWN: All right. Let's talk about
10 how the hearing will proceed. First we're going to
11 address the outstanding motions, and then we will turn
12 to a mention of prefiled exhibits, and then we will
13 allow for brief opening statements from the parties.

14 And then we'll turn to cross-examination of the
15 witnesses based on the parties' agreed order of
16 presentation, and I believe we will take all of the
17 witnesses individually.

18 I also want to say that we'll take a midmorning
19 break around 11:00.

20 Ms. Moser, do you have a question?

21 MS. MOSER: Thank you, Your Honor. I
22 apologize. I was just asking -- I didn't know if we had
23 a complete marked exhibit list with exhibit numbers
24 assigned to cross exhibits, and I apologize if I've
25 missed that.

1 JUDGE BROWN: Give me one second.

2 MS. MOSER: I think I have a hard copy of
3 it, so this will be good. Thank you.

4 JUDGE BROWN: Okay.

5 MS. CARSON: Your Honor, just one other
6 point about the exhibit list. We do -- we do have a few
7 corrections to it.

8 Should we submit those to you sometime today or
9 how do you want to deal with that?

10 JUDGE BROWN: Yeah. Submit those to me
11 sometime today, and then we'll update the list and
12 recirculate it.

13 MS. CARSON: Okay. Thank you.

14 JUDGE BROWN: Sure. Are there any other
15 questions?

16 MS. LIOTTA: Your Honor, this is Rita
17 Liotta, with FEA. I just wanted to confirm that the
18 witnesses that appeared in red on the cross-examination
19 witness list may be excused.

20 JUDGE BROWN: Yes. That is true.

21 MS. LIOTTA: Thank you.

22 JUDGE BROWN: Thank you.

23 All right. Are there any other questions? All
24 right.

25 MR. CALLAGHAN: Sorry. Yes, Your Honor.

1 JUDGE BROWN: Go ahead.

2 MR. CALLAGHAN: So for commission staff, my
3 understanding was that the commission has bench
4 questions for Witness Wilson and Witness McGuire.

5 For Witness Wilson, he's going to appear
6 telephonically and is, I believe, at a conference right
7 now. So if we could find a way to have a specific time
8 set for when the bench questions will be asked, that
9 would be helpful.

10 JUDGE BROWN: When do you anticipate
11 Mr. Wilson being available?

12 MR. CALLAGHAN: My understanding is that he
13 could make himself available. He just needs notice in
14 order to get to a place where he can appear
15 telephonically, so he just needs some notice.

16 JUDGE BROWN: All right. Is he in the same
17 time zone or different time zone?

18 MR. CALLAGHAN: I'm not sure.

19 JUDGE BROWN: The reason why I ask is, I
20 want to take a break at 11:00, and I'm thinking this
21 afternoon might make sense.

22 MR. CALLAGHAN: So staff can reach out to
23 Mr. Wilson and see when in the afternoon he would be
24 available, if that would help.

25 JUDGE BROWN: All right. Probably after

1 lunch, so I'm thinking about 2:00.

2 MR. CALLAGHAN: Okay. We will reach out to
3 Mr. Wilson and see when he can be available this
4 afternoon.

5 JUDGE BROWN: All right. Very good.

6 MR. CALLAGHAN: Thank you.

7 JUDGE BROWN: All right. I just want to
8 remind the parties to keep their microphones muted
9 unless they're speaking and also to only use video for
10 those portions of the hearing when they have a speaking
11 role.

12 If you have any technical issues or you observe
13 that a party or representative has dropped off the
14 online meeting, please mention that in the chat, and the
15 chat should only be used for technical issues and
16 requests for breaks only.

17 Are there any other questions?

18 All right. We will proceed to the motions.

19 The first motion is the motion for leave to
20 file revised cross and joint testimony of the Joint
21 Environmental Advocates at this time.

22 MR. HASSELMAN: Yes, Your Honor. Were you
23 looking for just a quick summary of what's in the motion
24 or --

25 JUDGE BROWN: If you want to present your

1 case -- or, rather, your argument, I'll listen, and then
2 I'll allow the company to respond.

3 MR. HASSELMAN: Yeah. This is -- I'm a
4 little surprised this is a proposed motion. After
5 reviewing all the testimony, one of our witnesses,
6 William Gehrke, decided that he couldn't fully stand
7 behind a few paragraphs of his testimony, and so we
8 offered to remove those paragraphs.

9 I'm very puzzled why that's objectionable. The
10 company didn't seek to cross examine Mr. Gehrke. We
11 think that testimony as amended should be admitted.

12 JUDGE BROWN: Thank you.

13 And the company?

14 MS. CARSON: Yes. We filed an opposition to
15 the motion. This came very late. It came a month after
16 cross-answering testimony was due. It also came when
17 there was no discovery allowed, so it's a late motion.

18 And I guess our other concern is that there's
19 not really any error identified. It's just some nuances
20 that they'd like to clean up, I guess. So revised
21 testimony is for errors in the testimony. There's no
22 errors, and it's a late -- when we have no opportunity
23 to respond.

24 JUDGE BROWN: Thank you. After hearing both
25 the sides and handling review -- excuse me.

1 After hearing both sides and reviewing the
2 briefs on this issue -- or, rather, the motion and the
3 response, in the interest of procedural due process and
4 overall fairness and consistency with best commission
5 orders on this issue, I would deny JEA's motion at this
6 time -- at this time.

7 And now to proceed to the other motions, the
8 motion to accept late filing of Microsoft's exhibit
9 list.

10 Is anyone opposed?

11 Motion granted.

12 And with regard to the company's motion for
13 leave to file revised testimony and revised version of
14 rebuttal testimony of Jamie Martin, is anyone opposed?

15 Motion granted.

16 Staff's motion to revise exhibits -- proposed
17 revised exhibits and exhibit lists, is anyone opposed?

18 Motion granted.

19 Staff's motion for leave to file revised
20 testimony of Chris McGuire, is anyone opposed?

21 Motion granted.

22 Motion to file revised testimony, proposed
23 testimony of staff, is it -- does anyone oppose?

24 Motion granted.

25 So with regard to the exhibits and testimony

1 associated with those motions, they are now moved into
2 the record, and the record will be updated accordingly.

3 Also, at this time, do the parties stipulate to
4 the admission of all prefiled exhibits and testimony,
5 including cross-examination exhibits?

6 MS. CARSON: Your Honor, the company has
7 several exhibits -- cross-examination exhibits that we
8 are not willing to stipulate to if the parties can't
9 establish foundation, but they tend to be documents that
10 weren't prepared by the witness or were from another
11 proceeding.

12 So I can give you that list, or I don't know
13 how you want to handle it.

14 JUDGE BROWN: Yes. Forward me the list,
15 please.

16 MS. CARSON: You want me to forward it to
17 you?

18 JUDGE BROWN: Yes.

19 MS. CARSON: Okay.

20 JUDGE BROWN: I believe that there is an
21 email chain where that list will be forwarded to all
22 parties.

23 MS. CARSON: There are a few on the list
24 that we have worked out with -- with the other parties.

25 I think the David Landers exhibits have been

1 supplemented, is that right, or will be supplemented by
2 JEA -- or we can actually provide those, if that's
3 helpful.

4 MR. HASSELMAN: Yes. We don't have any
5 problem with supplementing those.

6 MS. CARSON: Okay.

7 JUDGE BROWN: Are there any other exhibits
8 or testimony where the parties could possibly reach an
9 accord, or no?

10 MS. MOSER: Your Honor, I think it might be
11 helpful to have PSE at least just quickly list off the
12 exhibits that they are objecting to or could potentially
13 object to.

14 I'm personally not aware of what that list may
15 be, and I'm not sure if others are, so it might just be
16 efficient to have it -- at least a heads-up on what
17 those are.

18 JUDGE BROWN: Agreed.

19 MS. CARSON: Okay. We'll start with Ann
20 Bulkley, staff exhibits, AEB-40X, 41X, 42X. Those were
21 not prepared by Ms. Bulkley. They're a compilation of a
22 lot of different things that she didn't prepare. So I
23 think I have -- actually have correspondence with
24 staff's attorney regarding that.

25 And, you know, if they can establish foundation

1 for it, that's fine, but we just don't want to stipulate
2 to the admission since she didn't create them.

3 JUDGE BROWN: Staff?

4 MR. CALLAGHAN: Thank you, Your Honor.
5 Staff is actually willing to withdraw those exhibits and
6 waive cross of Ms. Bulkley.

7 JUDGE BROWN: Very good. Thank you.

8 Next item?

9 MS. CARSON: Okay. Next are Brennan
10 Mueller's Exhibits 56X -- BDM-56X and 57X. These were
11 not prepared by Mr. Mueller. One is from another
12 proceeding, an Avista proceeding.

13 So, again, if -- if these are AWEC's exhibits,
14 if they can establish foundation, we don't have
15 concerns, but we're not stipulating to the admission.

16 JUDGE BROWN: AWEC?

17 MS. MOSER: That's fine, Your Honor. I may
18 not need to rely on those. It just depends on some of
19 the answers from the witness.

20 And I will note it was an error to include that
21 Avista cover page. The letter itself is a letter from
22 Ecology, so it's not an exhibit that was prepared
23 specifically for the Avista case.

24 JUDGE BROWN: Noted. Thank you.

25 MS. CARSON: Okay. Next is Chris Mickelson

1 CTM-25X and 26X. Those are AWEC cross exhibits. Again,
2 the witness did not prepare those documents, so we don't
3 want to stipulate to them. If they can establish
4 foundation, then they could be admitted. 25X -- CTM-25X
5 and CTM-26X.

6 MS. MOSER: That's fine, Your Honor. Again,
7 I may not need to rely on those documents. It depends
8 on the response from the witness. I believe I'll be
9 able to lay a foundation if I need to.

10 JUDGE BROWN: Very good. Thank you.

11 MS. CARSON: Okay. The next ones are the
12 David Landers exhibits -- cross exhibits, which I think
13 we have taken care of, so --

14 JUDGE BROWN: Can you repeat that?

15 MS. CARSON: The next ones on my list were
16 the David Landers DJL cross exhibits, which I think
17 we've worked out with JEA. So that's fine.

18 The next is Jamie Martin JLM-3X. It's a
19 cross-exam exhibit from staff. It's the entire
20 transcript of another proceeding that is not
21 consolidated with this proceeding. In fact, the
22 commission denied consolidation.

23 If it's to be used to, you know, examine
24 Ms. Martin on her testimony, we don't have a problem
25 with it, but we don't think, you know, for example,

1 staff's witness testimony should come into the record.
2 It should be limited.

3 MR. CALLAGHAN: Thank you, Your Honor. So
4 staff is just seeking to enter that exhibit for
5 Ms. Martin and Mr. Shipman's testimony.

6 We're not seeking to offer it for any other
7 purpose. We're trying to save time, given that the same
8 issues are coming up in this case as the previous one.

9 JUDGE BROWN: And --

10 MS. CARSON: And so we're fine with that,
11 but we don't want the whole document being admitted as
12 an exhibit. So if we can limit the cross exhibit to
13 those witnesses' testimony in the other proceeding,
14 that's fine.

15 MR. CALLAGHAN: Staff would agree to that,
16 Your Honor.

17 JUDGE BROWN: All right. Very good. Thank
18 you.

19 MS. CARSON: The next is MS-5X. This is a
20 Matt Steuerwalt exhibit -- cross exhibit, I believe,
21 from staff.

22 Yes. Okay. Thanks.

23 It's a declaration from another PSE employee.
24 Mr. Steuerwalt did not prepare this. So, again, if a
25 staff -- if foundation can be established, we have no

1 objection.

2 JUDGE BROWN: Yeah. Go ahead.

3 MR. CALLAGHAN: So, Your Honor, 5X is simply
4 included because it was a declaration attached to 6X.
5 So staff is fine with withdrawing 5X.

6 It was only included because usually sometimes
7 you have parties objecting that you're not completely
8 including everything that was in that filing, but we're
9 okay with withdrawing 5X.

10 JUDGE BROWN: All right. Thank you.

11 Next?

12 MS. CARSON: The next are cross exhibits for
13 Mr. Hutson TAH-19X and 20X. Those are by The Energy
14 Project. Those were not prepared by this witness. They
15 are from different dockets. Again, if foundation can be
16 established for the witness, we -- we're fine.

17 MR. ZAKAI: Thank you, Your Honor. We can
18 see how the questioning goes and perhaps they won't be
19 necessary or we can lay the foundation.

20 JUDGE BROWN: Is that sufficient?

21 MS. CARSON: Yes. That's sufficient.

22 And that's the end of my list. I thank you for
23 the time to hear the list. Thanks, everyone.

24 JUDGE BROWN: All right. At this time we
25 will proceed to opening statements, starting with the

1 company.

2 MS. CARSON: Just one moment, Your Honor.

3 JUDGE BROWN: Take your time.

4 MR. ZAKAI: Your Honor, will be -- the
5 commissioners be joining us for opening statements?

6 JUDGE BROWN: Thank you for reminding me.
7 Give me one second.

8 (Pause in the proceedings.)

9 MR. CALLAGHAN: Your Honor, I have a
10 question. If I recall right, did -- were the cross
11 exhibits sufficiently entered into the record?

12 JUDGE BROWN: I didn't include the cross
13 exhibits, but just to be sure, the cross exhibits are
14 also entered into the record.

15 MR. CALLAGHAN: Thank you.

16 MS. MOSER: Your Honor, just one more
17 housekeeping item before the commissioners join us.
18 AWEC did file on June 14th a petition to increase the
19 customer's subfund related to expenses for procuring an
20 Aurora license, and I believe that petition remains
21 outstanding. So I just wanted to flag that as an
22 additional item for the commission to make a
23 determination on.

24 JUDGE BROWN: Can you repeat that one more
25 time?

1 MS. MOSER: Yes, Your Honor. On June 14th,
2 AWEC filed a petition to increase the customer
3 representation subfund, and I believe that is an
4 outstanding petition that hasn't been ruled on, so I
5 just wanted to flag that that also needs a ruling.

6 JUDGE BROWN: I will address that in -- in
7 the subsequent order.

8 JUDGE HUGHES: Thank you, Your Honor.

9 JUDGE BROWN: Sure. We'll take a short
10 five-minute break and then I'll bring in the
11 commissioners.

12 We're off the record.

13 (Pause in the proceedings.)

14 (Commissioners present.)

15 JUDGE BROWN: All right. Let's be back on
16 the record. Right now we will proceed to opening
17 statements, starting with the company.

18 MS. CARSON: Thank you and good morning,
19 Commissioners. Thank you for the opportunity to provide
20 this opening statement.

21 There are many important issues raised in this
22 case. PSE has presented more than 40 witnesses and
23 thousands of pages of testimony and exhibits supporting
24 its case, and it's a daunting task to attempt to
25 summarize this. So I'm not going to do that, but I am

1 going to address three broad topics. And these are
2 areas discussed by PSE witnesses in the evidence.

3 First, the clean energy transition and PSE's
4 need for capacity and renewable non-emitting resources;
5 second, the financial challenges PSE faces, and
6 proposals in this case to alleviate those challenges;
7 and, third, PSE's progress and equity in assisting
8 low-income and energy-burdened customers and other
9 protections that are in place for customers in this
10 multiyear rate plan.

11 We are in unprecedented times. The State of
12 Washington is moving aggressively to achieve a
13 transition to clean energy and decarbonization in an
14 equitable manner. Utilities like PSE play a key role.
15 So does the commission.

16 There are many new laws and requirements for
17 all of us to navigate: multiyear rate plans, the Clean
18 Energy Transformation Act, the Climate Commitment Act,
19 HB 1589 for large combined electric and gas companies
20 such as PSE.

21 Throughout, PSE has worked diligently to
22 address the needs of low-income and energy-burdened
23 customers, as we pave the way to take the steps
24 necessary for the clean energy transition.

25 And amidst all of this transition, PSE still

1 must provide its core electricity and natural gas
2 services to its customers. It must do so reliably. It
3 must do so safely. It must do so equitably. PSE's
4 requested revenue requirement reflects the steps PSE
5 must take to meet the dual mandate.

6 Based on PSE's 2023 electric progress report,
7 PSE has a significant capacity need as well as renewable
8 and non-emitting energy needs as we move deeper into the
9 clean energy transition.

10 There is much work to be done to acquire
11 resources to meet these needs. Several PSE witnesses
12 testified to the resources being acquired, and in
13 general, the prudence of these resources has not been
14 challenged.

15 Let's turn to financial challenges. This is a
16 key theme in the case. PSE's first multiyear rate plan
17 has not provided the financial relief to allow an
18 opportunity for PSE to earn its authorized returns.

19 In fact, despite doing what it could, such as
20 managing operations and maintenance expense, PSE did not
21 earn its allowed rate of return in 2023 and does not
22 expect to do so in 2024. It has been six years since
23 PSE was able to earn its authorized rate of return.

24 Compounding this problem, PSE's projected
25 capital expenditures are substantial now and in the

1 coming years. The evidence in the case shows that
2 incremental financing that will be needed, debt, equity,
3 and retained earnings to acquire these capital resources
4 and the profound effect this will have on PSE's balance
5 sheet over the next four years.

6 PSE has an increasing risk profile due to the
7 enactment of CETA and CCA, as well as increasing risk of
8 wildfire. And PSE's key credit metric for Moody's and
9 S&Ps have decreased since 2018 and have been in
10 downgrade range for a number of years. The ratings
11 agencies have been patient through the pandemic and with
12 high commodity prices, but their patience is wearing
13 thin.

14 In this case, PSE is proposing a multi-pronged
15 approach to address its cash flow needs and its risk
16 profile so that it can achieve the financial strength
17 necessary as it transitions to clean energy while also
18 providing safe and reliable gas and electric service to
19 its customers.

20 These are tools that are available to the
21 commission and, in some cases, approved by the
22 legislature. They're intended to be used for such a
23 time as this.

24 First, PSE proposes a clean generation -- clean
25 generation resource tracker that facilitates the timely

1 inclusion and rates of CETA-compliant generation
2 resources and allows for CWIP, construction work in
3 progress, or CWIP and rate-based treatment for these
4 resources rather than AFUDC.

5 The commission recognized more than a decade
6 ago that CWIP and rate-based treatment is a tool in the
7 commissioners' toolbox -- in the commission's toolbox.

8 Second, PSE proposes accelerated depreciation
9 of gas plant. PSE's proposal for accelerating the
10 depreciation of gas assets is reasonable. It's a more
11 gradual proposal than the gas depreciation implied in
12 House Bill 1589, and it's appropriate no matter what the
13 outcome of ballot Initiative 2066 may be.

14 The commission has the power to set the
15 appreciation rates, and notably it is the most
16 vulnerable populations who are likely to remain on the
17 gas system as others move off. And these vulnerable
18 populations are likely to bear the brunt of stranded
19 assets caused by insufficient depreciation rates.

20 Third, PSE proposes a wildfire tracker. The
21 threat of wildfire in PSE service territory is real.
22 Credit rating agencies are concerned.

23 PSE's proposed wildfire tracker provides
24 transparency into the actions being taken and allows for
25 timely recovery of costs. It demonstrates commission

1 support for spending to mitigate wildfire risk.

2 And, fourth, PSE proposes to earn a return on
3 demand response PPAs at the authorized rate of return.
4 No one has challenged the prudence of these demand
5 response PPAs, and because they have a higher
6 administrative burden and are expected to have a higher
7 equity value per megawatt, they are appropriate to earn
8 a return at the higher end of the spectrum allowed by
9 statute. This helps PSE improve its cash flow position
10 and will be viewed by rating agencies as credit
11 supportive.

12 It's important to note that, despite the
13 sizable rate increases requested in this case, they are
14 necessary to achieve PSE dual mandate. Nobody is
15 getting rich from the requested increases.

16 Moreover, it's important to remember that
17 investors have many options in terms of where they
18 invest aside from PSE. The company needs the ability to
19 compete for and attract substantial investments to
20 achieve the State's ambitious clean energy mandates.

21 As the evidence shows, the returns resulting
22 from the parties' positions in this case, most of whom
23 object to the mechanisms PSE has proposed, will be
24 insufficient to attract that much needed investment to
25 meet the company's dual mandate.

1 Of course, PSE has also been doing what it can
2 to mitigate the need for rate increases in the first
3 place. The evidence shows the reasonableness of PSE's
4 O&M expense and that PSE is in the lowest quartile of
5 O&M spending per customer when compared to other
6 utilities in the region and its peers.

7 PSE has managed to -- its budget for O&M
8 expense over the years, and prior to filing this case,
9 PSE took steps to control costs as the evidence shows.

10 However, these costs are not sustainable if PSE
11 is to achieve climate goals and provide safe and
12 reliable electricity and natural gas services.

13 Turning now to equity and customer protections,
14 Troy Hutson's testimony documents the significant steps
15 that PSE has taken to view all its processes through an
16 equity lens as the commission has instructed.

17 Monica Martinez, a former commissioner with the
18 Michigan Public Services Commission, was retained to
19 evaluate PSE's progress in equity. She identifies
20 Washington as a first mover in the efforts to advance
21 energy equity, and she concludes that PSE is ahead of
22 many of its peers across the country in incorporating
23 energy equity.

24 She also recognizes that equity is a journey
25 and more clear direction from the commission is needed

1 through its ongoing equity docket and in this case.

2 The commission can feel comfortable approving
3 PSE's proposals to address its financial needs because
4 PSE's proposals are in the public interest and include
5 protections for customers.

6 Using the CETA-mandated energy burden analysis
7 to understand the reasonableness of costs borne by
8 customers, PSE has demonstrated that the vast majority,
9 over 84 percent, of its customers are estimated to not
10 be energy burdened. In other words, PSE's bills are
11 affordable to a super majority of its customers,
12 including a majority of low-income customers.

13 For its customers struggling to pay its bills,
14 PSE has a robust portfolio of assistance programs that
15 can help mitigate their energy burden.

16 Customers in the lowest income brackets can
17 potentially receive aggressive energy assistance,
18 offsetting over 100 percent of their annual energy bills
19 from PSE.

20 The bill discount rate combined with other
21 energy assistance programs is designed to reduce the
22 average participants' energy burden to less than
23 6 percent of their total annual income.

24 And performance metrics proposed in this case
25 are consistent with the commission's direction in the

1 PBR docket and will allow PSE, the commission, and
2 customers to gauge PSE's performance during two-year
3 multiyear rate plan.

4 There are many other safeguards for customers.
5 If PSE doesn't spend on plant as projected, customers
6 may receive refunds.

7 If PSE earns above its authorized rate of
8 return, which it hasn't done for six years, any earnings
9 in excess of .5 percent above the authorized rate of
10 return will be deferred for consideration by the
11 commission.

12 In closing, the evidence in this case
13 demonstrates that the rate increases proposed in PSE's
14 case are in the public interest. They are a function of
15 costs required to maintain safe and reliable electric
16 and natural gas service, along with meeting the
17 carbon-free legislative mandate under CETA at the lowest
18 reasonable cost.

19 Importantly, these clean energy investments
20 offer benefits for the low-income and vulnerable
21 population customers. Current and projected negative
22 impacts of climate change on low-income and vulnerable
23 populations are well documented.

24 PSE's investments in decarbonizing its system
25 and maintaining equitable, safe, and reliable service

1 are in the long-term interest of all customers,
2 including vulnerable low-income customers.

3 There are many other important issues to
4 address, but time is limited. We look forward to
5 engaging with the commission on these and other topics.
6 Thank you for your time.

7 JUDGE BROWN: Thank you.

8 Staff?

9 MR. CALLAGHAN: Thank you, Your Honor.
10 Staff will waive giving an opening statement today.

11 But just as an update, staff witness Wilson
12 will be available at 2:00 p.m. today.

13 JUDGE BROWN: Thank you.

14 Public counsel?

15 MS. JOHANSON-KUBIN: Public counsel
16 similarly is waiving their opening statement. Thank
17 you.

18 JUDGE BROWN: AWEC?

19 MS. MOSER: Thank you, Your Honor, AWEC also
20 waives its opening statement.

21 JUDGE BROWN: The Energy Project?

22 MR. ZAKAI: Good morning, Commissioners,
23 Judges.

24 PSE's disconnection policies are inequitable
25 because they prioritize customers for disconnection if

1 they have a history of energy in security -- sorry;
2 forgot to turn my camera on -- if they have a history of
3 energy insecurity or a recently created account.

4 First, let's talk about the fact that PSE
5 assigns customers with a history of disconnection a
6 worse credit code, which puts them at the front of the
7 disconnection coup.

8 Witness Colton used PSE's performance-based
9 ratemaking metrics to show that PSE's historical
10 disconnections disproportionately impacted customers in
11 the communities.

12 Specifically, the metrics showed that
13 42 percent of disconnections in 2023 occurred in highly
14 impacted communities, yet only 25 percent of PSE's
15 customers were located in these HICs. That is a
16 disproportionate impact.

17 Another problematic factor in PSE's credit
18 codes is account age. Renters are more likely to move
19 and have a recently created account. Witness Colton
20 shows that renters also have lower incomes.

21 Put simply, PSE puts customers at the front of
22 the disconnection queue just because they had to move to
23 find reasonable rent.

24 It's time to change PSE's disconnection
25 policies so that they no longer perpetuate a cycle of

1 poverty for low-income customers. The commission should
2 order PSE to stop using a history of energy insecurity
3 and account age in prioritizing customers for
4 disconnections.

5 As I mentioned, Witness Colton found a
6 disproportionate impact when he analyzed metrics showing
7 the extent of PSE's disconnections. He also looked at
8 arrears in highly impacted communities and among
9 vulnerable populations. The disconnection data, which
10 PSE agreed to report in Section 64M of the 2022 rate
11 case settlement, is not available elsewhere.

12 If the commission allows PSE to stop reporting
13 these equity metrics, it will be extremely difficult for
14 tech, interested persons, and researchers like
15 Professor Kaminski, and the commission itself to measure
16 the disconnection practices and how they impact named
17 communities in PSE service territory.

18 Even though these equity metrics were not
19 included in the policy statement, TEP asks the
20 commission to continue the reporting of arrearage and
21 disconnection data that separately identifies impacts in
22 named communities, specifically highly impacted
23 communities and vulnerable populations.

24 If the commission prefers that PSE not report
25 this data in metrics, it can order PSE to provide the

1 data in disconnection or arrearage reports. We're not
2 really concerned about where the data is reported, but
3 we do think that there would be a detriment to the
4 public interest if it was no longer available.

5 Third, the commission should not award PSE
6 shareholders unreasonable financial incentives merely
7 because PSE has come around to supporting the state's
8 climate goals.

9 A prudently run utility is perfectly able to
10 invest in the state's clean energy future without the
11 commission, for example, providing a phantom cost of
12 capital for power purchase agreements or PPAs.

13 Low-income customers don't make money -- or
14 sorry. Low-income customers don't make a profit on
15 money they have not invested. This commission should
16 not provide PSE shareholders a profit on money they have
17 not invested.

18 When it comes to demand response, TEP suggests
19 that the commission use the following framework: First,
20 decide on the total amount of financial incentives
21 available to shareholders for the demand response
22 program. TEP suggests none, but the commission could,
23 in its discretion, select a different number, then
24 decide on the portion of that financial incentive that
25 should be attributable to PSE's performance and the

1 portion that should be attributable to having a signed
2 contract.

3 TEP suggests that basing 100 percent on
4 performance is appropriate because SB 5295 was designed
5 to incent utilities' performance, not merely their
6 ability to contract.

7 Next, PSE's proposal to accelerate gas plan is
8 too fast and too soon, and PSE's proposal for
9 construction work in progress should be rejected as
10 inconsistent with commission precedent.

11 Moving on, TEP thanks PSE for being open to
12 hiring a low-income advisory group facilitator. With
13 the addition of a neutral facilitator and direction to
14 engage with the advisory group at the collaboration
15 level, TEP is hopeful for improvement in the tenor of
16 conversations in the upcoming year.

17 Finally, with the implementation of HB 1589,
18 PSE's low-income weatherization program will no longer
19 fund furnaces. That's okay because cleaner options are
20 available.

21 The electrification pilot can provide heat
22 pumps for low-income customers. Yet PSE seeks to
23 restrict the low-income electrification pilot to dual
24 fuel customers only.

25 The commission should direct PSE to expand the

1 electrification pilot to all low-income customers even
2 though electrifying a gas-only customer in Tacoma power
3 service territory does not impact PSE's electric sales.

4 Low-income gas customers should not be denied
5 the opportunity to electrify simply because they are not
6 also a PSE electric customer.

7 Thank you for your time today.

8 JUDGE BROWN: Thank you.

9 Joint Environmental Advocates?

10 MR. HASSELMAN: Thank you, Your Honor.

11 Again, I'm Jan Hasselman, for the Joint
12 Environmental Advocates, and I think it's useful to take
13 a moment to put our testimony in a little bit of
14 context.

15 This rate case plays out against a backdrop of
16 a rapidly changing world. The transition away from an
17 ever-growing gas distribution system is necessary to
18 meet the targets and requirements of state law.

19 It's urgent in light of the climate change
20 effects that we're already seeing here in Washington.
21 And it's inevitable thanks to policy and market trends,
22 ranging from the IRA to state building codes.

23 Utilities like PSE need to change their plans,
24 investments, and business models to ensure that this
25 transition is successful, managed, and equitable for all

1 their customers.

2 Now, we do acknowledge that PSE has done more
3 than some of its sister utilities, and we can see from
4 their filings that the curve is starting to bend. PSE
5 is losing gas customers faster than it's adding them.

6 The transition away from burning gas towards
7 electrification has started, and it's not going to stop,
8 but the pace and the scale of that transition is nowhere
9 near where it needs to be to comply with the law and the
10 state's climate goals.

11 And what PSE's filing show us is that this
12 commission needs to provide firm direction. There's
13 still a primary reliance on using purchased allowances
14 to address greenhouse gas emissions rather than actually
15 reducing them.

16 There's still too much reliance on the false
17 solution of alternatives like RNG and hydrogen. Every
18 serious analysis shows that whatever niche roles these
19 fuels will play in the future, they will not be economic
20 or practical as decarbonization solutions for the gas
21 distribution system.

22 We've put together a case that shows exactly
23 how this commission can push PSE to the level of
24 ambition that the moment requires. I think they can
25 fall into three broad categories.

1 First is to sharply increase the pace and
2 ambition of building electrification. We don't need
3 additional pilot programs on the fundamental concept of
4 electrification.

5 PSE has gained experience through its Phase 1
6 pilot of the fundamental principles, very familiar
7 longstanding inside management programs. PSE could
8 continue new pilot program types, but these pilots
9 should take place within a broader general
10 electrification program that applies well-established
11 fundamentals. It's time to just get going.

12 To be on target to meet CCA goals, PSE needs to
13 be electrifying close to 200,000 homes by 2030. That is
14 not a pilot scale target. We cannot wait any longer to
15 get started.

16 We are in pretty significant disagreement on
17 costs. As Mr. Cebulko talks about in his testimony, the
18 analysis that they rely on suffers from fundamental
19 flaws that should be taken into account. We can do this
20 faster and cheaper than PSE says. It's only going to
21 get easier once we get started in earnest.

22 And in any event, the alternative proposal,
23 which is to continue business as usual and rely on
24 allowances, is untenable, and it creates financial risks
25 for PSE customers, especially as we approach the

1 targets.

2 Where is the money going to come from? We have
3 a proposal for that. It is discussed in Mr. Gehrke's
4 testimony. We think accelerating the depreciation of
5 gas assets is a good idea. It's necessary.

6 But as we'll hear more today, PSE wants the
7 benefits of depreciating gas assets but doesn't bear any
8 burden to actually retire them on any particular
9 schedule.

10 We've proposed that we move a little bit more
11 slowly in depreciation, dedicate additional funds that
12 become available towards electrification and other
13 transition expenses. Our proposal strikes a balance
14 between rapid depreciation and accelerated investment
15 and electrification, and we ask that you give it
16 consideration.

17 The second aspect of our proposal is to put
18 more scrutiny on gas investments. Of course, we need a
19 safe system. That's paramount, but there are
20 opportunities to consider alternatives to just replacing
21 old pipes with new pipes that are going to be there for
22 decades, long after PSE's proposing this rate case
23 depreciate existing gas assets. This is part of the
24 paradigm shift that PSE needs to embrace but hasn't.

25 This is increasingly common in other

1 jurisdictions. When it's time to replace old pipe, PSE
2 should be required to give some kind of thought to
3 alternatives. They say they're already doing that in
4 many cases, so we know we can do it.

5 We're just proposing that this review becomes
6 more systematic and transparent so that the commission
7 and stakeholders can know what different investments are
8 being subject to an appropriate level of alternatives
9 analysis.

10 The other part of this proposal is to tweak the
11 financial incentives. We've proposed a modest reduction
12 in the return on equity for new gas system investments.
13 It's a modest one, but should help PSE think twice
14 before putting money into long-term investments in the
15 gas distribution system.

16 We've also proposed to award PSE an incentive
17 for meeting electrification targets. That will keep PSE
18 whole and give them an appropriate interest incentive to
19 make investments that are aligned with state policy and
20 public interest.

21 Finally, all of this needs to be done with a
22 close eye on ensuring the transition is equitable. Our
23 witnesses, Ms. Thuraisingham and Ms. Thompson, provide
24 some really helpful context on why that's so important.

25 And to their credit, PSE has submitted some

1 excellent recommendations from their consultant,
2 Ms. Martinez.

3 We urge the commission to adopt these
4 recommendations, and have provided some additional
5 recommendations of our own.

6 So thank you for the opportunity to visit with
7 you this morning. We look forward to participating
8 helpfully in the next chapter of the energy transition.

9 JUDGE BROWN: Thank you.

10 Walmart?

11 MS. CAVIGLIA: Thank you, Your Honor.
12 Walmart waives its opening statement.

13 JUDGE BROWN: Okay.

14 Nucor Steel?

15 MR. XENOPOULOS: Thank you, Your Honor.
16 Good morning, Your Honor and Commissioners.

17 There are numerous issues in this case, and
18 Nucor wants to take just a couple of minutes to hand out
19 for the commission's consideration the issue of cost
20 dedication and rates on the natural gas side.

21 As the commission knows, Nucor believes that
22 several rate schedules should be excluded from the
23 allocation of certain small and medium distribution
24 mains.

25 Certain large-scale transportation customers

1 are only served from larger diameter mains. These
2 customers do not cause PSE to build this smaller main
3 system, nor do these customers benefit from that system.
4 Thus, under cost prevention principles, small and medium
5 distribution mains should not be allocated to these
6 larger customers.

7 The exclusion of these large customers from the
8 allocation of smaller mains is consistent with how PSE
9 allocated these mains prior to its 2022 general rate
10 case.

11 PSE attributes its change in allocation method
12 to feedback it received from scar (phonetic) during the
13 cost of service rulemaking. However, Nucor believes
14 that its proposal is consistent with updated Washington
15 Administrative Code Section 480-85, which emphasizes the
16 importance of direct assignment of costs where
17 practical.

18 This same cost allocation principle, same cost
19 causation principle that favor the direct assignment of
20 costs to customers or classes support not assigning to
21 customers or classes the costs of facility categories
22 that those customers do not use.

23 Nucor recommends that the commission adopt a
24 method consistent with a study found by Nucor in this
25 proceeding, which excludes certain customer classes from

1 the allocation of small and medium mains.

2 Finally, adopting Nucor's recommendations will
3 make a big difference to the classes that do not use the
4 small and medium mains. The change in methods used by
5 PSE in this case results in a cost shift of nearly
6 65 percent in total rate base for Schedule 87 and 87T
7 compared to the method for allocating small and medium
8 mains used by PSE in its 2019 rate case and used by
9 Nucor in this case.

10 Yet rectifying this unwarranted cost shift can
11 be accomplished with minimal impact to other classes.
12 Indeed, the target allocation ratio proposed by Nucor in
13 this case for the residential class is the same
14 90 percent of system average increase being proposed by
15 PSE staff and public counsel.

16 Thank you for your time. I appreciate the
17 opportunity to address you on this issue.

18 JUDGE BROWN: Thank you.

19 And now, Federal Executive Agencies.

20 MS. LIOTTA: Thank you, Your Honor, and good
21 morning, Commissioners. FEA is waiving its opening
22 statement. Thank you.

23 JUDGE BROWN: Thank you.

24 Fred Meyer's stores.

25 MR. BOEHM: Thank you, Your Honor. Good

1 morning, Commissioners. My name is Kurt Boehm,
2 representing Fred Meyer stores. I appreciate the
3 opportunity to address the commission this morning. I
4 hope you will briefly indulge me on what is somewhat of
5 a niche issue in this case.

6 Fred Meyer has focused its attention in this
7 proceeding on Schedule 26 rate design. As explained in
8 the testimony of our witness, Mr. Bieber, the company's
9 proposed rate designs for Schedule 26 is not cost based.

10 It understates the basic customer charge and
11 the demand-related charges relative to underlying costs
12 while overstating the energy-related charges.

13 For example, according to PSE's own cost of
14 service study, the Schedule 26 cost base -- basic -- I'm
15 sorry. The Schedule 26 basic charge is about \$400
16 higher per month than the 142 charge -- dollar charge
17 proposed by PSE for the year 2025.

18 Schedule 26 customers are large customers with
19 much higher per account costs than are reflected in
20 PSE's current and proposed rates. A basic customer
21 charge that recovers a greater portion of
22 customer-related costs is more appropriate for a tariff
23 that contains these business customers.

24 Since PSE is proposing to recover less costs
25 through customer and demand charges than is indicated by

1 its own cost of service study, it necessarily proposes
2 that this revenue shortfall be recovered from
3 Schedule 26 customers through energy charges that are
4 above energy costs.

5 This creates subsidies within Schedule 26 in
6 which higher load factor customers will be allocated
7 more costs than is reasonable, given the cost of service
8 data.

9 Fred Meyer's proposal would improve the
10 alignment between Schedule 26 charges and underlying
11 costs by slightly increasing customer demand charges and
12 lowering energy charges relative to PSE's proposal while
13 employing graduals to integrate the intraclass rate
14 impacts that may result from a more significant movement
15 towards costs at this time.

16 Finally, Fred Meyer's proposal would only
17 impact Schedule 26 customers. It would not affect the
18 rates of any other rate schedule or the total revenue
19 recovered by PSE.

20 To my knowledge, the only other party impacted
21 by this proposal in this case is, Walmart indicated in
22 cross answer testimony that it supports this
23 modification to Schedule 26 rate design.

24 Fred Meyer respectfully requests that the
25 commission consider its proposal when making its

1 determination on nonresidential rate design. Thank you.

2 JUDGE BROWN: Thank you.

3 And now Microsoft?

4 MR. PEPPLER: Microsoft waives its opening
5 statement.

6 JUDGE BROWN: Thank you.

7 Before we proceed to witnesses, as a matter of
8 clarification, I want to ensure that the direct and --
9 the direct exhibits and testimony are admitted into the
10 record at this time. They're deemed so, along with all
11 other evidence that was not objected to.

12 And now we'll proceed to the company's first
13 witness, Mr. Steuerwalt.

14 THE WITNESS: Good morning.

15 JUDGE BROWN: Good morning. Raise your
16 right hand.

17 MATT STEUERWALT, having been first duly sworn
18 testified as follows:

19 JUDGE BROWN: You may proceed.

20 DIRECT EXAMINATION

21 BY MS. CARSON:

22 Q. Mr. Steuerwalt, please state your name and
23 spell your name for the court reporter.

24 A. Certainly. Matt Steuerwalt,
25 S-t-e-u-e-r-w-a-l-t.

1 Q. Your prefiled exhibits have been admitted into
2 the record, so we don't need to go through that.

3 MS. CARSON: With that, Mr. Steuerwalt is
4 available for cross-examination.

5 JUDGE BROWN: Staff?

6 MR. CALLAGHAN: Thank you, Your Honor.

7 CROSS-EXAMINATION

8 BY MR. CALLAGHAN:

9 Q. Good morning, Mr. Steuerwalt.

10 Do you have a copy of your rebuttal testimony
11 available?

12 A. I do.

13 Q. And do you also have a copy of the proposed
14 cross exhibits for you available?

15 A. I believe I do.

16 Q. Okay. Thank you.

17 All right. Could you turn to Page 3 of your
18 rebuttal testimony and let me know when you're there?

19 A. Yes.

20 Q. All right. So here on Line --

21 A. Sorry, sir. Yes. I will turn. No. I'm not
22 there.

23 Q. Oh.

24 A. You have filled my binder with rebuttal cross
25 exhibits, and so turning is a little challenging.

1 All right. I am now there.

2 Q. Okay. So on Page 3, Lines 9 and 10, you
3 referred to the funding for the clean energy transition.
4 And based on the context of your testimony, I assume
5 that the funding refers to the money that PSE would
6 receive as a result of the company's proposed
7 adjustments -- revenue requirement adjustments being
8 approved.

9 Is that an accurate assumption?

10 A. Yes.

11 Q. All right. And specifically here you're
12 talking about the adjustments that are contested by the
13 other parties; right?

14 A. I think I'm talking about the case in its
15 totality. There are so -- so much of this case is not
16 contested. Right?

17 Q. Okay. But assuming that the uncontested
18 adjustments are approved, what you're speaking to in
19 your rebuttal testimony is the -- essentially the
20 difference between if the company's adjustments are
21 approved versus if the non-company parties' proposals
22 are approved for those adjustment; correct?

23 A. Correct.

24 Q. All right. And so the major adjustments that
25 we're talking about here are PSE's proposals on return

1 on equity, capital structure, construction work in
2 progress for the Beaver Creek project, the three
3 proposed tracking mechanisms, and return on PPAs.

4 Is that a -- is that a fair list?

5 A. I think those are some of them. I suggest that
6 you would also want to include the question about
7 accelerating the depreciation of the gas system in that
8 list as well.

9 And there are a number of O&M proposals that
10 other parties have advanced, which will make achieving
11 the company's operations very challenging.

12 Q. Okay. So you would also include those two
13 items -- those two contested adjustments as part of the
14 funding for the clean energy transition?

15 A. I would.

16 Q. All right. So just so that you and I don't
17 have to keep listing these proposals over and over
18 again, would you agree we can just collectively refer to
19 these as PSE's proposed adjustments?

20 A. Sure.

21 Q. Okay. And would you agree to refer to the
22 money that PSE would receive, if these proposals are all
23 approved, as the funding?

24 A. Sure.

25 Q. Okay. So on Page 3, again, Line 9, that's what

1 you're talking about when you're referring to the
2 funding, is these adjustments?

3 MS. CARSON: Object to the question. It's
4 vague and confusing.

5 MR. CALLAGHAN: I can rephrase.

6 Q. (By Mr. Callaghan) So you've just told me
7 that, when you're talking about the funding here, you're
8 thinking about the totality of the case and specifically
9 the contested adjustments; correct?

10 A. I am.

11 Q. Okay. All right. So on Page 3, Line 17 and
12 19, you state that the proposals from the other parties
13 would be, quote, insufficient for PSE to move forward
14 with the clean energy transition at the currently
15 required pace; is that right?

16 A. I'm sorry, sir. I don't have a 17 to 19 on
17 Page 3 of my rebuttal testimony. I have a -- mine ends
18 at 17.

19 Q. Oh, sorry. 14 to 17.

20 A. So now I've lost the question again. Maybe you
21 can go back to the question.

22 Q. Yes. So on Page 3, you state that the
23 proposals from the other parties would be, quote,
24 insufficient for PSE to move forward with the clean
25 energy transition at the currently required pace.

1 When you say the currently required pace of the
2 clean energy transition, what are you referring to?

3 A. There are two statutes and possibly more that
4 set the pace for the required transition to clean
5 energy. One is the Climate Commitment Act, which we can
6 talk more about.

7 The other is CETA. CETA has three statutory
8 deadlines, the first of which is next year, the end of
9 2025. Puget and all the other utilities in Washington
10 are required to no longer have coal in rates for
11 ratemaking purposes.

12 That deadline is rapidly approaching. We feel
13 like we have a solution for that, but it is coming upon
14 us quickly, and it will create some very challenging
15 capacity and energy needs in the coming year and the
16 years after that.

17 The next deadline in CETA is a 2030 requirement
18 to be -- for the electric system to be carbon neutral,
19 so 80 percent clean, not emitting, and 20 percent offset
20 by something else.

21 That deadline is also rapidly approaching. It
22 feels like, in some ways, five years away but will go
23 quickly because we are just getting responses to our fee
24 for the resources needed to meet those challenges.

25 And we are going to have a very difficult time

1 adding resources that have not already been identified
2 in the balance of this year and 2025, 2026, and possibly
3 in 2027, due to a wide range of factors, permitting and
4 siting, supply chain issues, bundle interconnecting
5 issues, competition for those resources.

6 So to hit that 2030 mark, it sort of is now to
7 know whether we can make the long-term investments in
8 long-term resources that will count towards that 2030
9 obligation.

10 And then finally, CETA requires a 2045 deadline
11 where all of the resources are renewable and
12 non-emitting. That deadline, while not particularly
13 close in time, feels challenging from a technology
14 perspective.

15 There are technologies which we think can do
16 that. They are not commercially available at cost that
17 we think customers will be willing to bear at this time.
18 We're seeing quite a lot of competition for those new
19 resources. You're seeing quite a lot of additions of
20 old nuclear power resources.

21 Q. So, Mr. Steuerwalt, let me just interrupt
22 because I think, if we talk about all of the clean
23 energy transition over the next 25 years or whatnot, I
24 think we'll be here all day.

25 So specifically are you -- does the currently

1 required pace of the clean energy transition include the
2 interim targets in the company's 2021 and twenty -- to
3 2025 CEIP?

4 A. Those interim targets are not in statute. They
5 are orders from the commission. We take those orders
6 from the commission quite seriously.

7 Q. Okay. So when you refer to the currently
8 required pay -- pace of the clean energy transition,
9 you're including those targets?

10 A. I am not including those targets in this
11 particular thing. The 2024 target is not the subject of
12 this rate proceeding. Right? These rates will not be
13 effective in time to be helpful at all for 2024.

14 For 2025, as you know, we have a petition in
15 front of this commission that will be heard on Thursday
16 about whether the 2025 interim target is appropriate in
17 light of the changed circumstances in the hydro
18 generation and in load growth since 2021.

19 I don't think that there is anything you
20 could -- that commission could order in January of 2025
21 to change the weather in 2024.

22 Q. Right. So is that a yes, that the currently
23 approved interim targets in the company's CEIP are part
24 of the currently required pace?

25 A. They are required by the commission.

1 Q. Okay. So are you aware that the currently
2 approved interim target for the year 2025 is 63 percent
3 of retail load?

4 A. I am.

5 Q. All right. So -- and you just mentioned that
6 on June 5th the company filed a petition -- oh, sorry.
7 Let me back up.

8 Are you aware that, on June 5th of this year,
9 the company filed a petition to effectively be excused
10 from filing its next CEIP and its electric and gas?

11 A. We filed a petition on that date to comply with
12 the requirements of 1589, and those requirements for the
13 interest of making sure we had an economic use of
14 everybody's time were to include a waiver of those
15 filings that you mentioned.

16 Q. Okay. Are you aware that, in the work plan PSE
17 filed with that petition, PSE proposed interim targets
18 for 2026 and 2027 that were both 63 percent of retail
19 load?

20 A. I am.

21 Q. All right. And as a percentage of retail load,
22 that -- those targets would have been the same as the
23 currently approved 2025 interim target ; correct?

24 A. As a percentage of retail load, yes.

25 Q. Okay. But to be clear, the order approving

1 that petition did not include PSE's proposed interim
2 targets; right?

3 A. I believe the commission declined to -- on
4 setting interim targets for 2026 and 2027.

5 Q. Okay. So PSE does not have a 2026 interim
6 target that the company is required by commission order
7 to meet; correct?

8 A. Correct.

9 Q. All right. So based on what PSE proposed in
10 the work plan that was filed five months ago, at least
11 at that time, PSE was assuming that the company's
12 interim targets would basically be flat between 2025 and
13 2027; correct?

14 A. I think I would not answer it that way. I
15 think I would say we presume that load growth will
16 continue significantly and -- on the electric side --
17 excuse me -- and that even holding the same percentage
18 target produces a much larger obligation to procure
19 renewal and non-emitting resources in the future.

20 We proposed to hold that target because part of
21 what 1589 suggests is that, for the commission to
22 approve the interim work plan, we need to show, quote,
23 reasonable progress, unquote.

24 Given what we knew then, it seemed reasonable
25 to rely on the RFP that we had out and to hold those

1 targets constant for the future years.

2 What we know now is that those targets would
3 not be reasonable for 2026 and 2027, absent a
4 significant change to the weather. Right? If we
5 returned to even normal hydro and if we returned to the
6 low growth that we forecasted in 2021, we would hit the
7 63 percent target in 2025.

8 Q. Okay. So interim targets are a percentage of
9 retail load that are fulfilled with renewable and
10 non-emitting energy; correct?

11 A. For the purposes of this, yes, there are some
12 other interim targets required by CETA for distributed
13 resources and things like that, but I think for what
14 you're asking is about the percentage of retail load.

15 Q. Okay. Those are usually talked about as
16 specific targets; correct?

17 A. I will -- I don't know how you would want to
18 characterize those, given those are in the commission's
19 order. If you'd like me to go back and reread the
20 commission's order while we're here, I'm happy to do
21 that.

22 Q. Well, I'll just -- so -- ask my next question.

23 Interim targets are the primary way in which
24 CETA evaluates progress on the clean energy transition?

25 A. I totally disagree.

1 Q. Okay.

2 A. CETA requirements are in statute.

3 Q. Okay.

4 A. 2025 to remove coal; 2030 to be 80 percent
5 clean and non-emitting; 2045 to be 100 percent clean and
6 non-emitting.

7 Q. So your position is that interim targets are
8 not the primary way that CETA evaluates the progress on
9 the clean energy transition?

10 A. Yep.

11 Q. Okay. So as you mentioned previously, you are
12 aware that, on September 27th of this year, PSE filed a
13 petition to amend its 2024 and 2025 interim targets;
14 correct?

15 A. Yes.

16 Q. All right. And in that petition, PSE is asking
17 to lower its 2025 interim target from 63 percent to
18 48 percent; is that right?

19 A. Yes.

20 Q. All right. And PSE's rebuttal testimony was
21 filed on September 18th.

22 So this petition was filed a week and a half
23 after your rebuttal testimony was filed; correct?

24 A. Yes.

25 Q. Okay. So at the time that you were writing

1 your rebuttal testimony, were you aware that this
2 petition was -- that PSE was going to file this
3 petition?

4 A. That's a great question, and I wish I could
5 give you a very confident answer. I don't know that we
6 had decided either to file or to file with the thing
7 that we filed by the time we were due to file the
8 rebuttal testimony.

9 Q. Okay. So going back to your testimony, again,
10 you talk about the currently required pace.

11 What does that mean to you now, in terms of the
12 interim targets for '25 and '26, the years that this
13 rate plan covers?

14 A. The currently required pace, to be very clear,
15 is a reference to the statutory requirements to hit 2025
16 and have no coal in the rates, to hit 2030 and have
17 80 percent renewal, and to hit 2045 and be 100 percent
18 clean and non-emitting.

19 If we are to be on target, particularly for
20 that 2030 target, we will need the kind of relief and
21 tools that the legislature has granted the commission to
22 be employed so that we can achieve those goals.

23 It is a little -- what's the word I'm looking
24 for? I'll stop. I will not opine.

25 Q. All right. So, again, on Lines 9 through 11,

1 you say, "If the funding for the clean energy transition
2 is not authorized in rate proceedings, PSE's ability to
3 move forward with the clean energy transition will
4 necessarily be impaired."

5 So is PSE claiming that, if it does receive the
6 funding that it's asking for in this case, then it would
7 be sufficient to achieve at least the portion of the
8 clean energy transition for 2025 and 2026?

9 A. I think that the funding that we required is
10 necessary but not sufficient for us to achieve those
11 targets. If the commission does not act on the petition
12 we have in front of them on Thursday and we remain with
13 a 63 percent interim target for 2025, we will presume
14 that the commission has chosen to balance the public
15 interest and weigh those factors around cost and achieve
16 enough interim targets and reliability in such a way as
17 to have approved a budget that's in the petition for
18 those expenses.

19 If the commission decides on Thursday or
20 afterwards to reduce those targets consistent with the
21 petition that we made, we think we can hit the 2025
22 target, assuming, again, not the worst hydro conditions
23 in the world, right, that assumes marginally terrible
24 hydro conditions. But as history will tell us, there's
25 always room for more to come that way.

1 If you're asking about the 2030 obligations,
2 this rate case and the one that follows will be
3 dispositive as to whether there are the resources to hit
4 the 2030 targets. They will not be dispositive as to
5 whether we can do it.

6 There are things beyond our control that will
7 influence whether indeed these resources are available,
8 whether they can be interconnected to the transmission
9 system.

10 I know all of us have been watching the vinyl
11 process with some dismay about that, whether they --
12 whether we can permit and site these things fast enough
13 to get them online. Right?

14 Those of you who are watching saw that we have
15 a decision on a project that is not a Puget project but
16 is at scale project but took three years to come through
17 the permitting and siting process.

18 It will be very challenging to hit 2030 if all
19 the projects are on that pace. Do we need this to get
20 there? We 100 percent do. Does it guarantee that we
21 will? It does not.

22 Q. Okay. So I think what I'm hearing is that
23 there is a lot of uncertainty, and you can't necessarily
24 provide the commissioners with any sort of promises
25 about what you would be label to achieve in 2025 and

1 2026 even if they were to grant you the PSE's proposed
2 adjustments?

3 A. I wouldn't say it that way at all.

4 Q. Okay. So can you clarify that? Because I
5 think what I heard in your previous answer was that
6 there's a lot of uncertainty and you don't know exactly
7 when these assets would be available and would be, you
8 know, helping increase the proportion of energy that's
9 served with renewable and non-emitting.

10 MS. CARSON: Objection. Asked and answered.
11 The witness gave his answer to the original question,
12 and now you're asking him to re-answer.

13 MR. CALLAGHAN: Your Honor, I don't think I
14 am. I think I'm just asking for clarification about
15 what his position is because it sounded like he was
16 giving a different answer.

17 JUDGE BROWN: Try rephrasing so there's no
18 question.

19 Q. (By Mr. Callaghan) So, Mr. Steuerwalt, in your
20 rebuttal testimony, you're arguing that the benefit of
21 approving PSE's proposed adjustments is that you will be
22 able to -- you will be able to move forward with the
23 clean energy transition at the currently required pace;
24 correct?

25 A. I'm arguing that, as well as all of the other

1 functions that the utility must provide.

2 Q. Okay. So my question is, you know, given PSE's
3 petition and given that there's no 2026 interim target,
4 what is PSE's vision for what's a reasonable target to
5 hit if it was able to get all of its adjustments
6 approved?

7 A. For 2025, a reasonable target is 48 percent,
8 which is in our petition. That target is selected both
9 because it represents what we think is possible in the
10 coming year in light of the hydro conditions and the
11 large increases in load and what appropriately balances
12 the impact in the short term to customers.

13 The only resources that are available for 2025
14 for which we have not already contracted and are not in
15 this case are short-term market purchases. Those
16 short-term market purchases do not advance the
17 objectives of CETA to produce a longer term set of
18 resources that are new and additional to the region that
19 provide renewable and clean energy benefits.

20 That money would be better invested in coming
21 years in new and additional resources. That's what the
22 company will do if the commission on Thursday grants the
23 petition.

24 If the commission chooses to find a different
25 balance of the public interest and weighs fidelity to

1 the existing interim targets over those short-term rate
2 impacts, that's the commission's discretion. Right?

3 We think that the right balance is to not incur
4 those short-term costs because they do not produce
5 longer term benefits towards the 2030 target.

6 And, again, my -- our position is that the 2030
7 targets are the statutory requirements. Those are the
8 targets that we should be on pace to achieve.

9 Q. Thank you.

10 So you're hitting on a point that I wanted to
11 ask you about here. So can you describe for me how PSE
12 would use the funding during this rate plan to move
13 forward with the clean energy transition?

14 A. You're asking me if the commission were to take
15 in our case in total --

16 Q. Yes.

17 A. -- and just say, "Great. Go forth and do this
18 stuff"?

19 Q. Yes.

20 A. I would say most of the resources are for
21 running the utility. Right? It's for providing safe
22 and affordable and reliable electric and natural gas
23 service. Some of the resources are for the clean energy
24 transitioning.

25 So the tracker that we have proposed for clean

1 CETA-compliant generation resources would allow us to
2 put CWIP and rate base for Beaver Creek for a short
3 period of time as between when this case might get
4 decided and rates would be effective and when Beaver
5 Creek would come online.

6 It would also allow us, to be clear, to have
7 that tool available for future renewable resources such
8 as things like Appaloosa Solar, which will be coming in
9 a future case, and as Witness Martin talks about, allows
10 us to have the opportunity to find those new resources
11 and finance them in a way that means that they will be
12 possible.

13 Q. Okay. So other PSE witnesses talk about these
14 set of adjustments that -- in terms of its ability to
15 help improve cash flow; right?

16 A. Yes.

17 Q. And so this improvement is PSE's intention
18 there to -- that it would help the clean energy
19 transition in the sense that PSE would be able to get
20 financing for future projects on more favorable terms
21 than it otherwise would have?

22 A. I think, by the very framing of your question,
23 you might ask it of Ms. Martin or Ms. Peterman.

24 Q. Okay. So is the -- just to be clear, the
25 intention that PSE has is, it's not -- you're not asking

1 that the funding is going -- you're not saying that you
2 intend the funding to directly -- to use that money to
3 directly invest in future clean energy projects, are
4 you?

5 A. I don't think I understand your question. Are
6 you assuming that some money is available for some
7 things but not for others, or are you -- like, I'm
8 assuming that we will get a set of money and we will run
9 the utility.

10 Q. Okay. So the -- you talk about the benefits of
11 the funding, and it seems like the reason that the
12 funding is necessary is to be able to -- to obtain
13 financing on more favorable terms. Is that accurate?

14 A. I think you should talk to Ms. Martin.

15 MR. CALLAGHAN: Okay. All right. Nothing
16 further, Your Honor.

17 JUDGE BROWN: Thank you. Any redirect?

18 MS. CARSON: No, Your Honor.

19 JUDGE BROWN: Questions from the bench?

20 EXAMINATION

21 BY COMMISSIONER RENDAHL:

22 Q. Good morning, Mr. Steuerwalt.

23 A. Morning, Commissioner Rendahl.

24 Q. I just have one question for you and that is,
25 in your rebuttal testimony, the document we've been

1 looking at, which is Exhibit MS-4T, if you look at
2 Page 19 --

3 A. I am with you.

4 Q. On that page, you argue that a general rate
5 proceeding is not the appropriate venue for instituting
6 policy for how and why trackers should be employed by
7 the commission.

8 Do you see that?

9 A. I do.

10 Q. So if this isn't the appropriate venue for
11 considering how and why trackers should be employed, why
12 is a general rate proceeding the appropriate venue for
13 establishing trackers?

14 A. I will -- I think you can establish a
15 utility-specific tracker in any general rate proceeding,
16 Commissioner. I think the thing that I'm referring to
17 is a commission staff proposal to set policy, which
18 appears to be applying to every tracker, including those
19 of companies who are not in this room.

20 So the framing is really, if you want to have
21 that kind of a policy conversation, by all means, let's
22 have that kind of a policy conversation, and let's make
23 sure that we are equitably including all the parties who
24 might have something of interest.

25 For our particular trackers, I think you can

1 decide on the merits of the record in front of you as to
2 whether you think each of them is appropriate for our
3 company.

4 COMMISSIONER RENDAHL: Thank you. I have no
5 further questions.

6 JUDGE BROWN: Anything --

7 EXAMINATION

8 BY COMMISSIONER DOUMIT:

9 Q. Thank you, Mr. Steuerwalt. Fascinated by the
10 exchange between you and counsel. And I think we're
11 getting down to a really important point here.

12 And let me just ask on -- hypothetically, if
13 the 48 percent amendment to the 2025 CEIP target was
14 approved, would you feel comfortable, as an objective
15 judge, that PSE would be on track to make it its 2030
16 goal?

17 A. I would, I think, Commissioner Doumit. We are
18 not going to relent in the efforts to achieve the
19 statutory target. Right? We think this statutory
20 target to be a given at this point.

21 We have the initial results of the 2024 RFP
22 just coming back. I have not seen them. Our resource
23 procurement people are -- what's the right word? --
24 "excited" might be too strong a word, but heartened by
25 the volume of responses in there.

1 Now, as you all are aware, moving from that
2 stage of "Here is a pile of good ideas" to "Here are
3 projects that can actually be sited, built, and
4 connected in time" is a journey.

5 But I don't view your decision on Thursday
6 about the interim targets as having anything to do with
7 our commitment to the longer term statutory destination.

8 Q. One more question. When you were here
9 previously -- not you, but your representatives --
10 company's representatives to ask for a reduction in the
11 2025 target, I don't remember exactly what it was, but
12 it wasn't 48 percent, so something less than that, so if
13 we -- I'm going to ask you: If we waited another month,
14 would that -- would that number continue to decline?

15 A. If we waited another month --

16 Q. In other words, so do you know what I'm saying?
17 You came in with one number --

18 A. Right.

19 Q. -- not that long ago. You came -- now you came
20 in with another number. The trajectory is downward, you
21 know, significantly.

22 Would it continue to go downward if we
23 waited -- if you came in -- you know, sought to amend in
24 another month, I guess is what I'm asking,
25 hypothetically?

1 A. Great question. I think the twenty-twenty --
2 obviously the 2024 target, if we waited another month,
3 there will be no other month to wait. Right?

4 For 2025, the target that we have proposed for
5 Thursday's consideration is based on the current hydro
6 we're seeing. Right? So we've had two years of
7 significantly below average hydro. We had average hydro
8 built into the initial 2021 targets.

9 I don't know that we will know more in the next
10 month about the 2025 water year, although we might take
11 some heart from today. I don't think that it goes down
12 from there.

13 What I think is challenging is that options to
14 close the gap get more challenging the longer we wait.
15 That is, as we get into 2025, we lose the ability to do
16 certain kinds of transactions to achieve the existing
17 target.

18 So if the commission does not answer
19 expeditiously one way or the other, right, we will be
20 with fewer and fewer tools to achieve whatever the
21 target is.

22 Q. Fewer tools and probably a greater expense the
23 longer that we -- this waits as well; is that right?

24 A. Correct.

25 COMMISSIONER DOUMIT: All right. Nothing

1 further from me. Thank you.

2 COMMISSIONER RENDAHL: I have one
3 additional. Sorry. You're still on the hook.

4 THE WITNESS: I could spend all day with
5 you.

6 EXAMINATION

7 BY COMMISSIONER RENDAHL:

8 Q. Okay. I just want to follow up here a bit on
9 this issue about the short-term CETA contracts.

10 In your testimony you state that that -- that
11 the spending on those short-term contracts is not going
12 to benefit the clean energy transition and would be
13 better spent pursuing CETA's goals.

14 Is that a correct summary of your testimony?

15 A. Yes.

16 Q. Okay. So this issue was raised by AWEC in
17 their response testimony, but the company didn't file a
18 rebuttal except in the context of what you said in your
19 rebuttal testimony; correct?

20 A. I'm not familiar with what AWEC raised,
21 Commissioner. I'm sorry.

22 Q. Okay. Well --

23 A. But I will -- you, I will trust.

24 Q. Beyond that, putting that aside, so the company
25 currently has short-term CETA contracts that it has

1 entered into; correct?

2 A. Yes.

3 Q. So if those don't advance CETA goals and the
4 company is proposing to spend funds on those, can you
5 explain that?

6 A. Sure. Let me take a shot at that.

7 Those advance compliance with your orders. We
8 are a compliance-driven organization, so to the extent
9 that you order us to achieve something, we will go out
10 and do our very best to do that.

11 The short-term resources that are available to
12 us in the market for 2025 are all likely to be existing
13 non-emitting resources. So in that way, they don't
14 advance the policy objective of CETA, which was, let's
15 decarbonize the grid because we're not adding new
16 resources to the grid. They would advance compliance
17 with your order.

18 Some of them also carry capacity benefits, and
19 those are independently valuable and worth pursuing, and
20 we do have an independent capacity need particularly as
21 we comply with the 2025 statutory requirement to be out
22 of coal, which knocks about a 750 megawatt base load
23 resource set of resources -- excuse me -- out of our
24 portfolio at the end of next year.

25 So there are a bunch of reasons to do those

1 transactions. One of them, I submit, is not to get us
2 to the 2030 target because, by definition, those will
3 not be the resources we use for 2030. They would
4 100 percent be the resources we would use towards
5 complying with the interim target that you have -- you
6 have approved for us.

7 Does that help?

8 Q. Yes, it does. And then the funding for that is
9 the same funding we're talking about and the funding you
10 talked about with counsel for staff?

11 A. I think the funding for that -- the way I would
12 think about it is, we are going to be collectively, you
13 and us, asking the customers to make investments towards
14 this policy objective, right, because we have decided
15 collectively that the public interest includes not only
16 safe and reliable but environmentally preferred and
17 equitable.

18 If we spend the \$200 million next year on those
19 short-term resources, there will be rate impacts of just
20 that \$200 million that is not captured in this
21 proceeding. Right?

22 If we are worried about the balance of impacts
23 to customers along the way on this transition, we
24 conclude that that right balance is to focus on the
25 long-term investments that are encapsulated in this

1 proceeding and not on the short-term investments that do
2 not, as I said, add towards the 2030 target.

3 But other people may draw different
4 conclusions, right, because it is a balancing of the
5 equities and the interests that, frankly, is one of the
6 delights of your job. Right?

7 COMMISSIONER RENDAHL: Thank you. That's
8 all I have.

9 JUDGE BROWN: Is there anything from the
10 company in follow-up?

11 MS. CARSON: No, Your Honor.

12 JUDGE BROWN: All right. You are excused.

13 THE WITNESS: Thank you, Your Honor.

14 JUDGE BROWN: The next witness is Ann
15 Bulkley.

16 MR. CALLAGHAN: So, Your Honor, staff has
17 actually waived its cross of Ms. Bulkley and I believe
18 so has public counsel.

19 MS. JOHANSON-KUBIN: Yes. That's correct.

20 JUDGE BROWN: All right. The next witness
21 is Todd Shipman.

22 MS. CARSON: Mr. Shipman is available via
23 Zoom.

24 JUDGE BROWN: Very good.

25 MS. CARSON: And I see him there.

1 JUDGE BROWN: I see him as well.

2 Mr. Shipman, can you raise your right hand?

3 TODD SHIPMAN, having been first duly sworn
4 testified as follows:

5 JUDGE BROWN: You may proceed.

6 DIRECT EXAMINATION

7 BY MS. CARSON:

8 Q. Mr. Shipman, your prefiled testimony and
9 exhibits have been admitted into the record, stipulated
10 into the record, so Mr. Shipman is available for
11 cross-examination.

12 JUDGE BROWN: Please.

13 MR. CALLAGHAN: Thank you, Your Honor.

14 CROSS-EXAMINATION

15 BY MR. CALLAGHAN:

16 Q. Good morning, Mr. Shipman. Can you hear me?

17 A. I can. Good morning.

18 Q. Do you have a copy of your rebuttal testimony
19 with you?

20 A. I do.

21 Q. Okay. Mr. Shipman, before I begin, my
22 questions today are not intended to elicit a response
23 that includes any confidential information.

24 So if I ask a question and you feel that, in
25 order to respond, you need to discuss anything that has

1 been designated confidential, please just let me know
2 before responding so I can ask the judge to put the
3 hearing into a closed session. Okay?

4 A. Okay.

5 Q. All right. Mr. Shipman, do you remember that,
6 about one month ago, I cross-examined you in a different
7 docket?

8 A. Yes.

9 Q. And do you recall me asking you a series of
10 fairly general questions about the relationship between
11 adjustment mechanisms and cost of capital?

12 A. Yes.

13 Q. Okay. Can you recall any answers that you gave
14 during that cross-examination that you would answer
15 differently today if I asked you the same questions?

16 A. Yes. I think there was one that comes to mind
17 that, if I would have had the opportunity and the presence
18 of mind, I would have amended my answer, I think.

19 Q. Okay. Which one was that?

20 A. It was the -- it was a line of questioning
21 revolving around -- it was the company's incentive to
22 control costs and the difference between the costs that
23 go through an adjustment mechanism and costs that are
24 recovering through base rates.

25 Q. Okay. And what would your answer to that

1 question be today?

2 A. I think not so much amending it but augmenting
3 it. I did not think at the time, but thought
4 afterwards -- I think the Germans have a term for it
5 where you hit your head after you leave the room -- that
6 I had -- if I recall, that there was slightly less
7 urgency, I think is what the term I used, to the company
8 in terms of containing costs that are passed through.

9 But one important factor that I failed to bring
10 up was the prospect of prudence reviews, and I think
11 those -- going back when I first started in this whole
12 business 40 years ago, prudence reviews of nuclear
13 plants, for instance, were a big deal.

14 And I think companies are -- even with passive
15 mechanisms are highly incented to spend money wisely
16 because there's always the possibility of the commission
17 coming in after the fact and deciding that it did not
18 behave prudently.

19 Q. Okay. Thank you.

20 So with that exception, if I asked you those
21 same questions today, in substance at least, your
22 answers would be the same?

23 MS. CARSON: I'm going to --

24 A. Yeah.

25 MS. CARSON: Yeah. I'm going to object to

1 this very broad question. He has, you know, several
2 pages of testimony in another proceeding, and this was
3 not even made a cross-exam exhibit for him. It was for
4 another witness. So I think it's too broad for him to
5 answer.

6 MR. CALLAGHAN: So, Your Honor, I'm just
7 asking Mr. Shipman based on his recollection. If he
8 doesn't recall, he can respond that way.

9 JUDGE BROWN: If it is based purely on his
10 recollection, I'll overrule the objection.

11 MR. CALLAGHAN: Thank you, Your Honor.

12 A. So since I cannot recall with specificity
13 what -- what the questions were in that other
14 proceeding, I prefer if you ask me again or something if
15 you've got a particular line of questioning, but I don't
16 think I would extend to saying I would, you know, answer
17 everything exactly the same. I just don't recall.

18 Q. (By Mr. Callaghan) Okay. Thank you.

19 Could you turn to Page 15 of your rebuttal
20 testimony and let me know when you're there.

21 A. Yes.

22 Q. All right. Beginning Line 13 of Page 15, you
23 state, quote: While the rating agencies have lauded the
24 move to multiyear rate plans, the implementation and
25 consistent execution to realize the risk-benefits are

1 more important than the initial adoption of the concept.

2 Did I read that correctly?

3 A. Yes.

4 Q. All right. What are the risk-benefits of a
5 multiyear rate plan that you mentioned here?

6 A. The multiyear rate plans, to the extent that
7 they provide the company with more information about
8 what's going to happen to their rates in future years,
9 allows them to better manage their operations, their
10 financial management, and things like that, so that it,
11 again, when it works well and is executed well, improves
12 their chances of earning their authorized return.

13 Q. All right. So in light of that, all else
14 equal, it seems like a longer rate plan three years,
15 four years would be more credit positive than a two-year
16 rate plan.

17 Would you agree?

18 A. Not as a blanket assertion. The longer you go
19 out, the more chances there are that unexpected things
20 happen, and unless the plan has reopeners or is explicit
21 about when an external factor can trigger a reopening or
22 something like that, I think -- and I don't have a
23 particular number of years in mind, but all being human,
24 our ability to forecast the future is -- is limited.

25 So that while having some path of a rate plan

1 that gives the company more information, as I said,
2 about what their rates -- what their rate levels are
3 going to be, that -- at some point it -- it's -- it -- I
4 think it goes beyond the capacity of all of us to be
5 able to have confidence that the rate plan is going to
6 work as intended.

7 Q. All right. So is your opinion then that that
8 point at which it becomes too uncertain for it to be
9 credit positive would be three or four years?

10 A. I think what I responded was, I don't have any
11 particular number of years in mind and haven't really
12 studied it to know what -- if there's an ideal number of
13 years.

14 I will say rating agencies will forecast out
15 two to three years and base their ratings on that sort
16 of a forecast. Back when I first started, in times were
17 maybe a little simpler, we used to go out five years or
18 so because utilities are a little more amenable than
19 competitor firms to being able to forecast things.

20 But, again, there's no magic number, but I
21 guess I would say, as a principle, the further out you
22 go, the more flexibility that ought to be built into the
23 plan so that unexpected exogenous events can be dealt
24 with in a fair manner.

25 Q. Okay. Thank you. Could you turn to Page 14 of

1 your rebuttal testimony and let me know when you're
2 there?

3 A. I'm there.

4 Q. All right. So starting on Page -- on Line 13
5 of this page, you state that you reviewed PSE Witness
6 Peterman's testimony which addresses various non-company
7 party recommendations; is that right?

8 A. Yes.

9 Q. All right. And on the bottom of Page 14, you
10 gave confidential opinion, and, again, I'm not asking
11 you to state what that is, but you state that that
12 opinion is based on Witness Peterman's assessment of the
13 non-company party's recommendations; correct?

14 A. The copy I have is the redacted testimony, so
15 I'm not -- because I thought that's all I would be
16 permitted to comment on, so I'm not quite sure what it
17 says there to be --

18 Q. So I'm looking at Page 14, Lines 13 through 17.

19 A. Yeah. Okay. That's unredacted. Yes.

20 Q. Okay. And here you state that you reviewed
21 Witness Peterman's assessment of the non-company party
22 decisions; correct?

23 A. Correct.

24 Q. And that informed the opinion that you give at
25 the -- starting at the bottom of Page 14; is that right?

1 A. Yes.

2 Q. Okay.

3 A. Yes.

4 Q. And you don't provide a specific citation for
5 Witness Peterman's assessment.

6 So is that -- just for clarification, are you
7 talking about the assessment that Witness Peterman gives
8 in their rebuttal testimony on Page 7?

9 A. Not sure about that.

10 MS. CARSON: Do you have that testimony -- I
11 don't know if the witness has that testimony in front of
12 him.

13 MR. CALLAGHAN: Okay.

14 Q. (By Mr. Callaghan) Do you recall that
15 Witness Peterman had a table that summarized the
16 non-company parties' positions on various adjustments?

17 A. Yes. That, I recall.

18 Q. Okay. And so in your testimony here, that's
19 what you're referring to when you talk about
20 Witness Peterman's assessment of the non-company party
21 positions?

22 A. It sounds that way, yes.

23 Q. Okay. So do you recall whether or not that
24 assessment is based on whether each non-company prevails
25 100 percent on their proposed adjustments in that list?

1 A. I don't recall whether that's what it says.

2 MR. CALLAGHAN: Okay. Nothing further.

3 Thank you, Your Honor.

4 JUDGE BROWN: Any redirect?

5 MS. CARSON: No, Your Honor.

6 JUDGE BROWN: And nothing from the bench?

7 All right. Mr. Shipman, you are excused.

8 THE WITNESS: Thank you.

9 JUDGE BROWN: At this time we want to take a
10 ten-minute break. So we will reconvene at 11:20. We're
11 off the record.

12 (Recess from 11:08 a.m. to 11:20 a.m.)

13 (Commissioner Rendahl not present.)

14 JUDGE BROWN: All right. Let's be back on
15 the record. For those in the back, thank you.

16 And we're back on the record. And the next
17 witness is Theresa, or Theresa, Huizi.

18 MS. CARSON: Yes.

19 MS. HUIZI: Here, Your Honor. Good morning.

20 JUDGE BROWN: Oh, there you are. Please
21 raise your right hand.

22 THERESA HUIZI, having been first duly sworn
23 testified as follows:

24 JUDGE BROWN: All right. Proceed.

25 /////

1 DIRECT EXAMINATION

2 BY MS. CARSON:

3 Q. Ms. Huizi, please state your name and title and
4 spell your name for the court reporter.5 A. My name is Theresa Huizi. It's H-u-i-z-i. My
6 title is director of financial planning and analysis.7 Q. Ms. Huizi, your prefiled testimony and exhibits
8 have been stipulated into the record.9 MS. CARSON: So with that, Ms. Huizi is
10 available for cross-examination.

11 JUDGE BROWN: Please proceed.

12 MR. CALLAGHAN: Thank you. Your Honor,
13 before I begin, I'm noticing that Commissioner Rendahl
14 is not here in person.

15 Is she attending virtually?

16 CHAIR DANNER: I'll answer that Commissioner
17 Rendahl had to step out for another matter. She is
18 intending to come back as soon as she can, and what
19 portions she misses, she will be reviewing the
20 transcript.

21 MR. CALLAGHAN: Okay. Thank you.

22 CROSS-EXAMINATION

23 BY MR. CALLAGHAN:

24 Q. All right. Good morning, Ms. Huizi.

25 A. Good morning.

1 Q. Do you have a copy of your rebuttal testimony
2 with you?

3 A. I do.

4 Q. All right. Can you turn to Page 2. Here you
5 adopt the prefiled direct testimony of PSE witness
6 Joshua Kensok and his supporting exhibits; correct?

7 A. That is correct.

8 Q. And so you have reviewed that testimony and
9 those exhibits and are adopting them as your own; is
10 that right?

11 A. That is correct.

12 Q. All right. So in your rebuttal testimony, do
13 you contest the adjustments that staff witness McGuire
14 proposed for PSE's O&M expense?

15 A. I do.

16 Q. And is the O&M expense at issue listed as
17 Adjustments 6.22 and Adjustment 11.22 in PSE's revenue
18 requirement?

19 A. Can you point me to that, please?

20 Q. Well, do you remember what the adjustments are
21 listed as?

22 A. That Mr. McGuire proposes?

23 Q. No. The -- what they are listed as in PSE
24 revenue requirement.

25 (Commissioner Rendahl enters.)

1 A. I'm sorry. Could you point me to that? Is
2 that in my testimony?

3 MS. CARSON: Yeah. I'm going to object.
4 That would be Susan Free's testimony where she has the
5 adjustments listed. The other witnesses aren't familiar
6 with all the adjustment numbers.

7 JUDGE BROWN: Sustained.

8 Q. (By Mr. Callaghan) So, Ms. Huizi, the
9 adjustments that you are addressing, are those
10 traditional pro forma adjustments?

11 A. When you say the adjustments that I'm
12 addressing, could you please point to my testimony that
13 you're referring to?

14 Q. Well, you recall that your rebuttal testimony,
15 you contest the adjustments that staff makes to PSE's
16 proposed O&M expense; correct?

17 A. I do disagree with those adjustments that have
18 been proposed to the O&M expense.

19 Q. Okay. Thank you.

20 Now, for PSE's O&M expense, are those
21 traditional pro forma adjustments?

22 MS. CARSON: Objection. Again, this is for
23 Susan Free who would be the revenue requirement witness,
24 not for Ms. Huizi.

25 MR. CALLAGHAN: Your Honor, I'm not sure

1 what kind of objection that is, but this is -- I'm
2 just -- I need to know if she understands that they're
3 traditional pro forma or provisional pro forma.

4 JUDGE BROWN: I'll let you proceed and I'll
5 rule after.

6 Q. (By Mr. Callaghan) So, Ms. Huizi, would you
7 like me to repeat the question?

8 A. Yes, please.

9 Q. Okay. Are the O&M adjustments that PSE
10 proposes -- are they traditional pro forma adjustments
11 or are they provisional pro forma adjustments?

12 A. I'm going to have to let Ms. Susan Free answer
13 that question. That is not part of my testimony here
14 for O&M budgets.

15 Q. Okay.

16 JUDGE BROWN: Overruled.

17 MR. CALLAGHAN: Thank you.

18 Q. (By Mr. Callaghan) All right. So is PSE
19 asking that its O&M adjustment, the amounts of its O&M
20 adjustment, are subject to review and later refund?

21 A. No. Not the O&M.

22 Q. Okay. So could you turn to Page 15 of your
23 rebuttal?

24 A. I am there.

25 Q. All right. Could you review Lines 5 through 8.

1 A. (Witness peruses document.)

2 Okay.

3 Q. Here you mention that the reserve contingency
4 is less than 1 percent of the overall budget for 2025
5 and 2026; correct?

6 A. Correct.

7 Q. All right. And later on in your testimony, you
8 state that the management reserve is about 2 percent of
9 the overall budget; correct?

10 A. That's correct.

11 Q. All right. So on Pages 9 and 10 of your
12 rebuttal testimony, you define a reserve contingency,
13 don't you?

14 A. Yes.

15 Q. Now, in layman's terms, a reserve contingency
16 is money in a budget in case the actual costs are higher
17 than were estimated.

18 Is that a fair summary?

19 A. I wouldn't -- I would say it differently.

20 Q. Okay. How would you rephrase it?

21 A. A reserve contingency -- reserve contingency is
22 very specific to programs for projects. It is a bit
23 different than management reserves.

24 So reserve contingency is very specific to
25 programs for projects, and at the moment that the case

1 was filed, these are projected numbers. You can't know
2 all the detail at that time, especially when you are
3 looking at 2026.

4 So reserve contingencies are used as part of
5 our budgeting -- our internal -- budgeting internal
6 control process that is governed and allows us to
7 allocate down to the lowest level of detail over time.

8 Q. Okay. Thank you.

9 And if you could turn to Page 11 of your
10 rebuttal testimony.

11 A. Okay. I'm there.

12 Q. So here on Line 16 through 19, you state,
13 "First, it is important to recognize that the projects
14 and programs are known. However, the detailed expense
15 drivers at the WBS and cost element levels of the
16 projects or programs sometimes cannot be fully known at
17 the time the budgets are set."

18 Now, when you say that -- what do you mean when
19 you say that the projects and programs are known?

20 A. Yeah. So -- so at a high level, we understand
21 what we need to do to maintain safe reliables and
22 allowed to mitigate risks that are known, such as
23 wildfire, and also step in to and strive to meet
24 regulation CETA targets.

25 To do that, we have to understand the work that

1 needs to be done, and we have projects and programs that
2 we understand need to be done.

3 The lowest level of detail as mentioned here at
4 the WBS, the cost center, and in particular orders, you
5 don't know that at that moment in time in some cases,
6 and I can give you an example.

7 For example, we might not know in '26 -- for
8 2026 whether we're going to use internal labor or
9 external labor such as outside services.

10 So we do -- through our internal controls, we
11 do -- we allocate at the lowest level of detail that is
12 known at that time, and it is also an ongoing continuous
13 process.

14 Q. Okay. So you're not speaking to the
15 commission's regulatory standard, the known and
16 measurable standard?

17 A. What I'm speaking -- so Susan Free can speak to
18 the known and measurable standard. What I'm speaking to
19 is the O&M budget, and at the time we put together the
20 budget, we know the work that needs to be done, the
21 projects, and the programs.

22 Q. Okay. Thank you.

23 All right. Could you turn to Page 16 of your
24 rebuttal testimony? Let me know when you're there.

25 A. I'm there.

1 CHAIR DANNER: I'm sorry, Counsel. What
2 page?

3 MR. CALLAGHAN: 16.

4 Q. (By Mr. Callaghan) So you describe here
5 management reserves as part of a bottom-up corporate
6 budgeting process.

7 Is -- in other parts of your testimony, you
8 talk about a refinement process.

9 Are you talking about the same things -- the
10 same process?

11 A. They are -- they are related, mm-hm.

12 Q. Okay. So they're different processes?

13 A. The budgeting process is a large, complex
14 process.

15 Q. Okay. When you use the phrase "refinement
16 process," what are you talking about in your testimony?

17 A. Yes. Just like I mentioned a moment ago, right
18 when the budget is set and the board approves a specific
19 level, not all of the lowest level of details are known
20 at that moment in time.

21 And I'll use 2026 as a great example, right,
22 the second year of the case. So we have to fit into a
23 board-approved budget, and in doing that, that happens
24 over time.

25 When we initially file the case, we know that

1 amount -- a level of detail at that time, and then as we
2 progress, just like in any cyclical process, the budget
3 process, you get to refine that data over time.

4 And so through the budgeting internal controls,
5 management reserve is used at the corporate level to
6 provide transparency of that process.

7 Q. Okay. That's helpful.

8 So could you turn to Page 18 of your testimony
9 and let me know when you're there?

10 A. I'm there.

11 Q. All right. Starting Line 9, you state, "It is
12 not a coincidence that PSE's budget detail always
13 matches the board-approved O&M budget across various
14 versions and iteration. In fact, that is exactly what
15 is supposed to happen and clearly illustrates that,
16 while PSE continually redefines budget detail, it always
17 reconciles back to the board-approved budget"; is that
18 correct?

19 A. Absolutely. My responsibility is to ensure
20 that we're always aligned with the board-approved
21 budget.

22 Q. Okay. And on the next page, you also state,
23 "The budget detail must always equate to the
24 board-approved budget."

25 A. Yes.

1 Q. Okay. So when you say it always reconciles
2 back to the board-approved budget, does that mean that
3 the overall amount of the budget does not change as a
4 result of the refinement process you're describing in
5 your testimony?

6 A. The full budget -- that's correct -- does not
7 change as a result of continually refining down to the
8 lowest level of detail.

9 Q. Okay. So is PSE asking the commission to
10 approve its board-approved O&M budget for 2025 and 2026?

11 A. Yes.

12 Q. Okay. So, again, this refinement process, it
13 doesn't increase or decrease the overall amount of the
14 budget.

15 It just -- again, it makes more specific what
16 money is going where?

17 A. It allows us to govern the process. Right? I
18 mentioned the budgetary internal controls. The
19 management reserves at the corporate level give me
20 transparency to the process.

21 I work with over 200 cost centers that those
22 dollars have to be allocated down to the lowest level of
23 detail to allow us to report on, right, measure variance
24 on, and keep the board informed on a monthly basis
25 through reporting.

1 Q. Okay. So how does your testimony address the
2 concerns raised by Mr. McGuire then?

3 MS. CARSON: Objection. Vague. Mr. McGuire
4 had quite a lot of testimony. It's not clear what
5 concerns we're talking about.

6 JUDGE BROWN: Please narrow your question.

7 Q. (By Mr. Callaghan) All right. How does your
8 testimony address the concerns raised by Mr. McGuire
9 related to the company's proposed pro forma O&M expense?

10 A. Well, with all due respect, I would -- I would
11 state that I don't believe his concerns are valid.
12 Right? If we could focus on Table 1, I can -- and I can
13 speak to why I don't believe they're valid.

14 I feel like Mr. McGuire has picked up very
15 specific Line Item 2 in Figure 1, which are positive
16 numbers. Right? They're not taking into consideration
17 the full amount of management reserve.

18 And as I mentioned in my statement previously,
19 right, this is an ongoing process that's heavily
20 controlled and governed, and the -- the -- if I can just
21 point to in '25, Table 1 in 2025, Column D, Line 8, is
22 where we started in the filing.

23 And after a year, right, that's old data. And
24 after a year, we have reduced that, allocated those
25 dollars down to the lowest level of details. And so for

1 2025, it is barely over \$1 million. That is less than
2 .13 percent of our overall ask of 2025.

3 Q. Right. But what you've --

4 COMMISSIONER RENDAHL: Excuse me. Are you
5 referring to Table 1? Can you point to the exhibit or
6 specifically what you're referring to in Table 1?

7 MS. CARSON: It's on Page 22 of her
8 testimony, Table 1.

9 Q. (By Mr. Callaghan) So -- but, Ms. Huizi, what
10 you've told me already is this refinement process in
11 which the management reserve and reserve contingency get
12 allocated to more specific projects, it can't possibly
13 change the overall O&M; right?

14 A. It does not change our ask, no. It's
15 refinement. As we know more information, we refine it
16 down to the lowest level of detail. And Table 1 shows
17 what -- what took place over -- over a year.

18 Q. Okay. So this refinement process, it's not
19 about, you know, you couldn't find out later on that
20 certain costs are actually lower than you expected, and
21 there's no process where you would go back to the board
22 and say, "Actually, we think we need to lower overall
23 O&M budget"?

24 A. Actually, our budgeting process, on a monthly
25 basis, we report, at a very granular amount of detail,

1 specific financial metrics to the board over and under
2 and in relation to O&M. So we are monthly reporting
3 back to the board on our performance.

4 Q. Okay. But you've said in your testimony that
5 it always equates to the board-approved budget; right?

6 A. The total amount of O&M that we are asking for
7 in this case is the budget that the board approved.

8 Q. Okay. And the refinement process that you and
9 your team goes through does not change that request?

10 A. It does not change the overall request. That
11 is correct.

12 Q. Okay. And it couldn't possibly change that
13 overall request; right?

14 A. I -- I don't understand that question.

15 Q. Well, you say that it -- the budget detail
16 always reconciles back to the board-approved budget;
17 right?

18 A. Correct.

19 Q. Okay. So the process that you're talking about
20 in your testimony doesn't change the overall amount that
21 PSE is asking for, higher or lower?

22 A. That is correct.

23 Q. Okay.

24 A. That is correct.

25 Q. Thank you.

1 So other than the costs related to the three
2 finance leases that Witness Free discusses, PSE is not
3 changing its request for an O&M adjustment on rebuttal;
4 is that right?

5 A. No. My request for the O&M budget -- aside
6 from Susan Free's request, my request has not changed in
7 rebuttal.

8 Q. Okay. Thank you.

9 Moving on, so your rebuttal testimony
10 criticizes staff for using outdated information. Are
11 you referring to the information that PSE provided as
12 part of its initial find?

13 A. I am -- I am referring to -- we initially filed
14 and then we provided the current data that is here in
15 Table 1, Page 22, all of the data that relates to
16 Columns C and E in my -- and a response to a data
17 request in TRH-5.

18 Q. Thank you.

19 So is PSE's position that the non-company
20 parties need to wait until, you know, the second half of
21 the rate case before they can properly review the
22 company's O&M expense adjustments?

23 A. No, not at all.

24 Q. Okay.

25 A. Not at all. What I'm referring to there is the

1 difference between Columns C and D and E and F and
2 Table 1 on Page 22 is a difference in time, a governed
3 process that allocates data down to the lowest --
4 allocates amounts down to the lowest level of detail.
5 That takes place over time.

6 We don't always know that lowest level of
7 detail at the time of filing, and so that's why I'm
8 calling the data stale at the time of filing as compared
9 to more known information that's happened after that
10 allocation is complete.

11 Q. Okay. So you're not arguing that the new
12 information that PSE provided is necessary to evaluate
13 PSE's O&M adjustment request?

14 MS. CARSON: Objection to the form of the
15 question. Vague.

16 JUDGE BROWN: Sustained.

17 Q. (By Mr. Callaghan) Ms. Huizi, are you arguing
18 that the information that PSE provided after the initial
19 filing is unnecessary for parties to evaluate the
20 company's O&M adjustment request?

21 A. Can you ask the question again, please?

22 Q. Yes. So are you arguing here that the
23 non-company parties do not need the additional
24 information you provided in order to evaluate the
25 company's O&M adjust -- expense adjustment?

1 a CEIP tracker. That tracker is moving into base rates,
2 as you mentioned, and so the reserve contingency was
3 holding dollars there until those dollars could be
4 allocated down to the lowest level of detail back into
5 how we manage base rates, moving from a tracker into
6 base rates.

7 It's part of our governed process of that
8 allocation process, and at this moment in time when I
9 filed my rebuttal, there was zero dollars that
10 allocation process had happened to that lowest level of
11 detail. So the reserve contingency is zero at the time
12 of my rebuttal.

13 COMMISSIONER DOUMIT: Thank you for that.
14 Nothing further. Thank you.

15 THE WITNESS: Thank you.

16 JUDGE BROWN: Is there anything else?

17 MS. CARSON: No, not from the company.

18 JUDGE BROWN: All right. You are dismissed.

19 THE WITNESS: Thank you.

20 JUDGE BROWN: Thank you.

21 THE WITNESS: Thank you, Your Honor.

22 MR. HASSELMAN: Your Honor, before we get to
23 the next witness, a quick procedural matter.

24 JUDGE BROWN: Yes.

25 MR. HASSELMAN: I'm hearing from folks

1 online that while it's nice to see all the lawyers and
2 commissioners and judges, they can't see the witness.

3 We can make a laptop available for video for
4 our witnesses. I'm wondering if other folks can make a
5 laptop available so folks online can see witnesses when
6 they're giving testimony.

7 MS. CARSON: We'll work on that, if we have
8 a minute.

9 COMMISSIONER RENDAHL: While we're taking a
10 minute, I just want to say, I apologize for having to
11 leave the room for a brief moment. I'm glad I didn't
12 miss too much, so thank you. I'll refer to the
13 transcript.

14 JUDGE BROWN: We encourage the parties to
15 make laptops available for their witnesses when they
16 testify. Unfortunately, we don't have that capability
17 right now.

18 COMMISSIONER RENDAHL: Should we go off the
19 record while we figure this out?

20 JUDGE BROWN: We're off the record right
21 now.

22 (Pause in the proceedings.)

23 JUDGE BROWN: All right. We're back on the
24 record. And I take it you're Jamie Martin?

25 MS. MARTIN: That's correct.

1 JUDGE BROWN: Very good. Please raise your
2 right hand.

3 JAMIE MARTIN, having been first duly sworn
4 testified as follows:

5 JUDGE BROWN: You may proceed.

6 DIRECT EXAMINATION

7 BY MS. CARSON:

8 Q. Ms. Martin, please state your name and title
9 and spell your name for the court reporter.

10 A. My name is Jamie Martin, J-a-m-i-e,
11 M-a-r-t-i-n. And my title is senior vice president and
12 chief financial officer for PSE.

13 Q. Ms. Martin, your prefiled direct testimony and
14 exhibits have been stipulated and admitted into the
15 record.

16 MS. CARSON: Ms. Martin is available for
17 cross-examination.

18 JUDGE BROWN: Proceed.

19 MR. CALLAGHAN: Thank you, Your Honor.

20 CROSS-EXAMINATION

21 BY MR. CALLAGHAN:

22 Q. Good morning, Ms. Martin.

23 Do you have a copy of your rebuttal testimony
24 with you?

25 A. I do.

1 Q. All right. And you adopt the prefiled
2 testimony and exhibits of PSE Witness Daniel Doyle as
3 your own; correct?

4 A. That's correct.

5 Q. All right. And you've reviewed Mr. Doyle's
6 testimony and can speak to that testimony today; is that
7 right?

8 A. That's right.

9 Q. So could you turn to Page 7 of your rebuttal
10 testimony and let me know when you're there.

11 A. I'm there.

12 COMMISSIONER DOUMIT: And this is a
13 confidential exhibit; is that correct?

14 MR. CALLAGHAN: That's correct, Your Honor.

15 Q. (By Mr. Callaghan) So on Lines 10 through 12,
16 you state, First the existence of multiyear rate plans
17 is not risk reducing in and of itself as public counsel
18 Ms. Woolridge and staff witness Parcell claim. What
19 matters most is how multiyear rate plans are implemented
20 in practice.

21 Is that accurate?

22 A. That's accurate.

23 Q. All right. And in this case, PSE is asking for
24 a two-year multiyear rate plan; correct?

25 A. That's correct.

1 Q. Now, to state the obvious, that's the minimum
2 amount of time that one can propose for a multiyear rate
3 plan; correct?

4 A. In all transparency, I'm not familiar with the
5 specifics of the requirements of the MYRP process.

6 Q. Okay. Could you go to the top of Page 8 of
7 your rebuttal testimony?

8 A. I'm there.

9 Q. All right. And this is Lines 6 through 8. You
10 state, "The mere passage of recent legislation which
11 further elaborates on the use of construction work in
12 progress and rate base, accelerated gas depreciation,
13 and return on PPAs does not in and of itself produce any
14 risk-reducing attributes."

15 Did I read that correctly?

16 JUDGE BROWN: Counsel, I just want to
17 confirm. Are we dealing with any confidential
18 information at this time?

19 MR. CALLAGHAN: No, Your Honor.

20 JUDGE BROWN: All right. Please proceed.

21 Q. (By Mr. Callaghan) So did I read that passage,
22 Page 8, Line 6 through 8, correctly?

23 A. You did.

24 Q. All right. So when you mention the accelerated
25 gas depreciation, what recent legislation are you

1 referring to here?

2 A. I believe there were pieces of legislation
3 passed that allowed or referenced the consideration of
4 accelerated gas depreciation as a tool as part of the
5 clean energy transition process.

6 The specific reference -- I can't give you the
7 specific piece of legislation.

8 Q. Would you accept, subject to check, that that
9 would be 1589?

10 MS. CARSON: Well, I object to that use of
11 "subject to check." It's not for calculations of
12 numbers as the WAC requires, but I think we can confirm
13 that that's correct. It's 1589.

14 JUDGE BROWN: I'll sustain the objection.

15 However, with regard to confirming that
16 statute, is that a question you can answer right now?

17 THE WITNESS: I can now.

18 JUDGE BROWN: All right. Proceed.

19 Q. (By Mr. Callaghan) All right. So when you --
20 in your question -- going back to Page 8 of your
21 rebuttal testimony, so you have a question on Lines 3
22 through 5, and you mention "recently passed legislation
23 addressing" and you list a number of things, including
24 accelerated gas depreciation; correct?

25 A. That's correct.

1 Q. Okay. And the recently passed legislation that
2 you're referring to specifically for accelerated gas
3 depreciation is 1589?

4 A. That's correct.

5 Q. All right. So are you familiar with the
6 portion of 1589 that addresses depreciation on the gas?

7 A. I'm aware that it is referenced. The details
8 of the language, I'm not intimately familiar with.

9 Q. Okay. So in your rebuttal testimony, Page 8,
10 Lines 9 through 10, you state, "Any risk-reducing
11 attributes related to these legislative provisions can
12 only be assessed based on how they are implemented."

13 So with respect to accelerated gas
14 depreciation, can you tell me whether or not there is a
15 lot of wiggle room in 1589's language related to gas
16 depreciation?

17 A. I think what's important about that statement
18 is, it's in the context of what the legislation,
19 including legislation with regard to accelerated gas
20 depreciation, allows for in regulatory proceedings.

21 Depreciation rates and the appropriateness of
22 them, the duration of them, sits with other witnesses in
23 this case.

24 My point in referencing this as a component of
25 recently passed legislation is that their existence, in

1 and of themselves, do not reduce risk. It is, in fact,
2 how they are implemented through the MYRP process or
3 other processes that determine the impact they have, in
4 this case, on credit health, financial health, long-term
5 financial performance.

6 Q. So your opinion is that the portion of 1589 --
7 sorry.

8 Is your opinion that the portion of 1589 that
9 addresses accelerated depreciation could be implemented
10 in a way that does not reduce PSE's risk?

11 A. Could you please repeat your question?

12 Q. Yes. So you're stating that, with respect to
13 all this newly passed legislation, that it depends on
14 how that legislation is implemented, and that may or may
15 not have any risk reduction for PSE; correct?

16 A. What the point I'm making in this component of
17 my testimony is that the implementation of a suite of
18 tools and their risk-reducing attributes or their
19 contribution to credit health are very specific.

20 And because of that, this specific framework,
21 details, accounting, treatment, et cetera, are important
22 factors in determining whether or not the
23 implementation, in fact, reduces risk, how much it
24 reduces risk, improves credit health, if at all.

25 That's the -- the thinking behind the words

1 that I wrote.

2 Q. Okay. So it sounds like you are alleging that
3 there is a way the commission could implement the
4 portion of 1589 related to accelerated depreciation that
5 would have no risk-reducing or minimal risk-reducing
6 impact for PSE?

7 A. I'm not sure I'd use the word "allege." I'm
8 just saying that the -- the implementation of any of
9 these tools and what the implementation allows for with
10 regard to the accounting treatment and cost recovery
11 are, in fact, the things that could determine whether or
12 not those items are risk reducing and improve credit
13 health.

14 Q. So could you turn to your rebuttal testimony on
15 Page 21 and let me know when you're there?

16 A. I'm on Page 21.

17 Q. All right. So what is Table 2 on this page?

18 A. So Table 2 does a number of things. So let's
19 start with the x- and y-axis for the table. At the top
20 you see various witnesses from other parties, and the
21 two rate plan years for this proceeding, 2025 and 2026,
22 that's across the top, left to right.

23 Top to bottom, the table does two things.
24 First, it corrects cost of debt and changes to ROE and
25 equity ratio that Witness Peterman covers in her

1 testimony with regard to just corrections necessary to
2 right size this calculation. That's the top third of
3 the table.

4 The middle third of the table shows the cash
5 flow impacts of various proposals, specifically CWIP and
6 rate base, accelerated gas depreciation, and O&M
7 adjustments.

8 It sums those up and shows the cash flow impact
9 of those adjustments by witness, and you can see that
10 all of those result in pretty substantial reductions to
11 cash flow in 2025 and 2026 across the three witnesses
12 covered in the table.

13 Q. And so the comparison in this table is each
14 non-company party's positions compared to if PSE got
15 all -- everything it was asking for in terms of revenue
16 requirement adjustments. Is that fair?

17 A. That's fair.

18 Q. Okay. And Columns D and E are meant to --

19 A. Sorry. Correction. It's not everything in the
20 revenue requirement ask. It's for these three items,
21 just to clarify. It's the impact for Beaver Creek CWIP,
22 accelerated gas, and O&M adjustments. There are other
23 aspect of the revenue requirement not covered in this
24 table.

25 Q. Okay. Thank you.

1 So Column D and E are intended to represent
2 commission staff positions; correct?

3 A. The Witness Parcell is the witness for staff,
4 so yes.

5 Q. Okay. Now, in Columns D and E, there is an
6 adjustment in the impact of accelerated depreciation
7 proposal; is that right?

8 A. That's correct.

9 Q. All right. Do you know whether or not staff
10 made an adjustment to the accelerated gas depreciation
11 proposal as part of its overall revenue requirement?

12 A. So here is how I would characterize that: I
13 think there were some contingencies attached to staff's
14 recommendation with regard to accelerated gas
15 depreciation, including the outcome of upcoming
16 initiatives that are on the November ballot.

17 And so what this table represents is kind of a
18 reflection of if those were -- contingencies were to
19 manifest, this would be the impact to cash flow based on
20 our interpretation of staff's position on accelerated
21 gas depreciation.

22 Q. So you said based on your interpretation. So
23 this table assumes that -- that staff's position -- if
24 1589 does not pass, that staff's position was
25 essentially to not allow PSE's proposed adjustment

1 related to accelerated gas depreciation, correct?

2 A. I think the correction I'd offer is, I don't
3 think what's on the ballot is 1589. I think it's a
4 different ballot measure number. I do not recall what
5 that ballot measurement number is.

6 But our interpretation, again, is based on the
7 contingencies referenced if that ballot measure were
8 to -- I don't recall if it's successful or unsuccessful,
9 but repeal the components of 1589 that it set up to
10 repeal, that our understanding of staff's position is
11 that accelerated depreciation would manifest in -- in --
12 relative to our rate case request, and this cash flow
13 may not be implemented.

14 Q. All right. Do you recall whether or not
15 staff's position was that -- essentially staff took no
16 position on this issue?

17 A. I'm sorry. Could you please repeat that?

18 Q. Yeah. Is your recollection that staff
19 essentially took no position on this issue and just gave
20 some things to consider?

21 A. I don't -- I don't recall that. I guess I
22 recall -- I recall -- I recall contingencies associated
23 with the November election results.

24 Q. Okay. Thank you.

25 Let's assume that this adjustment related to

1 accelerated gas depreciation proposal in Table 2 is an
2 error with respect to staff's positions.

3 That would have a pretty substantial -- that
4 would make a pretty substantial difference in terms of
5 the bottom-line numbers here, wouldn't it?

6 A. It would change those numbers certainly. It
7 would not detract from the conclusions I draw later in
8 this section of my testimony, which are, in fact,
9 confidential, so I won't reference them, given the ask
10 earlier.

11 Q. Thank you.

12 And so just sticking with Table 2 for now, the
13 total numbers at the bottom of Column D and E, so for
14 2025 in Column D is 142, and Column E is 152; correct?

15 A. Those are -- yes. That's correct.

16 Q. All right. But if you took out the adjustment
17 related to accelerated gas depreciation, it would be a
18 difference of 72 million in 2025 and 85 million in 2026,
19 wouldn't it?

20 A. Do you want me to do the math?

21 Q. No. I mean, would you accept, subject to
22 change, that it's at least a substantial amount?

23 A. You're directionally accurate. I'm not going
24 to check them out.

25 Q. Okay. And the bottom-line numbers in Table 2

1 are inputs for the figures in your next few pages and in
2 Figures 3 and 4 and Table 3, aren't they?

3 A. Yes.

4 MR. CALLAGHAN: Okay. All right. Nothing
5 further.

6 Thank you, Your Honor.

7 JUDGE BROWN: Any redirect?

8 MS. CARSON: No, Your Honor.

9 COMMISSIONER RENDAHL: I think JEA has cross
10 of this witness.

11 MR. DENNISON: Yes.

12 JUDGE BROWN: Yeah. Joint Environmental
13 Advocates, please proceed.

14 MR. DENNISON: Thank you, Your Honor.

15 CROSS-EXAMINATION

16 BY MR. DENNISON:

17 Q. Good -- it's afternoon now. Jim Dennison.
18 I'll be asking you some questions on behalf of the Joint
19 Environmental Advocates.

20 So first I have a few questions about PSE's
21 proposal for accelerated gas depreciation asset
22 depreciation. And just to clarify, I don't intend to
23 ask about anything confidential, so we can use the
24 redacted version of your testimony.

25 Specifically, I want to ask about the purposes

1 of this proposal for accelerated depreciation that you
2 discussed in your rebuttal testimony and its
3 relationship to the decarbonization objectives in the
4 Climate Commitment Act and House Bill 1589.

5 So you were just speaking with Mr. Callaghan
6 about 1589, and you said that this legislation provides
7 for accelerated gas depreciation to advance the clean
8 energy transition.

9 Do you recall that?

10 A. I do recall that.

11 Q. Is it fair to say that the general rationale
12 behind 1589's provisions for accelerated gas asset
13 depreciation is to align cost recovery for gas assets
14 with Washington's goals to decarbonize its gas systems?

15 A. As I shared in the prior line of questioning,
16 my familiarity with the detailed language in 1589 is
17 limited, and my purpose and my testimony is very much
18 focused on the financial implications of accelerated gas
19 depreciation and the impacts of what our depreciation
20 witness has proffered and in his testimony and what that
21 means for the financial health of PSE.

22 Q. Okay. Well, then, let me just ask you this:
23 Are you aware of any provisions in 1589 that contemplate
24 the use of accelerated gas asset depreciation to advance
25 the clean energy transition in ways other than to

1 facilitate retirement of gas assets?

2 A. Once again, my familiarity with the specific
3 language in 1589 is limited. What I'm comfortable
4 speaking to is that which is in my testimony, which is
5 for our request the impacts of our assumptions for
6 accelerated gas depreciation on the company's financial
7 performance and financial health.

8 Q. Okay. Fair enough.

9 So let's look at your testimony now. I'm
10 looking at Page 68. You can let me know when you're
11 there.

12 A. I'm here.

13 Q. Okay. So starting on Line 16, you talk about
14 how you support PSE's gas depreciation proposal because
15 it will bolster cash flows, improve credit metrics, and
16 improve PSE's overall financial integrity as it prepares
17 to meet its responsibilities under CETA; correct?

18 A. Correct.

19 Q. Now, CETA relates to decarbonization of the
20 electric system; correct?

21 A. That's my general understanding.

22 Q. Not the gas system?

23 A. Well, the context of this sentence is
24 important. So the beginning you read what gas
25 depreciation enables is that which I referenced just a

1 moment ago, which is improved credit metrics and an
2 improvement in PSE's overall financial health.

3 PSE being financially healthy is critical to
4 PSE being able to do the work that is listed in the
5 sentence that follows, which includes providing safe and
6 reliable and efficient gas and electric services and
7 simultaneously meeting our responsibilities under CETA.

8 So the connection with this sentence to gas
9 depreciation is what gas depreciation, as it's included
10 in our request, enables from an improvement in financial
11 health and an improvement in credit metrics to allow us
12 to do the work in the sentence that I just mentioned.

13 Q. Okay. And I appreciate the detail, but my
14 question was just whether CETA relates to decarbonizing
15 the gas system.

16 Is that a no?

17 A. Well, then, I think I'd have to respond by
18 saying my -- similar to 1589, my understanding as to the
19 details of exactly what CETA references is limited.

20 And so you -- it's probably best to ask other
21 PSE witnesses what CETA is responsible for and thus
22 to -- for me to continue to speak to the financial
23 implications of our request.

24 Q. Okay. Fair enough. So let's keep our focus on
25 your testimony.

1 In this sentence we've been discussing, you
2 don't mention meeting responsibilities under the Climate
3 Commitment Act as one of the things that gas asset
4 depreciation would help accomplish, do you?

5 A. I do not reference CCA in this question and
6 answer in my testimony.

7 Q. Okay. And you also don't mention 1589;
8 correct?

9 A. It's not -- I don't mention 1589.

10 Q. Okay. Could you point me to anything in PSE's
11 testimony that connects the accelerated depreciation
12 proposal to specific initiatives that would reduce the
13 dependence on gas assets?

14 A. That question is likely better directed towards
15 witnesses who are more familiar with the vast nature of
16 PSE's testimony.

17 I'm not in a position to -- I haven't read all
18 of PSE's testimony, so to point you to a specific place,
19 I'm not in a position to do. Other witnesses could.

20 Q. Okay. But as far as you're aware, is that a
21 no?

22 A. It's not a no. It's an I'm not familiar. I'm
23 very familiar with my testimony and other finance
24 witnesses' testimony. I'm not in a position to tell you
25 where or where not other things are.

1 Q. All right.

2 UNIDENTIFIED SPEAKER: So funny to watch
3 people pivot.

4 Q. (By Mr. Dennison) And I'm looking now a little
5 further down in your testimony, going on to Page 70.
6 You oppose the Joint Environmental Advocates' proposal
7 to reduce the amount of gas asset depreciation expense
8 that's recovered during this multiyear rate plan, and
9 you say that, contrary to what Witness Gehrke asserts,
10 this wouldn't have the effect of offsetting the Joint
11 Environmental Advocates' proposal to increase the budget
12 for electrification programming.

13 Is that an accurate summary?

14 A. Could you please repeat your question?

15 Q. Yeah. I'm just -- I'm looking at the place
16 where you're disagreeing with the JEA proposal, and one
17 of the things you say there I understand to be that JEA
18 is not correct, that the reduction in costs recovered
19 through depreciation expense would help to offset the
20 JEA's proposals to increase electrification programming
21 budgets.

22 I'm just kind of paraphrasing there, but does
23 that sound accurate?

24 A. There are two points that I offer. The first
25 is that there's no proposal to reallocate a portion of

1 the recommendation to fund those programs.

2 And I make a second point that, if a proposal
3 were accepted, PSE would need to defund some other
4 activity to implement the recommendation, due to the
5 cash flow diversion that would result from the proposal.

6 Q. Okay. Yeah. That's what I'm looking at.

7 My question to you is, just from a customer's
8 perspective, when they open up their bills, isn't it
9 true that a reduction in the depreciation costs during
10 this multiyear rate plan would tend to offset an
11 increase in electrification program costs that are being
12 recovered through the decarbonization rate adjustment?

13 A. Please repeat your question. I'm not following
14 all the moving parts of it.

15 Q. Sure. And we can take it step-by-step.

16 So the JEA's proposal would decrease the
17 depreciation expense that's recovered during this rate
18 plan; correct?

19 A. Yes.

20 Q. Right. And that would tend to reduce
21 customers' bills, all else being equal; correct?

22 A. Relative to the ask.

23 Q. Okay. And the JEA's proposal to expand the
24 electrification program budget, that would tend increase
25 the cost being recovered through this plan; correct?

1 A. Yes.

2 Q. Okay. And my question is just, again, from the
3 customers' perspective, those two things are pointing in
4 opposite directions. They'll tend to cancel each other
5 out to some degree on the customers' bills.

6 A. All else is not equal, and so there will be
7 other factors in that example where -- that customer
8 bills could be adversely affected over the long term,
9 but if your specific question is, could they offset each
10 other, they could, but the cash would have to come from
11 somewhere.

12 And customer bill impacts for activities that
13 are O&M in nature tend to have a more immediate impact
14 than the way depreciation costs are spread over time,
15 and so I'm not comfortable saying that they fully offset
16 each other because the details in this case in terms of
17 the nature of the cost capital versus O&M and the timing
18 of the spread of depreciation costs over the life --
19 remaining life of gas assets are, in fact, the factors
20 that go into determining the impact on the customer
21 bill. And depending on those factors, they may or may
22 not offset the details.

23 Q. Okay. And I'd like to just briefly turn to
24 your response to Witness Cebulko's proposal to lower the
25 ROE for growth-related gas capital investments. And

1 that's starting at Page 28 of your rebuttal testimony.

2 So you state that you oppose this proposal
3 because PSE has an obligation to serving gas customer
4 growth; correct?

5 A. PSE absolutely has an obligation to serve gas
6 customer growth.

7 Q. PSE can provide support for voluntary
8 electrification of new construction without refusing to
9 provide gas service, can't it?

10 A. I think the important point here is, if a
11 customer wishes gas service, PSE is obligated to provide
12 it.

13 Q. I don't think I heard an answer to my question.
14 Can PSE provide support for voluntary
15 electrification?

16 A. I'm unsure.

17 Q. Okay. Are you familiar with the fact that PSE
18 has proposed to continue its performance incentive
19 mechanism for demand response in this rate plan?

20 A. I'm not familiar with the details of that, no.

21 Q. At a high level, are you aware of the proposal?

22 A. Not in detail, no.

23 Q. Okay. Fair enough.

24 In this portion of your rebuttal, you also
25 state that, if the commission approves Witness Cebulko's

1 proposal to lower the ROE for growth-related capital --
2 gas capital investments, then it should allow a higher
3 ROE for clean energy resources; right?

4 A. It's a component of my answer to the first
5 question in this section.

6 Q. Okay. And in your testimony, you don't discuss
7 Witness Cebulko's proposed performance incentive for
8 meeting customer electrification charges, do you?

9 A. I don't directly address that, no.

10 Q. Are you aware that Witness Cebulko cites this
11 proposed performance incentive as one reason why a
12 higher ROE for clean energy resources is unnecessary?

13 A. I'm not. What concerns me most about this is
14 the lower ROE for investments that PSE is obligated to
15 make under its requirement to serve customers.

16 Q. Okay. And you only address that that lower ROE
17 not Cebulko's proposal for the performance incentive;
18 right?

19 A. That is not a component of my testimony.

20 MR. DENNISON: Okay. That's all my
21 questions. Thank you.

22 JUDGE BROWN: Any redirect?

23 MS. CARSON: No, Your Honor.

24 ////

25 ////

EXAMINATION

1
2 BY COMMISSIONER DOUMIT:

3 Q. Thank you, Ms. Martin. Just a few questions on
4 trackers -- on the clean generation resource tracker.

5 In your testimony -- additional testimony
6 JLM-1CTR at Page 62, Line 9 through 63, at Line 13, and,
7 paraphrasing, you claim that case-by-case approval of
8 CWIP, construction work in progress, and rate base would
9 significantly alter PSE's evaluation of potential
10 projects.

11 If the commission declines to adopt PSE's
12 proposal for CWIP and the rate base, for all CGR tracker
13 resources, does PSE still support the adoption of a CGR
14 tracker?

15 A. I'm sorry, Commissioner. Could you repeat the
16 first part of your question?

17 Q. Sure. Sure. You claim that, on a
18 case-by-case, approval of CWIP and the rate base would
19 significantly alter PSE's evaluation of potential
20 projects.

21 So far you're following? That's --

22 A. Can you give me the line reference again? I
23 apologize.

24 Q. Yeah. Yeah. It's Page 62, Line 9, through 63,
25 Line 13.

1 A. I think the issue is, I have -- I have the
2 confidential version and you might have the
3 nonconfidential.

4 Q. Okay.

5 A. Is that -- let me just find the --

6 MS. CARSON: Do you have the revised version
7 of that?

8 THE WITNESS: Do I have it? Could I borrow
9 my counsel's?

10 COMMISSIONER DOUMIT: Yeah. Please take
11 your time.

12 THE WITNESS: I'm just going to listen
13 really carefully to what you said again and not --

14 Q. (By Commissioner Doumit) Okay. Great. And
15 I'm slightly paraphrasing your testimony, but I think
16 it's accurate.

17 In your initial testimony at Page 62, Line 9,
18 through 63, at 13, you claim that case-by-case approval
19 of CWIP and rate base would significantly alter PSE's
20 evaluation of potential projects.

21 So far so good?

22 A. Yeah. I'm with you.

23 Q. Here is the question: If the commission
24 declines to adopt PSE's proposal for CWIP and rate base,
25 for all CGR tracker resources, does PSE still support

1 the adoption of a CGR tracker?

2 A. Yes, I believe that we do.

3 Q. Okay. Thanks.

4 Next question: What benefits remain for
5 customers and the company if the commission does not
6 grant CWIP and rate base for all CGR tracker resources?

7 In other words -- do you understand the
8 question? You think the tracker should remain even
9 without -- what benefits would there be in that case?

10 A. Well, then, I think the case -- I guess I
11 understood your question to suggest that perhaps the
12 tracker would still be applicable for the Beaver Creek
13 project that is proposed here in this rate case, and so
14 I do think there are customer benefits to the CWIP and
15 rate base for Beaver Creek.

16 Q. Right. I'm saying, if we didn't approve the
17 CWIP and rate base, then is the tracker still relevant?

18 A. Commissioner, I think the best person to answer
19 that question is the witness for that tracker. I'm --

20 Q. All right.

21 A. I'll stop there.

22 Q. Okay. Yeah. Probably the last question would
23 be -- fall in the same category, so I'll wait for --

24 A. I think that's Witness Free.

25 COMMISSIONER DOUMIT: Okay. Thank you very

1 much. Thanks.

2 JUDGE BROWN: Anything further?

3 All right. You are dismissed.

4 And at this time we're going to break for
5 lunch. So we will reconvene at 1:30. We're off the
6 record.

7 (Recess from 12:33 p.m. to 1:33 p.m.)

8 JUDGE HUGHES: All right. It is 1:33. Let
9 us be back on the record.

10 All right. I believe our next witness is Ned
11 Allis, or did we agree to stip that one?

12 MS. CARSON: So we -- Your Honor, we weren't
13 sure about Ned Allis. He was not read on the list, and
14 he was not highlighted yellow, so we aren't sure if
15 there's any questions from the bench.

16 JUDGE HUGHES: Very good.

17 MS. CARSON: So he may be excused?

18 JUDGE HUGHES: Yes.

19 MS. CARSON: Thank you.

20 JUDGE HUGHES: John Mannetti. Hi. Please
21 introduce the witness and tender them for cross, please.

22 Oh, I will swear you in.

23 JOHN MANNETTI, having been first duly sworn
24 testified as follows:

25 JUDGE HUGHES: Thank you. Please introduce

1 the witness.

2 DIRECT EXAMINATION

3 BY MS. CARSON:

4 Q. Good afternoon, Mr. Mannetti. Please state
5 your name and title and spell your name for the record.

6 A. My name is John Mannetti. I'm the currently
7 the director of customer energy innovation at PSE. My
8 last name is spelled M-a-n-n-e-t-t-i.

9 MS. CARSON: Mr. Mannetti's prefiled direct
10 and rebuttal testimony and exhibits have been entered
11 into the record, so he's available for
12 cross-examination.

13 JUDGE HUGHES: All right. Staff, ready to
14 proceed?

15 Or I'm sorry. The Energy Project, go ahead.

16 CROSS-EXAMINATION

17 BY MR. ZAKAI:

18 Q. Good afternoon, Witness Mannetti.

19 Are you able to turn on your camera?

20 A. It's not letting me for some reason. Maybe
21 Perkins can help me.

22 Q. While we're getting that set up, do you have
23 your rebuttal testimony and the cross exhibits that I
24 had identified for you available?

25 A. Yes.

1 Q. Okay. Great. We'll give that a moment.

2 Okay. Thank you.

3 I'd like to ask some questions about the
4 low-income electrification pilot, and I want to
5 emphasize that my questions in TEP's proposals only
6 concern the low-income program, even though your
7 testimony addresses the electrification pilot as a
8 whole.

9 So could you please turn to your rebuttal
10 testimony, which is Exhibit JM-9T, starting on Page 10,
11 Line 11.

12 A. Okay.

13 Q. And did you testify that PSE opposed extending
14 the eligibility of the low-income electrification pilot
15 to gas-only customers at this time?

16 A. Yes.

17 Q. Okay. And is the reasoning that you view that
18 PSE's electric customers should not share the cost
19 burden of extending that pilot because consumer energy
20 utilities are not contributing any funds to it?

21 A. That's one of the reasons, but I think there
22 are others, considering that this is a pilot. Mainly if
23 we're going to evaluate the learnings from the pilot,
24 especially in the low-income direct install space, it's
25 helpful to have both the data from the electric utility

1 and the gas utility so that we can compare energy usage
2 before and after for both gas and electric.

3 We can compare peak impact for both gas and
4 electric, and we can compare bill impacts as well.

5 Q. Thank you.

6 So could you please turn to the cross exhibit
7 marked JM-11X, which is PSE's response to TEP's data
8 request 64 to 67.

9 CHAIR DANNER: Counsel, would you give me
10 that again?

11 MR. ZAKAI: Yeah. Cross exhibit is marked
12 JM-11X.

13 Q. (By Mr. Zakai) And I'll turn to it as well.

14 So on Page 1, TEP asked PSE whether the company
15 had approached Seattle City Light to ask about sharing
16 in the costs of the low-income electrification pilot.

17 Does this show that PSE responded that it had
18 not approached Seattle City Light?

19 A. Not specifically to the Phase 2 of the pilot.
20 However, part of Phase 1 of the pilot was to work with
21 Seattle City Light on low-income direct electrification
22 installs in named communities.

23 Q. Thanks.

24 And the following data requests on Page 2
25 through 4 asks the same questions concerning other

1 consumer-owned electric utilities and include the same
2 answer from PSE; correct?

3 A. That's correct. I think we're just trying to
4 highlight that that is a barrier to electrification
5 across and the cost of electrification are borne by both
6 electric customers and gas customers, both the costs and
7 benefits.

8 There doesn't exist right now a standard way of
9 allocating those costs, and so for sake of the pilot
10 Phase 2, we think it's reasonable to allocate those
11 costs to both electric and gas customers, in addition to
12 the reasons that I mentioned from an operational
13 standpoint, why that would be advantageous to admit the
14 pilot to dual fuel customers from an operational data
15 standpoint.

16 Q. Thanks.

17 So that actually segues very well into my next
18 question, which was just to confirm that PSE is
19 proposing that both electric and gas customers pay for
20 the costs of this pilot; correct?

21 A. That's our proposal within the decarb tracker,
22 but if you want to get more specific on that, I would
23 need to refer to Witness Free or Ms. Mickelson.

24 Q. No more specificity is necessary. Thank you.

25 So PSE's position is that gas-only customers

1 should pay for the electrification pilot, but gas-only
2 customers should not be eligible to participate in it;
3 is that correct?

4 A. As I mentioned earlier, absent a cost
5 allocation standard here, you know, we felt like for
6 this pilot it's reasonable to allocate to both gas and
7 electric customers.

8 Q. So could you answer yes or no?

9 So gas-only customers are paying for the pilot
10 but are not eligible to participate in it?

11 A. Yes.

12 MR. ZAKAI: Thank you. No further
13 questions.

14 JUDGE HUGHES: Thank you. Any redirect?

15 MS. CARSON: No, Your Honor.

16 JUDGE HUGHES: Joint Environmental
17 Advocates?

18 CROSS-EXAMINATION

19 BY MR. DENNISON:

20 Q. Good afternoon, Mr. Mannetti. First, I have a
21 few questions about PSE's building electrification
22 efforts and their relationship to PSE CCA compliance
23 strategy.

24 So in your rebuttal testimony, you stated that
25 learnings from electrification pilots are critical to

1 develop strategies for reducing PSE's CCA compliance
2 obligation for the gas utility; right?

3 A. That's one of the reasons.

4 Q. Okay. And you go on to state that it's neither
5 the intent of PSE nor consistent with state law to
6 pursue small-scale electrification indefinitely; right?

7 A. We're in a learning phase right now. You know,
8 we're happy with the results of the first target
9 electrification pilot. We got good participation. We
10 met all the objectives for the stipulation from the rate
11 settlement.

12 And we think it's reasonable to pursue a second
13 phase at this point because there are some things we
14 still want to learn around rebate -- the effectiveness
15 of rebates for income-eligible customers, the
16 effectiveness of looking at rebates for customers in
17 gas-constrained areas that may help us avoid a capacity
18 upgrade in the future, looking at commercial industrial
19 customers, which is a subset we haven't addressed in the
20 first phase, as well as continuing some of the momentum
21 we had with the first pilot relative to the low-income
22 weatherization agencies and their ability to have
23 customers take advantage of those funds.

24 Q. Okay. I appreciate the detail, Mr. Mannetti,
25 but I just want to confirm, you said in testimony PSE

1 doesn't intend and you don't believe it's consistent
2 with state law to continue a small-scale electrification
3 pilot indefinitely; right?

4 A. I think our expansion of those programs will be
5 evaluated in the upcoming integrated system plan, which
6 is currently under rulemaking.

7 And at that point we will look at different
8 electrification scenarios or just decarbonization
9 scenarios and then the system impacts, the customer bill
10 impacts, as we get into the integrated system plan
11 process.

12 Q. Okay. So by these statements in your rebuttal
13 testimony that we've been talking about, do you mean
14 that supporting electrification is an important part of
15 PSE's approach to ensuring that its gas utility complies
16 with the CCA?

17 A. Electrification is not necessarily something
18 that the CCA requires. The CCA requires that we are in
19 legal compliance with the CCA, which we intend to be.
20 Matt Steuerwalt references CCA compliance in his
21 rebuttal testimony.

22 Q. Okay. I'm not asking about particularly legal
23 requirements. I'm just asking about statements that you
24 made in your rebuttal testimony.

25 And we can look on Pages 8 and 9. My questions

1 to you are just, are you saying in these statements that
2 we've been talking about that electrification is part of
3 the strategy that PSE is adopting for complying with the
4 CCA, not whether the CCA imposes strict requirements to
5 pursue electrification, but that the path PSE has chosen
6 and is advancing in this application involves
7 electrification as part of the CCA compliance strategy?

8 A. Any electrification that PSE pursues would
9 reduce CCA obligation.

10 Q. Okay. And the decarbonization targets that are
11 set forth in the CCA, those are required to be achieved
12 in certain years; right?

13 A. I can't speak to the state requirement for the
14 law, but PSE will comply with its legal requirements
15 under CCA.

16 Q. Okay. So maybe we can use an example. The CCA
17 sets a statewide target to reduce greenhouse gas
18 emissions 95 percent, and that target needs to be met by
19 2050; right?

20 A. I'm not an expert on the language in the CCA.

21 Q. Okay.

22 A. I would refer to Witness Steuerwalt on that and
23 his testimony.

24 Q. Okay. But, I guess, broadly speaking, are you
25 aware that the CCA involves a declining cap on statewide

1 emissions?

2 A. In their market mechanism, yes.

3 Q. Would you agree that, if PSE waits longer
4 before it begins reducing its gas system emissions, it
5 will have to make larger emission reductions in a
6 shorter amount of time in order to help meet these
7 time-limited decarbonization targets in the CCA?

8 A. I think your question is, there's nothing in
9 the CCA that requires PSE reduce its emissions. It's a
10 compliance mechanism, and purchasing allowances is a
11 reasonable -- it's not our only plan.

12 Again, like, we'll be fleshing out further
13 analysis in the integrated system plan process. Our
14 electrification studies so far have shown that broad
15 electrification is not cost-effective.

16 And I think it remains to be seen through the
17 planning processes what the role of electrification will
18 be in CCA compliance.

19 Q. All right. Let's change gears a little bit and
20 talk about the electrification pilot eligibility that
21 you were talking about with Mr. Zakai just a moment ago.

22 Now, you were talking specifically about the
23 low-income electrification pilot. I'm going to talk
24 more generally about eligibility to participate in the
25 electrification pilot, both for the low-income and

1 market rate customers.

2 A. Okay.

3 Q. So you oppose The Energy Project's proposal to
4 make PSE's low-income electrification program available
5 to all income qualified gas customers, including
6 customers that are in PSE's gas-only testimony; right?

7 A. (Witness nods head.)

8 Q. Okay. And would you have a similar objection
9 to expanding eligibility for market rate customer
10 participation by gas-only customers?

11 A. For the reasons that I gave earlier, yes.

12 Q. Okay. And the reason that you state in your
13 testimony for opposing this proposal -- and I'm looking
14 on Page 10 of your rebuttal, starting at Line 15 -- is
15 that the cost for the targeted electrification program
16 is borne by both electric and natural gas customers;
17 right?

18 A. Yes.

19 Q. Okay. So is it fair to say that you're
20 concerned about creating a mismatch between the
21 customers who are eligible to participate in
22 electrification programs and the customers who pay for
23 those programs?

24 A. I'll come back to, essentially the pilot is a
25 pilot at this point. We're still trying to understand

1 what works and what doesn't and the costs and benefits
2 to both electric and gas customers.

3 There's no standard that we're aware of to
4 allocate cost to one side or the other, so we feel like
5 it's reasonable to allocate them to both.

6 Q. Okay. Yeah. I just want to focus on this cost
7 allocation question. And all I'm asking is, I take it
8 from your testimony, from your discussion with
9 Mr. Zakai, that you would be concerned if there was a
10 mismatch between those customers that are eligible and
11 those customers that are paying for the programs.

12 MS. CARSON: Objection. Misstates the
13 witness's testimony.

14 JUDGE HUGHES: Can you rephrase?

15 Q. (By Mr. Dennison) I think we can move on.
16 We've established what your concern is.

17 A few minutes ago, we were talking about how
18 electrification can reduce the CCA compliance
19 obligations of PSE's gas system; correct?

20 A. Correct.

21 Q. And electrifying a PSE gas customer will reduce
22 the CCA compliance obligation of PSE's gas system,
23 whether or not that customer is also a PSE electric
24 customer; correct?

25 A. Correct.

1 Q. All right. And you talked a bit about the
2 Phase 1 electrification pilot.

3 Now, costs for that Phase 1 pilot were
4 allocated only to PSE's electric customers; correct?

5 A. Yeah. That's a byproduct of the settlement. I
6 wasn't involved in the reasoning for that allocation,
7 but that's -- that's how the settlement says that the
8 costs should be allocated.

9 Q. And that Phase 1 pilot, it included some
10 initiatives, such as the joint pilot with Seattle City
11 Light, that PSE's gas-only customers were eligible to
12 participate in; correct?

13 A. The only ones were the joint pilot with City
14 Light, which was a very small component of that, and we
15 felt like that was a good partnership to pursue with
16 City Light as we're trying to figure out how we plan our
17 electric and gas systems together across utilities.

18 The other part was the home energy assessment,
19 and that was in direct response to feedback from the
20 parties to the settlement, including JEA, and the reason
21 for that was to get a cross section or a sample size of
22 10,000 customers to participate in that H home energy
23 assessment.

24 And we thought the best way to do that is,
25 large number of customers, to open it up to gas

1 customers as well, but the other programs in the pilot
2 were dual fuel only.

3 Q. And the Phase 1 pilot costs were spread between
4 PSE's electric customers based on the share of total
5 pilot funds that were expended for each electric rate
6 schedule; correct?

7 A. I would need to defer to Witness Free or
8 Witness Mickelson for that.

9 Q. Okay. If gas-only customers were eligible to
10 participate in the Phase 2 pilot, would it be possible
11 to divide costs between gas and electric customers based
12 on the share of pilot funds that are expended for each
13 customer type?

14 A. I think, again, I would need to go defer to
15 Witness Free or Witness Mickelson for the specific cost
16 allocation formulas for that.

17 MR. DENNISON: All right. Thank you.
18 That's all my questions.

19 JUDGE HUGHES: Any redirect?

20 MS. CARSON: No, Your Honor.

21 JUDGE HUGHES: Questions from the bench?

22 EXAMINATION

23 BY CHAIR DANNER:

24 Q. So thank you.

25 First question, you mentioned broad

1 electrification is not cost-effective.

2 What do you mean by "broad electrification"?

3 A. In this case, you know, we're pursuing a target
4 electrification strategy. To me, broad electrification
5 would be some kind of incentive that is broadly
6 applicable to all customers.

7 Q. So everybody in your service territory here?

8 A. Yes. And when we performed our updated
9 decarbonization study through the settlement -- the
10 stipulation of the settlement in 2022, we learned that
11 none of the scenarios we analyzed were cost-effective
12 using the current cost-effectiveness standards.

13 Q. Okay. All right. Thank you for that.

14 And then what do the costs recovery mechanism
15 look like for Puget to recover the costs of electrifying
16 the gas-only customers from public utilities?

17 A. That's a great question. I would need to defer
18 to my cost of service team and have them analyze that
19 question. I don't have a great answer for you.

20 Q. Okay. And so the follow-up, of course, is,
21 what are the benefits and costs to Puget from removing
22 gas customers from its system?

23 A. Yeah. There are some benefits and costs, and
24 costs certainly are the fixed costs of the gas system
25 don't change and will be spread over a smaller and

1 smaller group of people left on the gas system.

2 Some of the benefits could be a reduction --
3 reduced commodity cost or reduced compliance obligation
4 for CCA.

5 On the electric side, you're adding load, so
6 there's system cost that come with adding that load.
7 You're adding capacity for generating during peak times
8 to serve that load as well, so -- and -- and additional
9 electric load, which could maybe spread some of the
10 costs out from the electric rate standpoint. So I think
11 there's costs and benefits on both sides.

12 Q. So do the costs outweigh the benefits or have
13 you figured that out?

14 A. Our decarb -- updated decarb study says that
15 the costs far outweigh the benefits, even when
16 including, you know, environmental factors, and
17 Witness Popoff provides quite a bit of testimony on the
18 updated decarbonization study.

19 Q. Okay. Do you have some areas in your gas
20 service territory where you do not provide in your
21 electric -- where you don't provide gas service and the
22 other company does, you have not -- they have not
23 reached out to you regarding any kind of
24 electrification?

25 A. Not that I'm aware of.

1 CHAIR DANNER: Okay. All right. Thank you.

2 EXAMINATION

3 BY COMMISSIONER DOUMIT:

4 Q. If I might just follow up a little bit, so
5 assuming on Wednesday we're at status quo and you have
6 the obligation to serve, what -- sorry you're getting
7 these hypotheticals. This is a broad question, and I
8 appreciate you answering.

9 To get mass, you know, electrification, you
10 know, with the obligation to serve, if you might get
11 one-offs or whatever, but to get, you know, folks to
12 agree in a community or whatever, to give up their gas
13 line, talk about the difficulty -- relative difficulty,
14 you know, of that.

15 A. I think that's one of the things we intend to
16 learn with this pilot Phase 2 and gas-constrained areas
17 is to understand what -- what will be the uptake and the
18 traction for, you know, a fairly sizable incentive to
19 electrify to avoid those capacity upgrades.

20 That doesn't even necessarily go into the
21 obligation to serve side. People just want it, but I
22 think that's one of the main objectives of this next
23 phase of the pilot, is to be able to really assess what
24 kind of traction -- what kind of uptake we're going to
25 get with those incentives, and then we can roll that

1 into our planning going forward.

2 COMMISSIONER DOUMIT: All right. Thank you.
3 Thanks.

4 EXAMINATION

5 BY COMMISSIONER RENDAHL:

6 Q. Good afternoon.

7 A. Good afternoon.

8 Q. So I'm going to switch gears a little bit here.
9 And if you turn to your initial testimony, I believe
10 it's at Page 32, starting on Line 18, you discuss PSE's
11 pursuit of a grant application for capital funding
12 through U.S. Department of Energy for involvement with
13 the Pacific Northwest Hydrogen Association.

14 Do you see that? Page 32, starting at Line 18.

15 A. I think I must be looking at the confidential
16 version, but I -- I see where that area of the testimony
17 is.

18 Q. I have confidential version Page 32 of 62.

19 MS. CARSON: Are you in direct testimony?

20 COMMISSIONER RENDAHL: In direct. In the
21 direct testimony. I mean, in the initial --

22 A. Yes.

23 Q. (By Commissioner Rendahl) Okay. What -- do
24 you remember talking about that?

25 A. Okay. Yes. You're highlighting the question,

1 yes. I'm with you.

2 Q. All right. What is the current status of that
3 grant application?

4 A. So PSE continues to support the hydrogen hub as
5 an active participant. The hub now has been awarded, I
6 believe, Phase 1 of its funding through OCED. PSE is
7 kind of a sub-recipient within that framework.

8 And so there's still kind of ongoing
9 negotiations between PSE and the hub for project
10 specifics. So it remains to be determined.

11 Q. And that's for the alternative fuels readiness
12 program?

13 A. No. That is for the potential use of hydrogen
14 for peaking for capacity.

15 Q. So none of the funds that you're requesting for
16 the alternative fuels readiness program is covered or
17 planned to be covered by the U.S. DOE grant for the
18 hydrogen grant?

19 A. No.

20 COMMISSIONER RENDAHL: Okay. Thank you.
21 That's all I have.

22 JUDGE HUGHES: Okay. Thank you. You are
23 excused.

24 We are going to take a slight deviation from
25 the witness list to accommodate Witness Wilson, who we

1 will proceed with next.

2 Mr. Wilson, can you raise your right hand.

3 JOHN D. WILSON, having been first duly sworn

4 testified as follows:

5 JUDGE BROWN: Very good. Staff, can you
6 please prepare for questions.

7 MR. CALLAGHAN: Thank you, Your Honor.

8 DIRECT EXAMINATION

9 BY MR. CALLAGHAN:

10 Q. Good afternoon, Mr. Wilson. Can you hear me?

11 A. Yes. Thank you.

12 Q. Mr. Wilson, could you state your name and spell
13 your last name for the record?

14 A. John D. Wilson, W-i-l-s-o-n.

15 Q. And you prepared the prefiled response and
16 cross answering testimony and exhibits in this case;
17 correct?

18 A. That's correct.

19 MR. CALLAGHAN: All right. Thank you, Your
20 Honor. Staff offers Mr. Wilson for cross-examination.

21 JUDGE HUGHES: Thank you. I believe we have
22 questions from the bench?

23 EXAMINATION

24 BY COMMISSIONER RENDAHL:

25 Q. Good afternoon, Mr. Wilson.

1 A. Good afternoon, Commissioner Rendahl.

2 Q. On rebuttal, Puget Sound Energy, through its
3 witness Mueller, has increased power cost forecasts by
4 18 and a half percent in rate year 1, and 8 and a half
5 percent in rate year 2, claiming that most of the
6 increases due to new power purchase agreements signed
7 since direct testimony was filed.

8 Has staff had an opportunity or, in particular,
9 an adequate opportunity, to review those PPAs or other
10 increases?

11 A. So staff understood that the PPAs were not
12 being submitted for prudence review, so we have not
13 conducted a detailed review of those PPAs.

14 And I was not -- it was not within the scope of
15 my assignment to review those PPAs to determine if they
16 were correctly included in the forecast or not.

17 So the overall process looks appropriate, but I
18 cannot attest to the accuracy of the numbers.

19 Q. So your understanding is, that would come in
20 through the review phase at the end of rate year 1?

21 A. Yes.

22 Q. Okay. So you would look for any concerns or
23 other concerns about additions to the power cost
24 forecast in that provisional period and not at the time
25 of putting power costs forecast into rates?

1 A. I'm expressing the direction of staff is to
2 handle it this way, given the time constraints on
3 discovery, et cetera, I believe.

4 Q. Okay. So Witness Mueller also states that the
5 company is willing to defer prudency reviews for PPAs --
6 and I guess this is consistent with staff's position
7 here -- but not for the power cost forecast methodology.

8 Is that process sufficient for staff?

9 A. I guess maybe I'll need you -- I'll need to
10 open up and have you direct me to where he says that in
11 testimony so that I'm sure what I'm responding to.

12 Q. Sure. That's in his testimony -- his rebuttal
13 testimony BDM-23CT at Page 6, starting Line 17.

14 A. Page 6, 2017 [sic].

15 Q. So let me know when you're there.

16 A. I will.

17 Q. And I'll rephrase my question so it's more
18 clear.

19 A. Okay. I'm on Page 6, at Line 17.

20 Q. Okay. So this is -- the company is saying
21 they're willing to defer prudence reviews for PPAs but
22 not for the power cost forecast methodologies.

23 Do you see that?

24 A. Okay. Yes. So this is the general point and
25 not related to the specific PPAs we were just talking

1 about.

2 Q. Correct.

3 A. Okay. That was where I was a little bit
4 confused.

5 Q. Okay. I'm glad we're getting there.

6 A. Okay. And I do understand his testimony here,
7 and I can respond. I think -- you can go ahead and
8 restate your question, if you like, but I think I'm
9 ready to respond.

10 Q. Okay. So really the question is: What does
11 staff understand to be the current method for prudence
12 review of power cost calculation methodologies, not so
13 much the cost, but the methodologies themselves?

14 A. So I think the review for the methodology
15 occurs in both the -- this proceeding and then again in
16 the -- you'll excuse me. I keep switching between
17 utilities and their names, but the final true-up
18 proceeding.

19 Q. The provision that will --

20 A. The -- no. The final proceeding when the
21 actual power costs are filed.

22 Q. Got it.

23 A. So this proceeding gets us an opportunity to
24 look at the methodology for forecasting, and then the
25 final costs are reviewed in a separate proceeding.

1 And so both of those proceedings give us an
2 opportunity to review methods, some of which are the
3 same across both proceedings and some of which differ
4 because a forecast obviously differs from an actual
5 cost. And so there's elements of crossover between the
6 two proceedings.

7 And so I think staff's understanding is that
8 the primary review process for the method and the
9 forecast has already occurred. We are certainly happy
10 to continue to look at forecasts.

11 I certainly would be happy to have direction of
12 staff to do so, but I don't think it's our expectation
13 that we would be -- a time during this process to do
14 detailed review of everything all over again, you know,
15 sort of rechecking all of the numbers a second time or a
16 third time.

17 I think what we generally are looking for is
18 whether the updates are consistent with the intended
19 process and are just simply accounting updates or sort
20 of putting in new numbers into the same process and not
21 methodological changes.

22 Q. Okay. So your understanding is, there's not a
23 methodological change here?

24 A. That's my understanding.

25 Q. Okay.

1 A. And that was why -- I think that is where
2 there's a slight -- I wouldn't really call it a
3 difference of opinion there on Page 7 as much as just
4 perhaps a, you know -- I think what staff's point of
5 view is if for some reason, in submitting a new PPA,
6 there was a new forecast method that was necessary for
7 that PPA with an entirely new type of PPA that involved
8 technologies or other delivery terms or something like
9 that, that staff might say, we are not necessarily
10 supporting that forecast method, as well as we're not
11 supporting the PPA at this time, and we want further
12 opportunity for review of those.

13 So the rates could go into effect, but those
14 would be at PSE's risk, but I think that would be a very
15 unusual circumstance, and it's not one that I'm aware of
16 that has arisen here.

17 COMMISSIONER RENDAHL: Okay. Thank you.

18 EXAMINATION

19 BY CHAIR DANNER:

20 Q. I want to ask about the Chelan power sales.

21 Basically, is there any material difference
22 between the PSA with companies requesting a prudence
23 determination for here and the company's existing
24 agreement with Chelan PUD?

25 A. Yes, I think there is. The major material

1 difference is this fixed cost, which has been added into
2 the agreement, and I think that's at the root of the
3 concern that we have is fixed annual charge.

4 Q. So just if you could explain for me just what
5 is currently in it and what is the change?

6 A. My understanding that there is not currently a
7 fixed annual charge, and that now a fixed annual charge
8 has been added as part of the agreement.

9 And so we've got an agreement now that has a
10 fixed annual charge plus a power cost included in it,
11 and that fixed annual charge then is essentially a
12 guaranteed annual revenue requirement to Chelan from
13 PSE.

14 And that -- and the potential loss of that,
15 should the energy no longer be deliverable, is the
16 concern at the root of my testimony and why I think that
17 the guardrails or, you know, alternative for
18 disallowance is appropriate.

19 CHAIR DANNER: Okay. Thank you. And that's
20 what I wanted to hear. Thank you. Or what I wanted to
21 know. Thank you much.

22 JUDGE HUGHES: Thank you, Mr. Wilson. You
23 are excused.

24 THE WITNESS: Thank you very much.
25 Appreciate the opportunity.

1 JUDGE HUGHES: And with that, we will be
2 returning to our originally programmed schedule, and
3 we'll be turning to David Landers.

4 Okay. Thank you for joining us. Can you
5 please raise your right hand?

6 DAVID LANDERS, having been first duly sworn
7 testified as follows:

8 JUDGE HUGHES: Very good. Please introduce
9 the witness and tender for cross.

10 DIRECT EXAMINATION

11 BY MR. STEELE:

12 Q. Mr. Landers, please state your name and spell
13 it for the court reporter.

14 A. David Landers. First name D-a-v-i-d. Last
15 name, L-a-n-d-e-r-s.

16 COMMISSIONER RENDAHL: Would you please move
17 the microphone a little bit closer? Thank you.

18 Q. (By Mr. Steele) Your prefiled testimony,
19 exhibits have been stipulated and admitted into the
20 record.

21 MR. STEELE: Your Honor, PSE offers
22 Mr. Landers up for cross-examination.

23 JUDGE HUGHES: Very good. I believe the
24 Joint Environment asked for 30 minutes.

25 ////

1 CROSS-EXAMINATION

2 BY MR. DENNISON:

3 Q. Good afternoon, Mr. Landers.

4 A. Good afternoon.

5 Q. You have your rebuttal testimony in front of
6 you?

7 A. Yes, I do.

8 Q. Okay. I'd like to start with a few questions
9 about your testimony on PSE's gas capital expenditures.10 So in your rebuttal testimony, you state that
11 over 90 percent of PSE's proposed gas capital
12 expenditures are nondiscretionary; correct?

13 A. That's correct.

14 Q. Okay. I want to unpack what that means and
15 particularly what it means for Witness Cebulko's
16 proposals on non-pipe alternatives analysis.17 So your testimony explains that
18 nondiscretionary investments can be categorized into
19 planned and unplanned projects; correct?

20 A. That's correct.

21 Q. Unplanned projects consist primarily of
22 emergency repairs and replacements; right?

23 A. That's correct.

24 Q. And for planned projects, PSE is able to
25 analyze alternatives to the proposed capital expenditure

1 before proceeding with it; correct?

2 A. That is our definition, yes.

3 Q. And that's true of all planned projects,
4 whether they're discretionary or nondiscretionary;
5 correct?

6 A. I'm sorry. Could you repeat your prior
7 question regarding planned projects?

8 Q. Yes. That for planned projects, PSE can
9 analyze alternatives to the proposed capital expenditure
10 before proceeding with it?

11 A. That's correct.

12 Q. So it's true of all planned projects, whether
13 discretionary or nondiscretionary?

14 A. For most planned projects. There would be some
15 exceptions to that, such as new customer construction
16 projects and sometimes public improvement projects.

17 Q. Okay. But generally, you agree it's true?

18 A. Correct.

19 Q. All right. And in fact, PSE already analyzes
20 alternatives to nondiscretionary planned projects;
21 correct?

22 A. Yes, we do.

23 Q. Okay. And that alternatives analysis sometimes
24 includes consideration of non-pipe alternatives; right?

25 A. Yes. We do look for opportunities to utilize

1 methods such as cold weather action or pressure up rates
2 on pipelines. So there are some opportunities at times
3 to meet a need with an alternative --

4 Q. Okay.

5 A. -- other than a pipeline solution.

6 Q. Okay. So if a project is categorized as
7 nondiscretionary, that doesn't necessarily prevent PSE
8 from analyzing non-pipe alternatives to the project;
9 right?

10 A. That's -- that's correct. The comment I would
11 make on that is, nondiscretionary projects are
12 oftentimes bound by regulatory compliance requirements
13 or needs to address safety and integrity needs, which
14 does complicate that ability to evaluate non-pipeline
15 alternatives at times.

16 Q. Okay. I want to talk a bit about some of the
17 those drivers for project needs that you were just
18 mentioning. I want to focus specifically on pipeline
19 replacement projects in PSE's gas maintenance program.

20 So these are categorized as planned
21 investments; right?

22 A. That's correct.

23 Q. And you stated testimony that these are
24 sometimes developed two to three years in advance of a
25 construction date; right?

1 A. That's correct.

2 Q. So if a segment of pipeline that was identified
3 for replacement in PSE's distribution integrity
4 management plan could instead be repaired or perhaps
5 decommissioned through a non-pipe alternative, that
6 would meet the need to address the pipeline segment;
7 correct?

8 A. The methods that you have stated that could be
9 potential alternatives to replacing the pipe are very
10 difficult and not proven solutions at this point in time
11 for pipeline replacement projects.

12 Q. So my question was just whether it's -- it
13 would be possible to avoid the pipeline investment
14 through one of those mechanisms, and I think, based on
15 what we were talking about earlier, you would agree that
16 that is a possibility?

17 A. When we're specifically speaking of pipeline
18 replacement projects, non-pipeline alternatives for
19 those types of projects are very difficult, in that if
20 we have an integrity issue with a segment of pipe that
21 needs to be replaced to address our integrity needs
22 identified through our distribution integrity management
23 program to eliminate a need for a replacement would
24 require every customer that's served by that segment of
25 pipe to cease to receive natural gas service from that

1 segment of pipe, which I think is a term that frequently
2 gets referred to as zonal electrification.

3 That is -- that is something that is still in
4 its infancy that I believe the industry is trying to
5 determine and figure out how that applies successfully.

6 And we are not seeing utilities anywhere across
7 the nation, at this point in time that I'm aware of,
8 successfully apply those types of non-pipeline
9 solutions, non-pipeline alternatives, to integrity --
10 integrity-program-driven replacement projects.

11 Q. Okay. So I'd like to look at Page 39 of your
12 rebuttal, starting on Line 7, where you agree with
13 Witness Cebulko that NPAs can be achievable for small
14 pipeline replacement projects and that PSE, quote, is
15 currently pursuing electrification and retirement of
16 pipeline facilities in such scenarios.

17 You see that there?

18 A. Yes.

19 Q. Okay.

20 A. And your question there?

21 Q. So my question is: Without speaking to sort of
22 feasibility of, you know, a particular NPAs and
23 particular scenarios, I guess my question just speaks to
24 PSE's capability to and history of evaluating NPAs as a
25 possibility in scenarios in the one we were just talking

1 about?

2 A. I think this is the best one for us to discuss
3 as an example of where the industry currently is in
4 applying non-pipeline alternatives and electrification
5 in lieu of pipeline replacement.

6 So as I mentioned and Cebulko points out in his
7 testimony, these types of solutions have typically been
8 successful where they require one to five participants,
9 very small number of customers that voluntarily
10 electrify and leave the natural gas system.

11 So we are -- we are pursuing that and
12 evaluating that for our pipeline replacement needs where
13 we have five or fewer customers, and it appears that
14 could be a viable alternative.

15 To give you an example of where we are with
16 that specifically in this year, we identified eight
17 projects where it was a single customer, a small number
18 of customers at the end of a main, and if those
19 customers would volunteer to electrify and cease to
20 receive natural gas from PSE that we could retire that
21 segment of pipe.

22 Of those eight projects, we found that four
23 were not cost-effective -- considerably more costly to
24 support a customer in electrification than the cost of
25 repairing the -- resolving the integrity issue with the

1 pipe serving them.

2 Of the other four, we believe they may be
3 feasible. We are still working on this. At this point
4 in time, one customer has told us no, they actually
5 would like to increase the gas usage and number of
6 appliances served.

7 One customer has said yes, they would be
8 willing to electrify, and we have entered into a
9 contract with them to electrify and retire that segment
10 of service to them.

11 The third customer will not return our calls,
12 and we have yet to call the fourth customer. So we are
13 pursuing it.

14 We are seeing, based upon the very small sample
15 size, a response very similar to what other utilities
16 have experienced in implementing this.

17 I think PG&E is the most experienced, where
18 they have now a history of a hundred-plus projects of
19 single customer moving away from natural gas to enable
20 them to retire a segment of pipe serving them.

21 Q. Okay. Would you say that PSE's investigation
22 of electrification as a non-pipe alternative in these
23 scenarios that you've described has provided valuable
24 information to the utility about this type of
25 alternative to pipeline investments?

1 A. I think it certainly has. And as I indicated,
2 we are early on in this process, but this is why we are
3 doing this. This is why we're engaging with customers,
4 is to learn what types of incentives and programs are
5 going to be necessary to support that non-pipe
6 alternative solution to pipeline replacement.

7 Q. Okay. I'd like to shift gears a bit and talk
8 about PSE's proposed alternate fuels readiness program.

9 So the overall purpose of this program is to
10 reduce greenhouse gas emissions; right?

11 A. I would -- I would categorize the purpose of
12 the alternate fuels readiness program is to enable us to
13 gain operational understanding of utilizing lower carbon
14 fuels within the natural gas energy system.

15 Q. Okay. And you clarified in your rebuttal
16 testimony that the two projects for which PSE is
17 requesting approval in this multiyear rate plan are a
18 one megawatt hydrogen electrolyzer and a hydrogen
19 pyrolysis project at an industrial customer site; right?

20 A. That is correct.

21 Q. And one of the purposes of the electrolyzer is
22 to assess fuel blending considerations for PSE's natural
23 gas customers; correct?

24 A. One of the intended purposes of that pilot.

25 Q. Okay. But PSE isn't proposing to inject any

1 hydrogen into its gas distribution system in this
2 multiyear rate plan?

3 A. No. We are not within the period of this
4 multiyear rate plan.

5 Q. Okay. And you acknowledge that PSE will have
6 to address certain additional issues before initiating
7 any hydrogen blending on its distribution system?

8 A. Yes, I do.

9 Q. For example, one of these additional issues
10 that will need to be addressed is the effect of hydrogen
11 blending on indoor and outdoor air quality; correct?

12 A. Yes. That's correct.

13 Q. Another set of additional issues are the
14 potential safety issues that could occur in a hydrogen
15 blending evaluation which will require PSE to understand
16 the affected customers' specific end use applications;
17 correct?

18 A. Yes. That's correct.

19 Q. And another additional issue is a plan for
20 notifying and engaging affected customers; right?

21 A. Yes. That would be part of a blending pilot,
22 to serve customers.

23 Q. Would you agree that it would be inappropriate
24 to initiate residential hydrogen blending without
25 developing such a plan for notifying and engaging

1 affected customers?

2 A. I agree we certainly would develop that plan
3 before proceeding providing a hydrogen blend into the
4 distribution system and serve customers.

5 Q. Okay. And PSE's proposal in this rate case, it
6 doesn't include proposals to resolve any of these issues
7 that we've just been talking about: air quality, safety
8 issues, and customer notice, and engagement; correct?

9 A. The proposal and the scope of the pilot is to
10 gain operational experience and improve our personnel's
11 knowledge and in operating and working with electric
12 hydrogen, which does help us build and develop knowledge
13 related to that.

14 Q. But that wouldn't be -- that wouldn't be
15 sufficient to resolve the issues that we were just
16 talking about?

17 A. There would definitely be additional steps that
18 would be taken prior to proceeding to a blending pilot.

19 Q. Okay. And PSE intends to begin a residential
20 customer hydrogen blending pilot as soon as 2026; is
21 that right?

22 A. Based upon the learnings of this pilot and
23 continuing ongoing research, I -- as soon as 2026.

24 However, as I have stated, we do not intend to
25 implement that within the period of this multiyear rate

1 plan. So as early as 2026 would be incorrect at this
2 point in time.

3 Q. Okay. So if PSE isn't able to resolve the
4 issues that we've been talking about and I would imagine
5 some others, it won't be able to begin a residential
6 blending pilot by 2026; correct?

7 A. As I mentioned previously, in answering your
8 question, it's not our intent to begin a residential
9 blending pilot within -- within '25 or '26 within this
10 period of the multiyear rate plan.

11 MR. DENNISON: Okay. That's all the
12 questions I have. Thank you, Mr. Landers.

13 JUDGE HUGHES: Any redirect?

14 MR. STEELE: None. Thank you.

15 EXAMINATION

16 BY COMMISSIONER DOUMIT:

17 Q. Thank you, Mr. Landers. So non-pipe
18 alternatives, you sort of talked about some analyses
19 that you had done in your response to counsel, the eight
20 examples, you know, for example.

21 Are those analyses publicly available to the
22 commission or to the public?

23 A. Not yet at this time.

24 Q. Will they be available?

25 A. We can certainly share that.

1 Q. Should we -- would that be proper subject for a
2 bench request then from us?

3 A. Yes. That is information we could provide.

4 Q. Okay. Great. Thanks.

5 And then you object to JEA's proposal to place
6 the burden of proof on PSE that it has assented -- or
7 excuse me -- has assessed non-pipeline alternatives
8 before recovering costs for pipeline investments besides
9 safety and emergency costs as duplicative of the
10 requirements of 1589.

11 What components of JEA's proposal are
12 duplicative?

13 A. The specific concern is zonal electrification
14 in lieu of our pipeline replacement projects, and 1589
15 provides us with a pathway through integrated system
16 planning to begin to identify areas of the system that
17 could potentially be feasible for that -- that type of
18 non-pipeline alternative.

19 One of the challenges is -- as I mentioned
20 earlier, is, at this point in time, we're yet to be
21 aware of a utility that has been successful beyond the
22 five customers or fewer conversions away from the gas
23 system in using electrification to avoid the broad scale
24 integrity management program pipeline replacement
25 program investments that are required, given that it

1 takes time to develop those upwards of two to three
2 years to get customers signed up and enrolled and take
3 those actions.

4 We believe the integrated system planning
5 process provided for in 1589 is the appropriate method
6 for continuing to explore and develop those options.

7 Q. Okay. Thank you.

8 Just going to switch gears now and talk about
9 the investment optimization tool. And in your direct
10 testimony, that's Exhibit DJL-1T at Page 15, Lines 4
11 through 20 -- okay. Are you there?

12 A. I'm there.

13 Q. You discuss the iDOT and its importance to
14 ensuring equity within the delivery system planning
15 process.

16 Three questions: First, is the iDOT tool
17 simply a module where the user can go through and select
18 different inputs to evaluate equity and specific
19 planning decisions?

20 A. So the way -- with input from our equity
21 advisory group, we have worked with our equity advisory
22 group to structure our methodology of evaluating equity
23 for our investments.

24 While the iDOT tool we did configure with the
25 ability to take credit for equity advancement

1 parameters, the guidance we received from the equity
2 advisory group was to separately set a threshold for
3 benefit to named communities and ensure that the outcome
4 of our iDOT optimization and investments and projects
5 that we have made part of the portfolio meet a minimum
6 threshold of benefit to named communities.

7 So we have actually separated that out and not
8 used -- I'll say we haven't baked it into the math of
9 the iDOT program or used the algorithms. We've
10 separately assured that we are meeting a minimum
11 threshold investment in named communities to meet the
12 equity expectations as we've agreed upon with the equity
13 group.

14 Q. So within the iDOT, it sounds like you can't
15 provide examples of specific inputs and outputs related
16 to equity analysis. Is that --

17 A. There are -- there are 14 parameters, I think,
18 that go into evaluating benefit, costs, and elements of
19 a project, and additionally there are -- I believe we
20 have 11 equity indicators.

21 I'm sorry. I don't know this off the top of my
22 head, but those are the items that we use to determine
23 if a particular project does have an equity benefit that
24 we can consider to make it a part of that -- crossing
25 that threshold of minimum investment in communities.

1 Q. Okay. We -- that may be subject to a bench
2 request as well --

3 A. Okay.

4 Q. -- those specific things.

5 And last question: Your testimony suggests
6 that revisions to the iDOT were planned through 2024 --
7 throughout 2024.

8 Can you discuss any improvements or revisions
9 made to the iDOT since your direct testimony?

10 A. The revisions made within iDOT have been
11 relative to equity and equity parameters, and we changed
12 course on that with input from the equity advisory group
13 to implement the method that I've just described.

14 COMMISSIONER DOUMIT: Okay. Good. Thank
15 you. That's it from me. Thanks.

16 JUDGE HUGHES: Thank you. You may be
17 excused.

18 We are moving down the list to Tom Hunt.

19 MS. CARSON: So Mr. Hunt -- oh, yeah. He
20 will appear -- there he is.

21 So just to be clear, he is appearing remotely
22 by Zoom.

23 JUDGE HUGHES: I see. Okay. Welcome.
24 Please raise your right hand.

25 ////

1 TOM HUNT, having been first duly sworn
2 testified as follows:

3 JUDGE HUGHES: Thank you. Any questions
4 from the bench?

5 EXAMINATION

6 BY CHAIR DANNER:

7 Q. Yeah. Thank you very much. Good afternoon. I
8 just have one question actually.

9 The company is requesting to recover 10 percent
10 of the long-term incentive plan expenditures in this
11 case associated with the environmental goals to reduce
12 carbon.

13 In your testimony, you indicate that this goal
14 may be continued or substituted with another ESG, or
15 environmental, social, and governance.

16 Do you envision the 10 percent request as a
17 ceiling or a floor of being embedded in rates for future
18 rates proceedings?

19 A. So I -- we were thinking the 10 percent would
20 just be the number, so maybe it's both a ceiling and a
21 floor. We weren't trying to get the foot in the door
22 and then expand that in the future.

23 I think 10 percent related to that goal is
24 really a function of that new goal, as well as the --
25 the requirements the company has now.

1 Q. Okay. So it's not a range. It's a number.

2 It's 10 percent?

3 A. Correct.

4 Q. Okay. And would you explain again how you
5 landed on 10 percent?

6 A. So the -- when we were -- when the board was
7 looking at updating the long-term incentive plan design,
8 the last few years had been 100 percent ROE, and that
9 was seen as sort of too much all in one thing and not
10 enough for some of the other important long-term goals
11 that the company had.

12 And so the board reviewed a number of different
13 long-term objectives and came up with three categories
14 that are mentioned in the -- in my testimony. The --
15 the environmental goal -- the ESG goal was assigned a
16 10 percent rate. Then the strategic initiative, which
17 there tend to be three each cycle, so the LTIP is a
18 three-year performance cycle.

19 And so what our proposal was starting with the
20 2023 through 2026 cycle, so strategic initiatives could
21 be more qualitative and less numbers based.

22 And then the third of the three LTIP goals is
23 total return, which is more of a traditional financial
24 return calculation.

25 And so that's -- the 10 percent was just

1 associated with wanting to have the ESG goal, and also
2 peer companies have been introducing the environmental
3 goals into their LTIPs as well. And so close to half
4 our companies have those elements in their long-term
5 incentive now. So that was -- that was a factor.

6 Q. And are they similarly using 10 percent as
7 their guidepost?

8 A. There's a range. I was looking at that. I'd
9 say from a low of 7 percent to a high of 25 percent --
10 or, actually, 33 percent. Portland General has a
11 33 percent portion in their goal.

12 CHAIR DANNER: All right. Thank you.
13 That's the only question I had. Appreciate it.

14 JUDGE HUGHES: Okay. Thank you. You are
15 excused.

16 THE WITNESS: Thanks.

17 JUDGE HUGHES: All right. Next up we have
18 Carol Wallace. And I see her popped up on the screen.

19 Okay. Can you please raise your right hand?

20 CAROL L. WALLACE, having been first duly sworn
21 testified as follows:

22 JUDGE HUGHES: Very good. Can you introduce
23 the witness?

24 MS. CARSON: Yes.

25 ////

1 DIRECT EXAMINATION

2 BY MS. CARSON:

3 Q. Ms. Wallace, please state your name and spell
4 your name for the court reporter and tell us your job
5 title.6 A. Sure. Carol Wallace. C-a-r-o-l,
7 W-a-l-l-a-c-e. And I'm the director of customer
8 operations at Puget Sound Energy.

9 Q. Thank you.

10 MS. CARSON: Your Honor, the prefiled
11 testimony and exhibits have been admitted into evidence,
12 and she's available for questions from the bench.

13 EXAMINATION

14 BY COMMISSIONER RENDAHL:

15 Q. Good afternoon, Ms. Wallace.

16 A. Good afternoon.

17 Q. So in your rebuttal testimony, which is
18 CLW-10T -- do you have that with you?

19 A. I do.

20 Q. Okay. If you look at Page 5, starting
21 Line 13 -- let me know when you're there.

22 A. Okay.

23 Q. Okay. At that -- at the point in your
24 testimony, you agree to the recommendation to hire a
25 third-party facilitator to help guide low-income

1 advisory committee meetings, would PSE hire this
2 facilitator with the consultation or collaboration of
3 the LIAC or -- or without, or would PSE be agreeable to
4 allowing members of the LIAC the ability to collaborate
5 and weigh in during the process of selecting a
6 facilitator?

7 A. I think we would be willing to collaborate with
8 the LIAC in selecting a facilitator, for sure.

9 Q. Okay. And companies had experience with
10 selecting a facilitator for the equity advisory group;
11 correct?

12 A. Yes.

13 COMMISSIONER RENDAHL: Okay. And I don't
14 have anything further unless my colleagues do.

15 Okay. I don't think so. That's it. Thank you
16 for making yourself available today.

17 THE WITNESS: Certainly. Thank you.

18 JUDGE HUGHES: Thank you. You are excused.

19 All right. Moving down the list, Troy Hutson.
20 I believe we have ten minutes from staff and ten from
21 TEP. Is that still accurate?

22 Okay. Welcome. Please raise your right hand.

23 TROY A. HUTSON, having been first duly sworn
24 testified as follows:

25 JUDGE HUGHES: Very good. Please introduce

1 the witness.

2 DIRECT EXAMINATION

3 BY MS. CARSON:

4 Q. Good afternoon, Mr. Hutson. Please state your
5 name and your job title for the record and spell your
6 name.

7 A. Troy Hutson, T-r-o-y, H-u-t-s-o-n, director of
8 energy equity.

9 Q. Thank you.

10 MS. CARSON: Your Honor, Mr. Hutson's
11 testimony and exhibits have been stipulated into the
12 record, and he's available for cross-examination.

13 JUDGE HUGHES: Staff?

14 MR. CALLAGHAN: Thank you, Your Honor.

15 CROSS-EXAMINATION

16 BY MR. CALLAGHAN:

17 Q. Good afternoon, Mr. Hutson.

18 Do you have a copy of your rebuttal testimony?

19 A. I do.

20 Q. Thank you.

21 Could you turn to Page 2, Lines 12 through 16.

22 All right. In this response, you're giving
23 your initial reaction to the intervenor's testimony;
24 correct?

25 A. Correct.

1 Q. Now, is your position that the commission
2 should not adopt any of staff's equity-related
3 recommendations?

4 A. That's correct.

5 Q. Okay. And in general, your reasoning appears
6 to be, PSE is already doing a lot of equity work based
7 on current requirements, and the commission should just
8 let PSE focus on accomplishing those requirements.

9 Is that a fair summary?

10 A. That's partially correct.

11 Q. Okay. And here you cite your Exhibit TAH-11,
12 and you state that it's a summary of what PSE's
13 currently doing and will continue to do to advance
14 equity; is that right?

15 A. That's correct.

16 Q. All right. Do you have a copy of TAH-11
17 available?

18 A. I do.

19 Q. All right. Could you turn to that document for
20 me?

21 A. I'm there.

22 Q. All right. Could you review the left-hand side
23 titled "Energy Justice Tenants" and specifically the
24 "Outcomes" columns and let me know when you're done.

25 A. (Witness peruses document.)

1 Okay.

2 Q. Okay. So to clarify, you're not asserting that
3 PSE will achieve all these outcomes by the end of this
4 two-year rate plan, are you?

5 A. I'm not.

6 Q. Okay. So for some of these listed outcomes, it
7 would be difficult to assess whether they were
8 accomplished or not; wouldn't you agree?

9 A. I think we would have -- we have a current plan
10 for how we would get there, and I think we would -- as
11 part of that, we have expectations about how we would
12 measure, either qualitatively or quantitatively, how we
13 get there.

14 Q. So for example, in the "Procedural Outcomes"
15 column, the first bullet is, "Authentic, meaningful
16 engagement throughout the process."

17 So whether or not PSE achieves that outcome is
18 subjective; wouldn't you agree?

19 A. Well, the way we envision that is, we would
20 like to increase participation from named communities in
21 our programs so they could achieve the benefits of these
22 programs.

23 And in order for us to do that, first we have
24 to reach those customers. And so the meaningful,
25 authentic engagement is required for us to do that. And

1 so one way to measure that would be if we are seeing
2 increased levels of engagement and then if that's
3 translating into increased participation.

4 Q. But wouldn't you agree it would be hard for an
5 outside observer to determine whether this outcome had
6 been accomplished or not?

7 A. I think it would be up to us to demonstrate to
8 an outside observer whether our plan is transparent and
9 effective. So I think it would be possible.

10 Q. Okay. And you think it is possible for PSE to
11 demonstrate whether or not it's achieved these outcomes
12 for each one of these in TAH-11?

13 A. Yes.

14 Q. Okay. Could you turn to Page 4 of your
15 rebuttal testimony, Lines 4 and 5, and let me know when
16 you're there?

17 A. I'm there.

18 Q. Here you state that PSE has a central energy
19 equity team of eight employees; correct?

20 A. That's correct.

21 Q. All right. And you also state that there are
22 other employees in other departments whose sole
23 responsibility is equity.

24 Can you tell me how many employees there are in
25 other departments whose sole responsibility is equity?

1 A. I think, to the best of my recollection, there
2 are an additional four employees.

3 Q. Okay. Are you aware that the commission
4 granted PSE an extension from filing its next CEIP and
5 IRP?

6 A. I am.

7 Q. Now, normally would the central energy equity
8 team be heavy involved in developing those plans?

9 A. At least one of those individuals would be, and
10 they're currently now working on the integrated system
11 plan.

12 Q. Okay. Could you turn to Page 9 of your
13 rebuttal testimony and let me know when you're there?

14 A. I'm there.

15 Q. All right. On Lines 10 through 13, you state
16 that the commission should not adopt staff's
17 recommendation related to the equity advisory group and
18 named communities because PSE is already committed to
19 doing what staff is recommending and that the
20 requirement would be -- would unnecessarily add to your
21 team's regulatory burden.

22 Can you explain how this requirement would add
23 to your regulatory burden if PSE is already
24 committing -- committed to meeting this proposed
25 requirement?

1 A. So the recommendation adds quite a bit of
2 ambiguity to us meeting the requirement, and that
3 ambiguity creates additional opportunity for there to be
4 disagreements when it comes to compliance filing.

5 You know, the IEP 2 spectrum is a continuum,
6 and I think there's been this sense that, you know, one
7 level is better than others, but in reality, we tend to
8 move through all of the levels, depending on the type of
9 engagement that's happening or the stage at which that
10 engagement is happening.

11 Q. Okay. Could you turn to Page 12 of your
12 rebuttal testimony and let me know when you're there?

13 A. I'm there.

14 Q. So on this page, Lines 14 and 15, you similarly
15 state that you oppose staff's recommendation that PSE
16 clearly articulate the nature of the investments
17 intended for equity investments zones; correct?

18 A. That's correct.

19 Q. And your reason here is that this
20 recommendation is duplicative of PSE's current
21 requirements?

22 A. So that's correct. Because the equity
23 investment zone is meant to capture all of our
24 underlying regulatory commitments and then put an
25 engagement layer on top of that to allow our staff to

1 more easily appreciate when they're focusing on one of
2 those areas as opposed to having to think about the more
3 technical definitions that are present within the
4 underlying obligations.

5 Q. Okay. And you cite the CEIP in your answer
6 here and the policy statement issued in the commission's
7 performance based rate docket; correct?

8 A. Correct.

9 Q. But the equity investment zone is a PSE-created
10 concept, isn't it, like you just mentioned?

11 A. It's a concept that allows our staff to engage
12 more effectively with communities in order to meet the
13 underlying compliance obligations that we already have.

14 So the idea is, if we come in and say, "Here
15 are another set of technical compliance requirements,"
16 then we are asking staff to see it -- our staff to see
17 it as an additional thing.

18 If we align it with their ongoing work that
19 they're already a part of, then all of a sudden it
20 becomes a lot easier for us to do that, and as an -- so
21 that's -- that's a point I'm making there.

22 Q. Okay. So could you explain to me how staff's
23 recommendation on this point is duplicative of the
24 current requirements and the CEIP?

25 A. Because, as I said, in CEIP we already have

1 requirements to reach those communities and serve them
2 in the way that's required. The equity investment zone
3 does not change those underlying obligations.

4 Q. But the CEIP doesn't have any requirements
5 related to equity investments zones specifically, does
6 it?

7 A. It does not.

8 Q. So moving on to distributional equity analysis,
9 what is distributional equity analysis? How would you
10 define that?

11 A. So the best sort of understanding I have based
12 on white paper that was introduced by staff Wesley
13 Franks, Exhibit 2, it looks at how do you make sure that
14 you can measure the benefits that distribute to priority
15 populations?

16 And it's guided by expectations from underlying
17 statutes in State's case or an executive order in the
18 case of federal government, the Justice40 Initiative.
19 So that's one aspect of it.

20 In the white paper, it adds the elements of
21 recognition justice, procedural justice to that
22 requirement, but it's a very powerful but fairly narrow
23 tool to achieve equity.

24 Q. So what is the end goal of a distributional
25 equity analysis on a specific portfolio of investments?

1 A. So one way to look at it would be if you take
2 the federal executive order, as an example, Justice40,
3 you're expected to demonstrate that at least 40 percent
4 of that investment goes to priority populations. And so
5 that's one way to think about it.

6 The other way to think about it -- another way
7 to approach it -- sorry -- is to -- as the white paper
8 sort of suggested is that you identify a specific
9 project.

10 You engage with specific priority population.
11 You work with them to help define what the metrics would
12 look like for success, and then you measure whether you
13 are able to achieve that effect as compared to a
14 nonpriority population.

15 Q. And you're measuring the impacts of the entire
16 portfolio; correct?

17 A. Yes.

18 Q. Okay. So --

19 A. If that's -- sorry. If that's how you define
20 context for the DEA.

21 Q. Okay. Thank you.

22 So on Page 4 of your rebuttal testimony, you
23 state that PSE is complying with the equity-related
24 requirements the commission has set forth; correct?

25 A. That is my belief, yes.

1 Q. Okay. And does that include all equity-related
2 conditions in the 2022 PSE GRC settlement stipulation?

3 A. I think we still have a compliance filing that
4 I think was made in April that we had a response from
5 staff and then we provided revised response. We're
6 still awaiting that determination.

7 Q. Okay. Could you turn to Page 18 of your
8 rebuttal testimony and let me know when you're there?

9 A. I'm there.

10 Q. All right. Beginning on this page, you're
11 addressing staff's positions related to the
12 distributional equity analysis in this case; correct?

13 A. Correct.

14 Q. All right. And so going back to the '22 order
15 and stipulation, is PSE's position on that issue that
16 what the company has already done satisfied that
17 condition?

18 A. I think it is. And partly because there are a
19 number of intersecting requirements from the
20 commission -- conditions that sort of overlap or
21 intersect.

22 And the best we could do to try to respond to
23 that was to work on a series of pilots, including the
24 one that's mentioned in the white paper as a case study,
25 and try to move forward with those in a way that we

1 believe helps us to comply.

2 One of the key aspects that's mentioned there
3 is the equity docket, and we believe that starting with
4 the guidance that comes from the white paper and some of
5 the pilots that PSE has done in this area -- first in
6 the nation -- we would hope that in the equity docket we
7 would be able to provide more policy guidance on some of
8 these.

9 Q. Okay. So related to the proposed 80 megawatt
10 portfolio, what portion of that portfolio did PSE apply
11 the DEA methodologies to?

12 A. So here I need to back up for a second. One
13 way in which you can look at the distributional -- one
14 way you can look at equity is through the distributional
15 equity analysis, which, as I said earlier, is a very
16 powerful but narrow tool.

17 Another way mentioned in the white paper is to
18 do a system-wide equity assessment, and the exhibit you
19 pointed me to earlier is built on an appreciation for
20 the system-wide equity assessment that we first
21 developed as part of our CEIP and then building off of
22 that to allow us to then apply it across the complexity
23 and variety of the conditions that came out of the last
24 GRC.

25 And so all of the projects that will be

1 evaluated as part of the 80 megawatts will go through
2 that type of system-wide analysis that more inclusively
3 looks at restorative justice, recognition justice, and
4 procedural justice in addition to divisional justice.

5 Q. Okay. So currently, though, what portion of
6 the proposed 80 megawatt portfolio has PSE applied the
7 DEA methodologies to?

8 A. Well, as part of the pilot, we have applied it
9 to two of our solar projects that is currently awaiting
10 approval from our partners at the Department of Energy
11 to be able to publish that, so that would be the answer.

12 Q. Okay. And those two solar projects, do they
13 total .3 percent of the proposed -- of the total
14 80 megawatt portfolio?

15 A. I don't recall the exact percentage, but that
16 would -- that's directionally okay.

17 Q. Okay. Do you have a copy of TAH-16X with you?

18 JUDGE HUGHES: Counselor, we're ten minutes
19 past ten minutes. How many more questions do we have?

20 MR. CALLAGHAN: Just a couple more, Your
21 Honor.

22 JUDGE HUGHES: Okay.

23 MR. CALLAGHAN: I will try to be quick.

24 A. Go ahead.

25 Q. (By Mr. Callaghan) So in this response, you

1 say that PSE has procured 29 megawatts of the
2 80 megawatt portfolio; correct?

3 A. That's correct.

4 Q. All right. Could PSE apply the DEA
5 methodologies to the balance of the portfolio?

6 A. I'm very comfortable, in order to maintain the
7 balance between the timing of getting these done,
8 meeting the intent to perform an equity assessment, a
9 system-wide equity assessment, that we would need to
10 review whether that's possible within the time that's
11 allotted.

12 One option would be to do a streamlined
13 process, but the white paper as guidance points out that
14 there are, you know, challenges with doing that and
15 still being effective in the analysis.

16 Q. Thank you.

17 Could you turn to Page 21 of your rebuttal
18 testimony and let me know when you're there?

19 A. I'm there.

20 Q. On Lines 12 through 14, you state that a DEA on
21 the targeted electrification pilot is not needed because
22 an evaluation is already planned; is that right?

23 A. That's correct.

24 Q. All right. And do you have a copy of TAH-17X
25 with you?

1 A. I do.

2 Q. All right. And this is PSE's response to staff
3 data request 232; correct?

4 A. Correct.

5 Q. And you state here that the evaluation plan has
6 not been developed yet for the TEP Phase 2 program; is
7 that right?

8 A. That's correct.

9 Q. Okay. So I guess, how do you know that staff's
10 recommendation is redundant if you don't know what the
11 evaluation will look like?

12 A. Because, as I said, all these projects are
13 required to have a system-wide equity assessment as part
14 of those efforts, and I'm confident that that will
15 happen.

16 I think the -- we're not -- I don't think we're
17 required until January to have that complete, so I just
18 think that, if we believe that distributional equity
19 analysis is the only way to do an equity analysis here,
20 I'm happy to discuss that within an equity docket and
21 have that come out in a policy statement.

22 If we don't, then I think it's up to, you know,
23 determination based on a conversation about what the
24 guidance says and our sort of educated opinion about
25 that.

1 Q. Okay. So that sounds like you would -- PSE
2 would prefer additional guidance from the commission
3 before moving forward on something like that?

4 A. Not just prefer. There is a condition that
5 says that before we move forward with a final
6 methodology, that we need to participate in the equity
7 docket and then receive commission approval before doing
8 that.

9 MR. CALLAGHAN: Okay. Thank you.

10 No further questions, Your Honor.

11 JUDGE HUGHES: Any redirect?

12 MS. CARSON: No, Your Honor.

13 JUDGE HUGHES: All right. The Energy
14 Project asks for ten minutes.

15 MR. ZAKAI: Yes.

16 CROSS-EXAMINATION

17 BY MR. ZAKAI:

18 Q. Hello, Witness Hutson. It's good to see you
19 today.

20 A. Same here.

21 Q. I'd like to ask you a few questions about
22 demographic reporting in the performance metrics, and by
23 "demographic reporting," I mean separately identifying
24 named communities.

25 First, please turn to Exhibit TAH-18S, which is

1 PSE's response to data request 74.

2 A. I'm there.

3 Q. Thank you.

4 Are you listed as the witness that's
5 knowledgeable about this response?

6 A. I am.

7 Q. Okay. So this data request includes a table
8 that identifies metrics that parties requested that PSE
9 reports -- that PSE has rejected or opposes reporting;
10 is that correct?

11 A. I think in some -- our primary way of
12 addressing this is to say that we are deferring to the
13 metrics that come out of the policy statement in the PBR
14 docket as our primary focus.

15 We are also then pointing out that there are a
16 number of these where we are already reporting them
17 elsewhere, and then in some cases, we are rejecting the
18 proposed metric.

19 Q. So you would prefer not to use the term
20 "reject," but if you look at the top of the table in the
21 first row, it does say, "Proposed metric rejected by
22 PSE"; correct?

23 A. Well, I did just use the term "reject."

24 Q. Yeah. Okay. Please turn to Page 4, Line 7 of
25 this exhibit.

1 And this shows that PSE rejects reporting as a
2 performance metric residential arrearages by
3 demographics and asks PSE to signal where those metrics
4 are currently reported; is that correct?

5 A. That's correct.

6 Q. And then -- so if we turn to the cell over
7 there to the right, that indicates the location where
8 PSE currently reports this data; correct?

9 A. Correct.

10 Q. Okay. And PSE states that it's reporting the
11 data in its performance metrics as a part of that
12 response. Yet, as we just discussed, this entire table
13 is about where PSE does not wish to report metrics in
14 their -- as a part of the performance metrics; is that
15 correct?

16 A. As I said, we are pointing out metrics where we
17 are already reporting them elsewhere, and in this
18 instance, we are reporting this metric within the
19 multiyear rate plan compliance filing.

20 And yes, so -- so I believe we're correct in
21 our statement here.

22 Q. Yeah. Let me try rephrasing to make sure I'm
23 getting the point across correctly.

24 You're proposing here -- you're stating here
25 that it's reported in the multiyear rate plan

1 performance metrics, yet the commission is going to be
2 deciding what to continue reporting as metrics; correct?

3 A. That's correct.

4 Q. Yeah. Okay. And if they accept PSE's
5 proposal, then they will not continue reporting this as
6 a metric; correct?

7 A. This current metric, while it's not in the
8 policy statement for the PBR docket this year, it will
9 be for next year. It's scheduled to be for next year,
10 so it will be reported then in a sustainable way.

11 Q. Okay. So we were looking, to make sure I've
12 got this correct, at Line 7, and so PSE will be
13 continuing to report residential arrearages by month,
14 location, and demographic, and as we discussed
15 originally, demographically meaning separately
16 identifying highly impacted communities and vulnerable
17 populations?

18 A. My understanding is that that's how that metric
19 is being reported in the PBR docket, and so we will be
20 reporting it in accordance with that.

21 Q. Okay. So you're committed to continuing
22 reporting it?

23 A. (Witness nods head.)

24 Q. Okay. So let's turn to Line 6 now.

25 And so similar question: This is concerning

1 disconnection notices, disconnection, and reconnections.

2 Is it your understanding that those would
3 continue to be reported in the next multiyear rate plan?

4 A. So my understanding is that it's currently
5 reported in the current multiyear rate plan, but this
6 one also happens to be reported as part of the CBIs in
7 the CEIP annual filing, which will continue, going
8 forward.

9 Q. Okay. But if we look to the right at where we
10 ask PSE to identify the location where they currently
11 report this data, the CBIs aren't listed there, are
12 they?

13 A. They're not. But they are currently reported.
14 You asked where they're currently reported, and they are
15 currently reported in the multiyear rate plan compliance
16 filing. So I think that's an accurate response.

17 I am just pointing out, in anticipation of what
18 you just said with the previous one, if the multiyear
19 rate plan goes away, that that compliance filing goes
20 away because the commission doesn't require it anymore.

21 Now I'm pointing out that it's included in the
22 CEIP filing.

23 Q. Okay. And if it turns out that it's not in the
24 CEIP filing, would PSE commit to, you know, continuing
25 to report that data somewhere? Because I haven't

1 checked because it wasn't in here.

2 A. Well, I'm comfortable with my team having
3 checked, and so yeah.

4 MR. ZAKAI: Okay. One moment.

5 Okay. No further questions, Your Honor. Thank
6 you.

7 JUDGE HUGHES: Thank you. Any redirect?

8 MS. CARSON: No, Your Honor. Thanks.

9 JUDGE HUGHES: Mr. -- Commission Doumit.

10 EXAMINATION

11 BY COMMISSIONER DOUMIT:

12 Q. Thank you, Mr. Hutson. Just a question to
13 return to the equity investment zone, please. I may be
14 the only one in the room that didn't quite understand
15 how it's adding value to Justice40.

16 You said it's sort of layering on. Asked and
17 answered, I know, but just for my benefit, can you give
18 me a succinct description again of what -- how it
19 interacts and adds value to which programs?

20 A. So by layering it on top of the underlying sort
21 of technical requirements, we're now able to create a
22 series of story maps that are much easier to engage
23 with.

24 As an example, one of the areas is in Skagit,
25 and based on our engagement with our teams around that,

1 the team that was applying IIJA funding, the GRIP grant,
2 was able to use that understanding to broadly engage.

3 Now we're having to meet with Justice40
4 requirements because that's a Department of Energy
5 grant, and we recently secured \$45 million to help with
6 that.

7 So that's a -- that's a way to bring to life
8 the additional benefit that comes from the layer that we
9 place with the equity investment zones.

10 Q. Okay. That's helpful. Thank you. And just a
11 couple more questions.

12 In the EIZ analysis, has PSE conducted any type
13 of analysis specifically on military families to
14 understand the depth of energy burden for these
15 families?

16 A. So military families is one of those areas
17 where, if you look at the underlying priority population
18 characteristics in the areas, those families show a
19 similar -- a similar type of characteristic.

20 By defining them as military families, our
21 teams are now able to engage with the social networks
22 and others that they're a part of, making it a lot
23 easier to engage with that population and, you know,
24 have them receive the benefit of some of the other
25 programs.

1 Remember, this is not an exclusionary layer.
2 It's inclusionary by intent, and it's just meant to make
3 it easier for staff. Most of our staff know when
4 they're working in an area not by whether it's a named
5 community or not, but by the characteristics they see
6 when they're working, you know, in those communities,
7 and that's what that's intended to.

8 Q. All right. So within the EIZ, the military
9 family isn't necessarily distinguishable from other
10 families demographically, it sounds like, but when it's
11 determined, you know, that EIZ existence, then you can
12 go in and identify the military family and help that
13 family with its -- with benefits from whatever might be
14 available; is that right?

15 A. Yes. So --

16 Q. Okay.

17 A. -- part of meeting -- part of procedural
18 justice and meeting communities where they are means
19 meeting them where their social networks already exist,
20 and in that case, it's a lot easier to engage there.

21 Q. All right. Thanks.

22 And this question, you might have just
23 answered: Once PSE identifies populations as being in
24 an EIZ, what is the next step to PSE 's process to
25 operationalize the benefits to the areas?

1 justice, we have lots of different requirements that
2 define populations using specific language. So we
3 have -- CCA has one definition. You have -- CETA has
4 another definition. Justice40, the feds, has another
5 definition.

6 When I'm engaging with our teams, it's already
7 challenging trying to get people to understand what
8 recognition, procedural, distributional, all of these
9 things mean and then all of these different requirements
10 and all of the different definitions.

11 So what we've tried to do is to put all of
12 those together, layer them all on top of each other,
13 layer them over our service territory, and then look for
14 easily understand -- understandable areas that we can
15 point to that says, here is an area where you can see
16 this.

17 And that then allows us to figure out who
18 should we be partnering with, what should our approach
19 be, and all of these things to try to engage in a more
20 meaningful and authentic way that will drive benefits to
21 those customers and communities.

22 Q. Thank you. I think that's really helpful.

23 In your initial testimony -- and I'm assuming
24 you have it with you. It's TAH-1T at Page 20, and I'll
25 wait for you to get there.

1 A. I'm there.

2 Q. You talk about PSE developing the EIZs because
3 these have -- have existing social networks that you
4 could leverage in communicating with the customers, but
5 you also mentioned desire not to fatigue, the -- your
6 trusted messengers, CBOs, with multiple engagements and
7 allows for consistent messaging from PSE, so I'm trying
8 to make this fit in my head.

9 So if you were to conduct this outreach on your
10 own, you would be excluding the CBOs from this process
11 of engagement in the EIZs?

12 A. No.

13 Q. Okay. I'm trying to understand what you meant
14 by that.

15 A. Yeah. So what I meant by that is -- so one way
16 of looking at this is, as I've stated, how is this going
17 to be experienced by our teams and their partners in the
18 community, including community-based organizations.

19 The other way of looking at this is, how will
20 it be experienced by the populations we're targeting and
21 the communities we're targeting.

22 And if we have multiple different engagements
23 that are focused on our specific need at the time and
24 not appreciating the impact and the burden that it will
25 have on those communities, we're finding that it's

1 probably better to think about that so that, when you
2 engage with the community, you can cover multiple
3 different points and different issues all at the same
4 time.

5 Every time we've engaged with a community,
6 including with lots of partners, there's a consistent
7 feedback that people say, "We really want to talk about
8 things that are affecting our community right now."

9 Some of those things might not be what we're
10 there to speak about, but we have to listen, and then we
11 have to respond.

12 Sometimes they're asking for things that we
13 can't do, but we can then reach out to community
14 partners, whether it's DSHS or someone else and say,
15 "Hey, there's a need here. There's an issue here."

16 Because one of the consequences of engaging
17 with these communities is that it's difficult to then
18 say, "Oh, you told us this is really important to you
19 and now you're saying you can't do anything about it."

20 Q. So -- so when you -- in your answer, does that
21 mean that you coordinate with the community-based
22 organizations but don't go through them for this work,
23 but they are aware that you're there or they're
24 collaborating with you?

25 I'm just trying to get a sense of how you're

1 working in your plan with them so they're not excluded
2 from this engagement.

3 A. Yeah. They're not -- they're not excluded.
4 They're part of the conversation.

5 I think one of the things I've learned in the
6 past year or so doing this is that, you know, we have
7 tended to focus on this as this new thing that we have
8 to do.

9 In reality, what it's pointing out is that we
10 need to go back to things that we've always done, and a
11 key part of this is, do we have long-term meaningful
12 relationships with communities such that we can then
13 have these conversations because we have developed the
14 trust and the consistency in our engagement.

15 Q. Okay. Last question is, on the same testimony
16 on Page 31 and starting at Line 5 -- so I'll wait for
17 you to get there so you know the context for my
18 question.

19 A. I'm there.

20 Q. Okay. You state that the parties generally
21 expressed support for the EIZ construct.

22 Does this mean that there was some disagreement
23 or were there some of the issues that generated
24 disagreement?

25 What does generally expressed support -- it's

1 not unanimous. Can you explain more about that comment?

2 A. I think parties are expressing the same sort of
3 concerns that staff and you are sharing. It feels like
4 a new concept, and it feels like something that's
5 different.

6 And so I think there was some initial
7 hesitation to, are we committing to some other new thing
8 that we have to do. I think it will take time to work
9 through some of those, and now that we have a successful
10 project in Skagit for the federal GRIP grant, I think it
11 will start becoming clearer to others.

12 Now, to be honest, I've had the same type of
13 challenge within the company, trying to explain to
14 staff, but I think, once they appreciate the fact that
15 this is a more intuitive way for them to deal with the
16 underlying compliance requirements and they don't have
17 to really understand some of the technical aspects of --
18 of that, that's starting to change, but that's what I
19 was referring to here.

20 COMMISSIONER RENDAHL: Okay. Thank you.
21 That's all I have. Thank you very much.

22 JUDGE HUGHES: Thank you. You're excused.

23 THE WITNESS: Thank you.

24 JUDGE HUGHES: We're going to take a brief
25 recess here. Let's try to be back here at 3:35. And

1 let's go off the record.

2 (Recess from 3:24 p.m. to 3:40 p.m.)

3 JUDGE HUGHES: All right. The time is 3:40.

4 And as soon as we have order in the hearing room, we'll
5 begin. Very good. Let's be back on the record.

6 I believe our next witness is Zac Yanez.

7 MS. CARSON: Yes. And he is available by
8 Zoom.

9 JUDGE HUGHES: Very good. Can you please
10 raise your right hand.

11 ZAC YANEZ, having been first duly sworn
12 testified as follows:

13 JUDGE HUGHES: Very good. Please introduce
14 the witness.

15 DIRECT EXAMINATION

16 BY MS. CARSON:

17 Q. Mr. Yanez, please state your name for the
18 record, spell your name, and tell us your job
19 description -- or your title.

20 A. My name is Zacarias Yanez. Last name is
21 Y-a-n-e-z. My job title is senior -- excuse me --
22 consulting energy trader for Puget Sound Energy.

23 Q. Thank you.

24 Your prefiled direct and rebuttal testimony and
25 exhibits have been admitted into evidence stipulated.

1 MS. CARSON: And Mr. Yanez is available for
2 questions from the bench.

3 EXAMINATION

4 BY CHAIR DANNER:

5 Q. Thank you very much. Good afternoon. I just
6 had two questions and won't take very long at all, I
7 hope.

8 First question is -- this is with regard to the
9 Chelan power sales agreement.

10 What percent of Chelan's hydro output is the
11 PSA discussed in your testimony?

12 A. Good afternoon, Commissioner. The percent for
13 PSE's share -- Puget Sound Energy's share?

14 Q. Yeah.

15 A. We're going to be receiving 25 percent of the
16 output under the terms of the PSA of the prior sales
17 agreement.

18 Q. So 25 percent of the hydro output from the
19 facility? Okay.

20 A. Correct.

21 Q. And are you negotiating additional contracts
22 with Chelan or other hydro providers?

23 I mean, you raised concerns about protections
24 from costs overridden as an issue.

25 Are you negotiating additional contracts for

1 hydro with Chelan or with others?

2 A. We have negotiated additional contracts with
3 Chelan, as well as other utilities, along the Mid-C.

4 Q. Okay. And are the concerns about cost overruns
5 an issue that you are focusing on right now?

6 A. I believe the concerns of the cost overruns --
7 is there an echo? I think got fixed.

8 The cost overrun concerns are specific to
9 Mr. Wilson's testimony, and they're unique to a cost
10 plus type of contract, which this particular PSA is.

11 So I would say some of the contracts -- not all
12 the contracts that we're negotiating but all of the
13 Mid-C's are cost plus. This one happens to be a cost
14 plus contract similar to the 2006 contract.

15 As I state in my testimony, Chelan PUD is a
16 consumer-owned utility. They pride themselves in having
17 some of the lowest rates not just in the state but in
18 the country.

19 We have -- based on our experience with them,
20 based on history, we have every reason to believe that
21 they'll continue to manage their costs. Any investments
22 at the plant would be what I would call reasonable
23 investments. They would compare it to the alternatives.

24 And as documented in my testimony, we did quite
25 a bit of sensitivity testing around the alternatives

1 cost. So I would say, you know, the benefits we
2 identified for our ratepayers give us confidence to --
3 give us the confidence to execute the contract,
4 recognizing that there is the potential for -- for
5 actual costs in the future to be higher than what we are
6 forecasting.

7 Q. Okay. So there may be, you know, what we call
8 cost overruns, but you think those costs would be
9 manageable. They would be in the reasonable ballpark?

10 A. Correct. I think the -- my testimony shows the
11 benefits -- you know, the benefits to PSE ratepayers are
12 somewhere in the neighborhood of 173 million to just
13 under a billion dollars. That's present value dollars
14 at the time we took the analysis.

15 And we're only responsible for 25 percent of
16 the -- of the costs. I think that's what gives the
17 comfort to execute the contract. It would take very
18 substantial costs to eat into those portfolio benefits.

19 CHAIR DANNER: All right. Thank you. That
20 answers my question. I appreciate it.

21 JUDGE HUGHES: Thank you. You are
22 dismissed.

23 THE WITNESS: Thank you.

24 JUDGE HUGHES: All right. Calling John
25 Taylor next, who I believe we have questions from AWEC

1 and Nucor.

2 Welcome. Please raise your right hand.

3 JOHN TAYLOR, having been first duly sworn
4 testified as follows:

5 JUDGE BROWN: Very good. Please introduce
6 the witness.

7 DIRECT EXAMINATION

8 BY MS. CARSON:

9 Q. Good afternoon, Mr. Taylor. Please state your
10 name and title and spell your name for the court
11 reporter.

12 A. John Taylor, managing partner, J-o-h-n,
13 T-a-y-l-o-r.

14 MS. CARSON: Mr. Taylor's prefiled testimony
15 and exhibits have been stipulated into evidence and he
16 is available for cross-examination.

17 JUDGE HUGHES: Go ahead, Counsel.

18 MS. MOSER: Thank you, Your Honor.

19 CROSS-EXAMINATION

20 BY MS. MOSER:

21 Q. Good afternoon, Mr. Taylor. How are you?

22 A. Doing well. Thanks.

23 Q. Good.

24 Do you happen to have your cross exhibits
25 available? And specifically looking for JDT-18CX?

1 A. Yes, I do.

2 Q. Okay. And that's a bit of a lengthy document.
3 I'm not going to refer you to every page of it.

4 It does contain confidential information. I am
5 going to avoid -- my questions aren't confidential. I'm
6 not intending to elicit information that -- from you
7 that I think will be confidential, but if we get to a
8 point where your response requires confidential
9 information, if you could let us know, that would be
10 great.

11 A. Okay.

12 Q. Thank you.

13 So, first, can I have you please turn
14 to Page 36 of the exhibit, which is PSE's response to
15 AWEC data request 80.

16 A. I'm there.

17 COMMISSIONER RENDAHL: Which exhibit are you
18 on right now?

19 MS. MOSER: It's JDT-18CX.

20 COMMISSIONER RENDAHL: Thank you. And which
21 page?

22 MS. MOSER: It's Page 36 of the exhibit,
23 which --

24 COMMISSIONER RENDAHL: Great. Thank you.

25 Q. (By Ms. Moser) Okay. And then Subpart A of

1 this question is asking whether the eight-inch pipe
2 connecting the Golden Givens limiting station and the
3 Puget LNG plant is included in the direct assignment
4 means to Puget LNG; correct?

5 A. Yes.

6 Q. Okay. And then if we scroll down,
7 understanding PSE's objection to the terminology, which
8 I believe refers to Tacoma LNG facility instead of the
9 Puget LNG that was in my question, your response is no,
10 because direct assignment of mains to Schedule 88T and
11 the special contract class is based on the use of mains
12 during peak demand period and that because Schedule 88T
13 does not have peak demand requirements and is fully --
14 is a fully interruptible schedule, plus, during peak
15 events, it would supply gas from the Tacoma LNG facility
16 unlike other customers who would be pulling gas from the
17 system, no portion of the pipe's peak capacity is
18 allocated to Schedule 88T; correct?

19 A. Yes.

20 Q. Okay. Are other interruptible customers
21 allocated main costs even though these customers do not
22 receive gas during peak events?

23 A. Other interruptible customers are allocated
24 costs based on the WAC rules using peak and average
25 allocator. So given that they're interruptible, there's

1 no peak component, but they do get allocated based on
2 that average component from the allocation factor.

3 Q. Okay. Moving on to the subsequent subsections
4 of this DRB through -- let's see -- I think G, refer to
5 different sections of pipe aside from the Golden Givens.

6 And I believe in all of these, none of them --
7 none of these sections of pipe are allocated or assigned
8 to Schedule 88T; is that correct?

9 A. Yes. 88T's direct assignment is a pretty
10 specific instance of direct assignment, so I could
11 explain that more if you'd like.

12 Q. No. That's okay. I think we'll try to move
13 through this.

14 So these other pipes that are in these
15 subsections that we just discussed, B through G, I'm
16 going to refer to those as additional pipe just to be --
17 just to be quick. Refer to them quickly.

18 And so my question is: Is it fair to say that
19 the Tacoma LNG benefits from these additional pipe
20 that -- I'm sorry.

21 Is it fair to say that Tacoma LNG benefits from
22 these additional pipes but is not assigned any of the
23 rate base associated with the pipe in your cost of
24 service study?

25 A. The allocation of pipe that 88T is based on the

1 incremental facilities that were necessary to serve
2 Tacoma LNG. So the direct assignment actually reflects
3 those incremental facilities, which there's three major
4 components.

5 The four-mile 16-inch line with which is the
6 subject of Tacoma LNG proceeding, that order came out
7 earlier this year. There's the Golden Givens upgrades,
8 and Frederickson.

9 So that direct assignment that we're using in
10 the class cost of services, just those incremental
11 facilities that were required to be put into service to
12 provide service to Tacoma LNG.

13 Q. But do you agree that Tacoma LNG receives gas
14 through mains that also -- also serve other customers?

15 A. The -- yes. There's gas that goes through
16 other mains, but, again, they're not incremental
17 facilities that were required to be invested in to serve
18 Tacoma LNG.

19 Q. And so those are not -- again, those are not
20 costs that are allocated or assigned in the rate base
21 associated with the pipe in your cost of service study?

22 A. Correct. They're only direct assignment
23 related to the incremental facilities of those three
24 upgrades I just mentioned.

25 Q. Okay. And so does 88T pay costs associated

1 with those pipes?

2 A. The three upgrades?

3 Q. No. The other -- the additional mains that are
4 listed or pipes that are listed in this data response.

5 A. No. As I indicated, the direct assignment was
6 just the incremental facilities for those three
7 upgrades, so it would not include what you're calling
8 additional pipes because those additional pipes weren't
9 required to be upgraded with additional capacity to
10 serve Tacoma LNG.

11 Q. Okay. Okay. Now, I'm going to have you please
12 turn to Page 14 of the exhibit, which is PSE's response
13 to AWEC data request 72; correct?

14 A. Yes.

15 Q. And then in AWEC -- in DR 72 Subpart B in the
16 response, you state that you have not analyzed which
17 looped pipes serve Schedule 88T; is that correct?

18 A. Which subpart are you referring to?

19 Q. Subpart B. Kind of midway -- so on Page 15,
20 the first full sentence, "With that said, Puget Sound
21 Energy has not specifically analyzed which looped pipes
22 have the ability to serve schedule 87, 87T, and 88T
23 customers."

24 A. In the context of this rate case and AWEC's
25 proposal to directly assign cost to 87 and 87T, we

1 didn't study the looped pipelines that could serve them,
2 but when Tacoma LNG was first connected to the system,
3 the company studied which pipelines would be serving in
4 the incremental facilities and made investments which
5 were the subject of another proceeding as well, which we
6 are directly assigning to 88T in this proceeding.

7 So yes, that is correct in the context of
8 responding to AWEC's proposal to directly assign
9 additional -- or not additional, but mains cost to 87,
10 87T. We didn't look at the looped pipelines or do any
11 type of load -- gas load analysis.

12 Q. Okay. And so -- okay. And now if I can have
13 you turn to Page 48 of the exhibit, same exhibit, that
14 should be PSE's response to AWEC data request 85.

15 A. I'm there.

16 Q. Okay. And then in response to Subpart C, PSE
17 confirms that it is proposing to move Schedule 88T to
18 its exact cost to serve a parity ratio of one; correct?

19 A. Yes.

20 Q. Okay. And then to do this, PSE is proposing to
21 use past year costs, the 12-month period ending
22 June 30th, 2023, per PSE's response to Sub Part A;
23 correct?

24 A. Correct.

25 Q. Okay. And then in Subpart C of this response,

1 PSE asserts that Schedule 88T is a unique case when it
2 comes to cost allocation because infrastructure was
3 directly allocated to the single Schedule 88T customer
4 along with its proportional operating costs which
5 recovers all of the costs to serve that customer;
6 correct?

7 A. Yes.

8 Q. Okay. Are the costs referred to here only
9 talking about the cost of mains to serve 88T?

10 A. No. There's other costs associated with the
11 class cost of service that's allocated to 88T. It's
12 also measuring regulating stations to meters and then
13 various other general planned overhead that would be
14 included in their total revenue requirement.

15 In addition, they have rates that will be
16 paying through the company's 141D, which is the outcome
17 of the Tacoma LNG proceeding. So comprehensively,
18 between the 141D rates and then the proposal here, which
19 is to take them fully to their cost to serve, they'll be
20 paying their cost to serve.

21 Q. Okay. Thank you for that clarification.

22 Last set of questions are actually in reference
23 to your Exhibit JDT-11.

24 A. Okay. I'm there.

25 Q. Okay. I'm going to try to shortcut this a

1 little bit, but if we need to walk through it, we can.

2 But do you recall whether Schedule 88T's
3 expected rate year two therms are approximately
4 400 percent of the test year therms?

5 A. I do not recall that. I know that the rate
6 year two is an expectation that the therms increase, but
7 I don't know to what percentage they increase.

8 Q. Okay. Do you -- I see you're looking at a hard
9 copy, but I think you should be able to look at this.

10 So cell F173 -- and I don't --

11 A. I don't have cell references here, but is it a
12 number that might begin with 581 million?

13 Q. So I'm looking at it looks like Line No. 165.

14 Do you have line numbers?

15 A. I'm on that line number.

16 Q. Okay. Yeah. So we've got test year at
17 13 million -- a little over 13 million therms, and then
18 we go up to rate year two, which is 51.7 million therms;
19 right?

20 A. Yes.

21 Q. Okay. And so would you accept that that's
22 about a 400 percent increase?

23 A. Yes.

24 Q. Okay. Does PSE expect any other rate schedule
25 to increase therms by this same magnitude over the term

1 of the multiyear rate plan?

2 A. I do not believe so, no.

3 Q. Okay. And did you use the Schedule 88T test
4 year therms in your cost of service study?

5 A. I do not believe so. Because they're directly
6 assigned the incremental facilities, so their volumes
7 would have driven the assignment of mains since we're
8 assigning those incremental facilities.

9 Q. What about the assignment of other costs we
10 just talked about, overhead labor?

11 A. Well, the O&M expenses get allocated based on
12 the capital, so it would follow the allocation of mains,
13 same with general plan, some AG accounts.

14 So I do not believe their revenue requirement
15 is dependent upon the volumes that were utilized or that
16 are shown here for rate design purposes.

17 Q. Okay. Sorry. So just to be clear, your
18 testimony is that the amount of therms that are on --
19 that Puget -- or sorry -- Tacoma LNG uses on
20 Schedule 88T have no bearing on its class of -- its cost
21 of service?

22 A. Correct. The amount of therms don't influence
23 the revenue requirement associated with the Tacoma LNG
24 on rate 88T because they're being directly assigned
25 those incremental facilities.

1 MS. MOSER: Okay. I have no further
2 questions. Thank you.

3 JUDGE HUGHES: Any redirect?

4 MS. CARSON: No, Your Honor.

5 JUDGE HUGHES: Thank you. I believe we have
6 Nucor.

7 MR. XENOPOULOS: Good afternoon, Your Honor.
8 This is Damon Xenopoulos, for Nucor.

9 CROSS-EXAMINATION

10 BY MR. XENOPOULOS:

11 Q. Good afternoon, Mr. Taylor.

12 A. Good afternoon.

13 Q. We're going to start by looking at your
14 rebuttal testimony in this case, and starting on Page 8,
15 Line 9, of your rebuttal testimony, JDT-8T.

16 A. Okay. I'm there.

17 Q. Thank you.

18 You responded to the proposal of Nucor witness
19 Mr. Higgins to exclude Schedules 85, 85T, 86, 86T, 87,
20 and 87T from the allocation of small distribution mains
21 and Schedules 87 and 87T from the allocation of medium
22 mains; is that correct?

23 A. Yes.

24 Q. Now, please turn to Nucor hearing Exhibit 19X,
25 which is your prefiled direct testimony in the 2019

1 case.

2 Do you recognize this in your prefiled direct
3 testimony in PSE 2019 general rate case?

4 A. Yes, I do.

5 Q. Thank you.

6 So please turn to Page 15, Line 9, of that
7 testimony.

8 A. I'm there.

9 Q. In this section of your testimony, you discuss
10 the allocation of distribution mains; is that correct?

11 A. Yes.

12 Q. And you explain how you applied the peak and
13 average method to allocate the cost of distribution
14 mains; is that correct?

15 A. Correct.

16 Q. And starting at the top of Page 17, you walk
17 through how you differentiated the mains of different
18 sizes; is that correct?

19 A. Yes.

20 Q. Could you please read into the record the
21 sentence beginning on Line 1 of Page 17 through Line 6?

22 A. Talking about Page 17 of Exhibit JDT-1T or
23 Page 17 of the cross exhibit?

24 Q. The cross exhibit.

25 A. On your copy, what's the first word of Line 1?

1 Q. "Third."

2 A. "Good" as in that's a good question or "good"
3 is the word?

4 Q. The word is third.

5 A. Third.

6 Third, for the 67.77 percent to be allocated on
7 peak gas command large mains were allocated to all gas
8 customer classes except special contracts. Medium mains
9 were allocated to all customer classes except
10 nonexclusive interruptible, parenthetical, Schedule 87
11 and 87T. And special contracts and small mains were
12 allocated to all customer classes except the
13 interruptible classes, Schedules 85, 85T, 86, 86T, 87 to
14 87T, and special contracts.

15 Q. Thank you.

16 Do you agree that what you just described is
17 the same allocation treatment of small and medium mains
18 that Mr. Higgins has proposed in this case?

19 A. I believe so, yes.

20 Q. On Page 17, Line 17, of your direct testimony
21 in the 2019 case, Exhibit 19X, you explained the
22 reasoning behind your allocation of small and medium
23 sized mains; is that correct?

24 A. Yes.

25 Q. Please read into the record that explanation

1 starting on Page 17, Line 17, through Page 18, Line 5.

2 A. Starts with the question: "Why were medium and
3 small distribution mains not allocated to all gas
4 customer classes?"

5 The answer: "Regarding the smallest mains,
6 less than two inches, a review of the meter sizes for
7 the nonexclusive interruptible, 87 to 87T, show that it
8 is reasonable to assume that none of these customers are
9 served from mains that are smaller than four inches.

10 "Further, the smallest main are in isolated
11 locations on PSE's gas distribution system and are
12 unlikely to provide benefits to large gas, commercial,
13 and industrial load served on Schedules 85, 85T, 86,
14 86T, 87, and 87T.

15 "Further, none of the medium-sized mains were
16 allocated to the nonexclusive interruptible classes,
17 Schedules 87 and 87T, given a main serving these
18 customers were four inch or larger."

19 Q. Thank you. And when you made these
20 recommendations in the 2019 general rate case, did you
21 believe they were based on sound rate and principles?

22 A. As I discuss on Page 12 of the testimony you're
23 referencing, there's three primary principles or
24 approaches that I consider.

25 The first is cost-causation principle, the

1 second is availability of data, and the third is the
2 regulatory precedent or common procedures in the state.

3 So at the time, in 2019, there was no WAC rules
4 that prescribed a methodology. So I took that into
5 consideration, as well as the practice of not
6 classifying mains as customer related, which I typically
7 do do, using a minimum system of zero intercept.

8 So based on the combination of weighing cost
9 causation, weighing the data availability, and looking
10 at the common precedence that existed at the time, I
11 believe in 2019 this was an appropriate approach.

12 But as you know, in the 2022 case and the
13 current case, there is new WAC rules that are in place,
14 and we're reflecting those in the cost of service
15 studies that were filed as prefiled in both of those
16 rate cases.

17 Q. Thank you.

18 But you do understand that the WAC rules do
19 permit exceptions; is that correct?

20 A. I think the WAC rules prescribe methodologies
21 to be applied and the companies utilities in Washington
22 can apply for exceptions. In fact, we had to or chose
23 to apply for an exception and filed two cost of service
24 studies relating to the functionalization of a
25 particular FERC account.

1 Q. The fundamental cost-causation principle has
2 not changed between the last case and this case, have
3 they?

4 A. No.

5 Q. Thank you.

6 Turning back to your rebuttal testimony at
7 Page 9, Line 12, you state that -- I'll let you get
8 there.

9 A. I'm there.

10 Q. Okay. It is worth noting that the WAC rules as
11 interpreted by PSE and staff result in significantly
12 more costs being allocated to Schedules 85, 85T, 86, 87T
13 [sic], 87, and 87T in comparison to the segmented
14 analysis that PSE utilized in its 2019 general rate case
15 filed before the commission issued its order in Docket
16 UG-17003 and as advocates in this proceeding by Nucor
17 witness Higgins; is that correct?

18 A. Yes.

19 Q. So to this point, on Page 9, Line 1, of
20 Mr. Higgins' response testimony in this case -- that's
21 KCH-1T, his testimony is -- Mr. Higgins testifies that
22 the calculation used by PSE in this case results in a
23 64.7 percent increase in the total rate base allocated
24 to Schedules 87 and 87T compared to the method used in
25 the 2019 general rate case.

1 Do you have any reason to dispute that?

2 A. I haven't reviewed that recently, but I have no
3 reason to dispute it.

4 Q. Thank you.

5 And, further, Mr. Higgins calculates the change
6 in the treatment of small and medium mains relative to
7 the 2019 rate case reduces the total rate base allocated
8 to the residential class by only 0.8 percent.

9 Do you have any reason to dispute that?

10 A. Again, I haven't reviewed that recently, but I
11 have no reason to dispute it.

12 MR. XENOPOULOS: Thank you. I have no
13 further questions.

14 JUDGE HUGHES: Any redirect?

15 MS. CARSON: No, Your Honor.

16 COMMISSIONER RENDAHL: I think we may need
17 to ask a question that was referred to Mr. Taylor by
18 Mr. Mannetti, if that's okay?

19 JUDGE HUGHES: Go for it.

20 EXAMINATION

21 BY COMMISSIONER RENDAHL:

22 Q. Okay. So I don't know if you were in the
23 hearing room when we were asking questions of
24 Mr. Mannetti --

25 A. I was.

1 Q. Okay. So in his testimony, which I don't know
2 if you have it, but it's at JM-9T at Page 10, Lines 14
3 to 20, so that's the reference.

4 He states that, "PSE's electric customers
5 should not share the cost of electrifying gasoline-only
6 customers and that a cost recovery mechanism with
7 consumer utilities would be needed."

8 What would a cost recovery mechanism look like
9 for PSE to recover the costs of electrifying its
10 gas-only customers from public utilities?

11 That was the question he deferred to you. So I
12 hope that you're the right witness to answer that
13 question.

14 A. I would respond with, it could look like a lot
15 of different things. I think the public utilities, the
16 consumer utilities, and Puget would have to come to some
17 determination as to, you know, the cost sharing.

18 And there could be a multitude of potential
19 options on how to allocate those costs to recover them
20 from different parties. I mean, some would argue -- in
21 other jurisdictions I've seen this where, you know,
22 there's ideas where the general funds from the State
23 should be utilized, and it shouldn't simply be paid for
24 by ratepayers, but socialized even further outside of
25 consumers of energy.

1 So, you know, there's a plethora of
2 possibilities, and I don't think any one of them is the
3 right solution, but it would be weighing the pros and
4 cons of different alternatives and who bears this cost
5 and which groups of customers or non-customers would
6 receive benefits.

7 Q. So I take it that PSE has not done any work on
8 such a cost allocation or cost recovery mechanism yet?

9 A. As an outside consultant, they haven't asked me
10 to help.

11 COMMISSIONER RENDAHL: Okay. That's fair.
12 Thank you very much.

13 JUDGE HUGHES: Thank you. You are excused.

14 Next up we have Chris Mickelson. I believe the
15 update from Fred Meyer is, they will not be doing a
16 cross, but we still have AWEC.

17 MS. MOSER: Yeah.

18 JUDGE HUGHES: All right. Raise your right
19 hand.

20 CHRISTOPHER MICKELSON, having been first duly sworn
21 testified as follows:

22 JUDGE HUGHES: Okay. Please procure the --
23 or introduce the witness.

24 ////

25 ////

1 DIRECT EXAMINATION

2 BY MS. CARSON:

3 Q. Good afternoon, Mr. Mickelson. Please state
4 your name and job title for the record and spell your
5 last name for the court reporter.6 A. Sure. Christopher Mickelson,
7 M-i-c-k-e-l-s-o-n. I'm the manager of cost service and
8 pricing.9 MS. CARSON: Mr. Mickelson's testimony and
10 exhibits have been stipulated into the admission, and
11 he's available for cross-examination.

12 JUDGE HUGHES: All right. AWEC?

13 MS. MOSER: Thank you, Your Honor.

14 CROSS-EXAMINATION

15 BY MS. MOSER:

16 Q. Good afternoon, Mr. Mickelson. How are you?

17 A. Good. Yourself?

18 Q. Good.

19 I'm going to start with some general questions
20 about the decarbonization rate adjustment. This would
21 establish a new rate schedule, correct,
22 Schedule 141DCARB?

23 A. That's correct.

24 Q. And then the purpose of this tracker is to
25 allow PSE, the commission, and interested parties to

1 carefully exam the cost, benefits, and pace of
2 decarbonization work on the natural gas system; is that
3 correct?

4 A. That's correct. Initial rollout.

5 Q. Right. And this tariff would be limited to
6 programs in which the commission finds value in PSE
7 pursuing but that may not meet the traditional
8 cost-effectiveness standards; correct?

9 A. I believe that's correct.

10 Q. Okay. And so just to be clear, this tracker is
11 not intended to recover costs associated with PSE's
12 compliance with either the CCA or CETA; correct?

13 A. Can you repeat that?

14 Q. Yeah. So this tariff is not intended to
15 recover costs associated with PSE's compliance with
16 either the CCA or CETA; correct?

17 A. Correct.

18 Q. Okay. And costs recovered pursuant to the
19 decarbonization rate adjustment would be allocated to
20 all electric and natural gas customers; correct?

21 A. Correct.

22 Q. And the cost that PSE proposes to include
23 initially in this new schedule are just those of the
24 target electrification pilot Phase 2; correct?

25 A. As outlined in John Mannetti's testimony, yes.

1 Q. But over time, PSE could propose the cost from
2 other decarbonization efforts to be included in the
3 Schedule 141DCARB; correct?

4 A. I do not know exactly what the future rollout
5 will look like. That would have been a question
6 probably for John Mannetti.

7 Q. Well, I guess, to the best of your
8 understanding of this -- this new schedule, it's not
9 just -- it's not a targeted electrification pilot 2
10 schedule. It's a decarbonization schedule that has
11 those sort of general -- general purpose that we just
12 discussed a little earlier in our question and answer;
13 correct?

14 A. Correct.

15 Q. Okay. And so currently, rates in
16 Schedule 141DCARB for electric customers are spread
17 based on a 50 percent customer count and 50 percent
18 margin revenue from the past year; is that correct?

19 A. That is correct.

20 Q. Okay. And is it PSE's position that for any
21 cost included in Schedule 141DCARB, costs should be
22 equally spread among all PSE's electric and natural gas
23 customers?

24 A. Yes. Whether you're a gas-only or an AWEC
25 customer or anyone else, even if you don't get direct

1 benefits, there are indirect benefits that most
2 customers will receive, especially until we do get some
3 type of maybe overall state mechanism to help share
4 costs between other utilities.

5 Q. And I am going to get there and ask about some
6 of those benefits, but what I probably inartfully didn't
7 do here is try to draw a distinction between the
8 targeted electrification pilot Phase 2 and then the
9 general schedule.

10 And I'm trying to understand if PSE's proposal
11 for how rates should be spread to all natural gas and
12 electric customers in this case is a function of the
13 targeted electrification pilot or if that is a rate
14 spread that would go for the duration of the schedule
15 regardless of the programmatic costs that were included.

16 A. So the allocation you referenced earlier or the
17 two factors and how it's weighted is essentially taking
18 the commission's rule. So whether this -- these costs
19 were set in base rates or set for tracker, we use the
20 commission rules to distinguish how to allocate these
21 costs to different customers.

22 Q. So in the future, if there is an -- you know,
23 aside from the targeted electrification pilot Phase 2,
24 there's a different decarbonization program and let's
25 say that it doesn't -- there will be no benefits to that

1 program or no programs that relate to industrial
2 customers, for example, for that -- in that
3 circumstance, would the company's proposal that this
4 rate schedule be applied -- or I'm sorry. Let me start
5 over.

6 Would the company's position in that case where
7 there are programmatic costs that do not benefit
8 industrial customers be that those industrial customers
9 continue to pay those costs?

10 A. So under your hypothetical, you're proposing
11 where the industrial customers have no direct access to
12 particular program benefits?

13 Q. Correct.

14 A. I would say yes. Because there is a gas
15 constraint within the system and having -- paying into
16 this program, which AWEC's customers are a very small
17 percentage of, you would have -- if we had to do system
18 upgrades, that would be a cost that would ultimately be
19 allocated to AWEC customers.

20 So in a way, you're getting an indirect benefit
21 through that, but it also helps PSE reduce its carbon
22 emissions, and thus, in the carbon compliance allowances
23 and offsets through demands and supply, the less PSE
24 needs to go into the CCA market to get allowances or
25 offsets. With the allowance supplied being steady, you

1 would expect, through the laws of economics, those
2 prices will go down --

3 Q. That's --

4 A. -- for which AWEC's customers are exempt in the
5 CCA, and they have to go into those markets to get those
6 allowances.

7 Q. Okay. Yes. Thank you.

8 If I can have you now -- you're sort of
9 touching on it. I'll just point you to the reference in
10 your rebuttal testimony, which is CTM-13T at Page 34.

11 A. I'm there.

12 Q. Okay. Starting at Line 6, there's a Q and A
13 where you're responding to AWEC's proposal to exclude
14 from Schedule 141DCARB costs from electric Schedules 449
15 and 459 and natural gas Schedule 87T, energy intense- --
16 I'm sorry -- emissions intensive trade exposed customers
17 and the gas special contract; correct?

18 A. Correct.

19 Q. Okay. And then going into your response on
20 Line 19, that's where we get into some of the discussion
21 that you just summarized. I have a few specific
22 questions related to -- related to the benefits that PSE
23 sees for customers.

24 And so my question is: Do PSE's Schedule 449
25 and Schedule 459 customers gain benefits from PSE's

1 project in gas-constrained areas that help avoid costly
2 gas distribution system upgrades?

3 A. For gas-constrained systems, yes, because if we
4 have to go in and do main allocations, increase main,
5 then those customers would get a portion allocated to
6 those classes.

7 Q. And so just to clarify, Schedule 449 and
8 Schedule 459, I'm talking about the electric schedules.

9 A. Thank you.

10 Q. Yeah.

11 A. So for that piece, 449, on the electric side,
12 you're correct. On the gas constraint side of the
13 system, they would not see a direct benefit.

14 Q. Okay. And are you aware if there are any other
15 regulatory requirements applicable to PSE that require
16 PSE to reduce emissions associated with the electricity
17 that serves its Schedule 449 and Schedule 459 customers?

18 A. I'm not aware of that.

19 MS. MOSER: Okay. Thank you. I have no
20 further questions.

21 And I did not need to rely on the two exhibits
22 that PSE had an issue with, so I'm happy to not have
23 those in the record. Thanks.

24 JUDGE HUGHES: Thank you. Any redirect?

25 MS. CARSON: No, Your Honor.

1 JUDGE HUGHES: No questions from the bench,
2 so you are excused. Thank you.

3 All right. We've got about 40 minutes, so
4 hoping maybe two witnesses, but let's see where we get.

5 Brennan Mueller?

6 MS. CARSON: So I think we are -- would like
7 to move Susan Free up ahead of Brennan Mueller, and I
8 guess my question is: Do we expect to get through both
9 these witnesses today?

10 JUDGE HUGHES: I am just an optimistic
11 person, but let's get Susan Free ahead.

12 MS. CARSON: Okay.

13 JUDGE HUGHES: Please raise your right hand.

14 SUSAN FREE, having been first duly sworn
15 testified as follows:

16 JUDGE HUGHES: Very good. Please prepare
17 the witness.

18 DIRECT EXAMINATION

19 BY MS. CARSON:

20 Q. Good afternoon, Ms. Free. Can you please state
21 your name and title and spell your name for the court
22 reporter?

23 A. My name is Susan Free. I'm the director of
24 revenue requirements and regulatory compliance. And my
25 last name is spelled F-r-e-e.

1 MS. CARSON: Ms. Free's prefiled testimony
2 and exhibits have been stipulated in evidence, and she's
3 available for cross-examination.

4 JUDGE HUGHES: Staff?

5 MR. CALLAGHAN: Thank you, Your Honor.

6 CROSS-EXAMINATION

7 BY MR. CALLAGHAN:

8 Q. Good afternoon, Ms. Free.

9 A. Good afternoon, Counsel.

10 Q. Do you have a copy of your rebuttal testimony
11 available?

12 A. I do.

13 Q. And do you have a copy of the cross exhibit
14 that staff --

15 A. I do.

16 Q. Thank you.

17 Could you please turn to Page 60 of your
18 rebuttal testimony and let me know when you're there?

19 CHAIR DANNER: What is the number of the
20 rebuttal testimony exhibit?

21 MR. CALLAGHAN: Oh, sorry. This is SEF-28T.

22 CHAIR DANNER: Okay. Thank you.

23 COMMISSIONER RENDAHL: What page are we
24 going to?

25 MR. CALLAGHAN: Page 60.

1 COMMISSIONER RENDAHL: Thank you. It's
2 getting on to the day.

3 A. I'm there.

4 Q. (By Mr. Callaghan) Okay. Thank you.

5 So here, beginning on Line 10, you respond to
6 staff's position that part of the company's O&M
7 adjustment, specifically management reserve and reserve
8 contingency, should not be allowed into rates because
9 those amounts are not known and measurable; correct?

10 A. Correct.

11 Q. All right. Now, earlier today I was
12 cross-examining Ms. Huizi, and she directed me to you to
13 ask whether or not the company was asking for these as
14 traditional pro forma or provisional pro forma.

15 A. These are not provisional pro forma
16 adjustments. The definition of a provisional pro forma
17 adjustment is that it's granted subject to refund, and
18 these O&M adjustments are not part of our
19 subject-to-refund calculation.

20 Q. Okay. Thank you.

21 And the management reserve and contingency
22 reserve are part of PSE's pro forma adjustments 6.22 and
23 11.22; correct?

24 A. Well, I checked that earlier today when you
25 asked Ms. Huizi, and it's amazing what you can forget

1 under the bright light when you get up here.

2 I think that's right. Would you like me to
3 look it up? I know where to find that.

4 Q. No. That's okay.

5 A. Okay.

6 Q. All right. Can you review your question and
7 answer beginning on Page 60, Line 9, and let me know
8 when you're done?

9 A. Page 60, Line 9?

10 Q. Yes. Of your rebuttal testimony.

11 A. (Witness peruses document.)

12 Okay.

13 Q. Okay. So in this answer, you state that you
14 believe staff was complaining standards would apply to
15 plant investments as opposed to standards that apply to
16 O&M expense; is that right?

17 A. Correct.

18 Q. Are you arguing that the known and measurable
19 standard does not apply to pro forma O&M adjustments?

20 A. I don't believe that every dollar of proposed
21 O&M has to be specifically identified. I think that
22 that's been demonstrated through attrition adjustments
23 that the commission has accepted in previous rate cases
24 for O&M.

25 In those instances, there's inflation factors

1 put on costs, and that tends to lose the precise nature
2 of the detail for the O&M. So I think the commission --
3 there's a -- the multiyear rate plan statute allows the
4 commission to have discretion on how they value O&M for
5 the rate years, and so I don't believe that the known
6 and measurable standard has to be applied to allow the
7 recovery for O&M.

8 Q. Okay. And you mentioned in the attrition
9 adjustment.

10 Are you saying that PSE, that the reserve and
11 management contingencies are essentially an attrition
12 adjustment?

13 A. No. That's not what I'm saying.

14 Q. Okay.

15 A. I'm saying that I'm equating it to the lack of
16 specificity in the detail of the actual O&M expenses
17 that get approved.

18 There's the -- what we've put forward in the
19 rate case is a point in time detail for a number that we
20 believe is the appropriate level of O&M to fund rate
21 year activity.

22 And my point by comparing the two is that they
23 don't have to be specifically dollar by dollar
24 attributed to actual costs.

25 Q. Okay. So you're arguing by analogy?

1 A. Yes, sir.

2 Q. Okay. So could you turn to SEF-52X, on Page 8,
3 and let me know when you're there?

4 A. I'm there.

5 Q. All right. And SEF-52X is just a copy of the
6 commission's use and useful policy statement, isn't it?

7 A. That's correct.

8 Q. Okay. Could you review Paragraph 22 on Page 8
9 and let me know when you're done?

10 A. (Witness peruses document.)

11 Sorry. I'm a slow reader. I think I'm done.

12 Q. No. Take your time.

13 Oh, okay. Doesn't this section of the policy
14 statement say that the known and measurable standards
15 still applies to all pro forma adjustments?

16 A. Yes, it does. But the useful policy statement
17 is about capital, and O&M does not have a used and
18 useful component to it. That's a capital concept. And
19 the policy statement does indicate that it's -- it isn't
20 referencing O&M.

21 Q. All right. Are you familiar with
22 WAC 480-07-510?

23 A. Is that the general rate proceeding?

24 Q. Yes.

25 A. Yes.

1 Q. All right. And are you familiar with the rules
2 related to pro forma adjustments in that rule?

3 A. I'm vaguely familiar with them, yes.

4 Q. Okay. To your knowledge, the commission hasn't
5 amended those rules as a result of any aftermath of the
6 multiyear rate plan statute, has it?

7 A. Not to my knowledge, no.

8 Q. Okay. Moving on, could you turn to Page 16 of
9 your rebuttal testimony, and let me know when you're
10 there?

11 A. Could I -- could I rephrase my answer to the
12 last question, please?

13 Q. Certainly.

14 A. I do know that they have -- since the use and
15 useful policy statement has come out, there's been the
16 passage of the multiyear rate plan statute, which is
17 88.28.425, and that statute does give the commission
18 broad discretion on how they value O&M for purposes.

19 Q. Okay. So just to clarify, my question was,
20 since that statute has been enacted, the commission
21 hasn't changed its rule related to pro forma
22 adjustments?

23 A. Correct. That part of my answer is still the
24 same.

25 Q. Okay. Thank you.

1 All right. So could you turn to Page 16 of
2 your rebuttal testimony and let me know when you're
3 there?

4 A. I'm there.

5 Q. All right. Beginning on Line 13, you are
6 discussing the threshold for determining refunds during
7 annual capital review; is that correct?

8 A. That's correct.

9 Q. So first, do you agree that if a pro forma
10 project is included provisionally in rates and that plan
11 ultimately doesn't go into service by the end of the
12 rate year, that the amounts collected in rates related
13 to that plan should be refunded to customers?

14 A. My position is -- takes a portfolio approach,
15 which I think is allowed under the multiyear rate plan
16 statute.

17 It -- which requires that plant in service at
18 or during the rate affected period be measured for
19 purposes of setting rates for that rate year.

20 So in the event that the specific project that
21 was estimated at the time rates were set, which could be
22 up to five and a half years before, like, a four-year
23 rate plan -- if you're at a four-year rate plan, those
24 estimates are probably five years old by the time you
25 get there.

1 So the portfolio approach allows companies to
2 make prudent business decisions to adapt to changing
3 circumstances, and so if one project that was estimated
4 five and a half years ago is not something that is
5 ultimately invested in, then there will be -- under the
6 governance process the company follows, there will be
7 documentation to support why that would be.

8 And any new projects that may have taken its
9 place, there will be documentation to support why that
10 was the right business decision for customers.

11 Q. Okay. So let's say that, within the portfolio
12 of pro forma projects, there is ten projects, and nine
13 of them come in as exactly as estimated and just one
14 does not come into service during the rate year.

15 That amount for that one project should be
16 returned to customers; correct?

17 A. That's not my position. I don't think that's
18 staff's position either.

19 Q. Okay. All right. So could you turn to
20 Page 18, Line 5, of your rebuttal testimony and let me
21 know when you're there?

22 A. I'm there.

23 Q. All right. Could you review your answer,
24 Lines 5 through 14, and let me know when you're done?

25 A. (Witness peruses document.)

1 I'm done.

2 Q. Okay. Here you disagree with staff's position
3 on the refund threshold because you argue that the
4 actual plant in service is still used and useful;
5 correct?

6 A. Correct.

7 Q. All right. So here are you thinking of a
8 scenario in which the provisional pro forma capital
9 additions are all in service, they're use and useful,
10 they're prudent, but as a group, the portfolio just came
11 in above estimated costs? Is that the scenario you're
12 thinking of?

13 A. That sounds like what I'm thinking of, yes.

14 Q. Okay. And PSE's position is, if that's the
15 case, the company should not need to refund the
16 difference between the actuals and what was originally
17 estimated and included in rates; is that right?

18 A. So I'm saying that, by the time we get to the
19 actuals period where we've actually spent the capital
20 and projects have closed, those are used and useful
21 projects, in and of themselves.

22 And so the rates are recovering -- the rates
23 that are set are recovering using useful costs. To the
24 extent that those costs come in a little bit lower than
25 maybe the rates were set, the threshold intends to just

1 say, well, were the -- the revenue set fairly for
2 recovery of those use -- those ultimately used and
3 useful projects that actually went into service.

4 Q. Okay. So as long as that -- that lower amount
5 is below the .5 percent threshold that was agreed to in
6 the 2022 GRC?

7 A. That's correct.

8 Q. Okay. So let's say that the pro forma capital
9 additions are being included in rates as traditional
10 pro forma capital additions.

11 So if PSE, in initial filing, had an estimate
12 of what a traditional pro forma capital addition was
13 going to cost, and later on in the rate case, you were
14 able to provide actual figures, there wouldn't be a
15 possibility in that case that the company would be able
16 to keep some difference between the estimate and the
17 actual cost if the actual cost was lower, is there?

18 A. No, I don't believe so.

19 Q. Okay. Doesn't the used and useful policy
20 statement say that the commission is not changing the
21 used and useful standard itself for provisional
22 pro forma plant? It's basically just shifting when that
23 assessment happens?

24 A. Correct.

25 Q. Okay. So -- actually, let's move on to Page 32

1 of your rebuttal testimony.

2 A. I'm there.

3 Q. All right. Beginning on Line 16 and going into
4 the next page -- sorry. Let me back up.

5 This is talking about the staff's proposed
6 criteria for framework for considering tracking
7 mechanisms; correct?

8 A. Correct.

9 Q. All right. Starting on Line 16, you describe
10 staff's proposed framework as rigid, but you also state
11 that it, quote, provides no clear framework at all and
12 that staff's proposal does not really provide any added
13 benefit from where we stand today.

14 Can you explain why you believe staff's
15 proposed framework is both too rigid but also does not
16 change how the commission would assess trackers?

17 A. I just think it gives the appearance of being a
18 framework that could be put into place. I think this
19 can -- I think that it basically comes down to
20 differences of opinion on these points that Mr. McGuire
21 brings up.

22 I think they can be argued in any case.
23 Anytime a company brings a tracker, I don't know that
24 it's necessary to set up a framework.

25 Q. Okay. So could you explain how that would be

1 too rigid?

2 A. A framework would be the part that I'm not -- I
3 was suggesting isn't necessarily needed. I think that
4 anytime, you know, a proposal is brought in, it can be
5 argued on its merits.

6 But I tend to agree also with what
7 Mr. Steuerwalt testified to earlier, which is, if we are
8 going to have that conversation, it shouldn't be in one
9 company's general rate case.

10 Q. All right. Could you turn to Page 33 of your
11 testimony?

12 A. I don't even have to turn. I'm already there.

13 Q. So starting Line 20 and going to the top of
14 Page 34, you argue -- so here you're saying, regardless
15 of whether or not PSE believes that staff's criteria
16 should be adopted, you're going through the motions of
17 the criteria, and you're arguing that PSE's clean
18 generation resources tracker would meet staff's criteria
19 one; correct?

20 A. Correct.

21 Q. Okay. And you agree with staff, on Page 34,
22 Lines 1 and 2, that, quote, for the project costs
23 included in the tracker, PSE does not need any
24 additional incentive to control costs; is that right?

25 A. That's correct. I also go on to state that

1 it's not just the costs that probably need to be
2 addressed in this criteria. Mr. McGuire's -- I think in
3 PSE's proposal, it's -- we're really getting at the
4 heart of being able to finance these costs. It's not
5 the costs themselves. It's actually being able to
6 finance them.

7 And so he does not address that in his
8 criteria, and it's -- it's that ability that trackers
9 and CWIP and rate base will bring that the company is --
10 that will help further the public interest to allow PSE
11 to invest in CETA resources.

12 Q. Okay. But even assuming that's true, how does
13 that speak to staff's criteria one?

14 A. It -- he discusses removing the incentive to
15 cut costs, which is a -- which would, in turn, allow --
16 sort of give incentive to spend costs.

17 So in the -- you know, when you remove the
18 disincentive to cut costs, you're giving an incentive to
19 spend -- to actually make sure you spend on those costs.

20 And I think that you can -- it's synonymous and
21 similar to if we were granted CWIP and rate base, that
22 would allow us to -- through the tracker, we would --
23 that would allow us to be able to invest in projects
24 where we wouldn't be able to without those tools.

25 Q. Okay. On Page 35, you're now addressing PSE's

1 proposed decarbonization tracker, and you state it would
2 also meet criteria one; is that right?

3 A. That's correct.

4 Q. All right. And on Lines 13 through 17 here,
5 you state, these types of investments, because of their
6 uncertainty and questions about cost-effectiveness,
7 would not compete well with the remainder of PSE's
8 capital and O&M portfolio, which must adhere to standard
9 ratemaking principles.

10 Are you arguing here that if the -- this
11 tracker -- the costs related to this tracker were
12 embedded in rates, PSE would just scrap those efforts
13 because they're not cost-effective compared to other
14 investments?

15 A. I -- I'm not the one at the company that makes
16 those decisions. What I do know is that -- that it
17 becomes more competitive, those dollars, because they're
18 in the general pool of the O&M budget.

19 And in order to stay at certain levels, that --
20 that we need to adhere to whether what's in said rate or
21 whatever the board has approved, we would have to
22 make -- we have to make business decisions on possibly
23 cutting costs, and these would not compete well with
24 some of the other priorities that are -- that would be
25 competing with.

1 Q. Okay. But if the commission approved a pilot
2 program but just embedded that cost in rates instead of
3 including it in the tracker, PSE wouldn't just not do
4 that program after rates were set; right?

5 A. It depends on how that -- the parameters around
6 that pilot were set, but I tend to think that, if it was
7 something the commission ordered, the company would
8 adhere to it.

9 MR. CALLAGHAN: Okay. Thank you. No
10 further questions, Your Honor.

11 JUDGE HUGHES: Any redirect?

12 MS. CARSON: No, Your Honor.

13 JUDGE HUGHES: Questions from the bench?
14 Commission Doumit?

15 COMMISSIONER DOUMIT: Thank you.

16 EXAMINATION

17 BY COMMISSIONER DOUMIT:

18 Q. Ms. Free, I have -- you heard Witness Martin's
19 testimony where she referred to you on a couple times,
20 so I don't think these will -- there will be slightly
21 nuanced differences in the questions you were just asked
22 by -- questions you were asked by counsel.

23 So first one, trackers and CWIP, if the
24 commission declines to adopt PSE's proposal for CWIP and
25 rate base for all CGR trackers resources -- sorry;

1 that's clean generation resource -- resources -- does
2 PSE still support the adoption of a CGR tracker?

3 A. We wouldn't see a need for the CGR tracker if
4 there was no CWIP and rate base. The CWIP and rate base
5 component is really the thing that gets at the ability
6 to invest in these projects to -- by allowing us to have
7 cash flow.

8 Q. Okay. And just assuming for a moment that CWIP
9 is still in there, what benefit does PSE receive through
10 the proposed CGR tracker that aren't already available
11 through the ability to recover provisional plant and
12 rates?

13 A. Yeah. So the tracker allows for flexibility
14 during the multiyear rate plan. I think if you --
15 there's the possibility that there could be
16 opportunities out in the market that aren't known at the
17 time a two-year or three-year or four-year multiyear
18 rate plan are set.

19 So the tracker allows PSE to optimize on those
20 opportunities by allowing it to come in with a --
21 probably a peak or a power-cost-only rate case filing to
22 establish the need and alternatives level of prudence
23 for any projects that come about that were not known to
24 the company at the time the multiyear rate plan was set.

25 COMMISSIONER DOUMIT: Okay. Thank you.

EXAMINATION

1
2 BY COMMISSIONER RENDAHL:

3 Q. So just as a follow-on to that, so the company
4 has also asked for annual peak work -- ability to do an
5 annual peak work, from my understanding.

6 A. I wouldn't actually phrase it that way. The --
7 that I think what you're talking about is annual power
8 cost updates, which is the variable side of the
9 equation.

10 What I was talking about is sort of a fixed
11 cost, like if there's a plant available.

12 Q. But -- sorry. I understand the company is also
13 wanting to continue to use the peak work option?

14 A. Yes.

15 Q. So if you have a tracker and you have
16 provisional plant in a multiyear rate plan and you have
17 the peak work, why do you need the peak work and the
18 tracker if you can come in with peak work to get
19 recovery of investments that are not a part of the
20 multiyear rate plan?

21 A. The tracker allows for these larger projects
22 that may not fit well into a backward capital review
23 with all of the regular investments the company is
24 making.

25 These are going to be large long-lived projects

1 that may have end service dates across multiple years.
2 And so the tracker allows for a process to establish
3 that final prudence for the project and a true-up the
4 project once everything is known.

5 The -- the first -- we would first do it in a
6 GRC, if one is available, to try not to add process, but
7 the tracker allows for an additional -- if there's not
8 one that falls, you know, like, a longer rate plan, that
9 allows us to come in and establish that final prudence
10 for those projects and to update the commission on -- on
11 the ultimate outcome.

12 Q. So I hear you talking about a long-lived
13 resource, particularly a resource that may take a while
14 to get into service, which is a little different than
15 the wind plant that is proposed in service, the Beaver
16 Creek.

17 Are you thinking of this as small modular
18 nuclear plant, for example?

19 A. No. I'm thinking -- I think Beaver Creek -- I
20 might be wrong, but I think Beaver Creek was farther
21 along in the process when we came along and solidified
22 the deal for that property.

23 I'm thinking about, you know, a wind plant that
24 is maybe in the earlier stages of development may take
25 more than one year or possibly two to actually fully

1 projects on behalf of customers because there would be
2 uncertainty about how we would finance it and might not
3 be something that can be pursued.

4 Q. So indefinite then, in other words?

5 A. I wouldn't ever put "indefinite" on anything.
6 I think, you know, in any rate case, anybody can come
7 back and, you know, put in their opinions about how
8 things are going so that there's always ability to -- to
9 discuss that in future rate cases.

10 But the company's proposal is that this should
11 be something for now, during this heavy investment
12 period that the company is going to have to go through,
13 that is something that becomes available to the company.

14 Q. So in order to take the opportunity in future
15 rate case to argue that the tracker may end, what
16 metrics and circumstances should the commission and
17 intervenors be able to use to identify when the time is
18 up?

19 A. I think that we would have to look at the --
20 like, there's substantial testimony in this case
21 discussing credit metrics and the fact that we haven't
22 earned our return in many years.

23 And so we are requesting a combination of tools
24 that are available to the commission to help us
25 alleviate that to give us the financial strength to

1 invest in projects like we need to.

2 I think those are sort of the metrics you want
3 to look at as we move forward. If there's customer
4 protections in place, if we all of a sudden are able to
5 over-earn, which I don't anticipate would happen right
6 away, but if that does eventually happen, you'll see
7 that through our capital review process and the earnings
8 sharing mechanism that is in place through statute.

9 And so I think, once there is an ability to
10 finance these projects without additional support, that
11 might be a time to take a look at it.

12 COMMISSIONER DOUMIT: All right. Thank you.
13 Nothing further.

14 EXAMINATION

15 BY CHAIR DANNER:

16 Q. Can I ask you about storm expense
17 normalization?

18 A. Oh, sure.

19 Q. In your rebuttal testimony -- and this is at
20 Page 85 -- you recommend the commission adjust the storm
21 referral mechanism threshold to the normalized storm
22 expense included in base rates in these proceedings.

23 As the referral threshold is previously been
24 updated as part of settlement agreements in 2017 and
25 2007 in the GRCs, is it your recommendation for

1 resetting the threshold intended to amend the agreements
2 reached in the 2017 GRC on a going-forward basis?

3 A. Well, I think maybe it is. I mean, I think
4 this is a balancing account. We spent a little bit of
5 time talking about balancing accounts in both -- I know
6 you've been talking about it in Avista's case and in
7 PSE's case.

8 And so the way a balancing account works is,
9 whatever is set in base rates becomes the measure that
10 you balance against.

11 So to the extent that that is different than
12 what we settled in a prior general rate case, then, yes,
13 I think the right thing to do is whatever is included in
14 base rates becomes the measure that you measure against.

15 CHAIR DANNER: Okay. Thank you.

16 EXAMINATION

17 BY COMMISSIONER RENDAHL:

18 Q. So one other question.

19 A. Yes.

20 Q. We're just having so much fun.

21 A. I know. Right?

22 Q. So you mentioned, again, the long-lived
23 resource with long lead times that you would be
24 including in the CGR.

25 A. Yes.

1 Q. Can you give some examples of resources that
2 PSE would not place in CGR requesting CWIP or would you
3 be putting everything in there?

4 A. No. No. We would not do that. I understand.
5 I appreciate that.

6 The one that comes to mind is, like, DER
7 investments where there's distributed energy resources
8 that we're investing in for CETA, but they're smaller
9 scale, and they're sort of a little bit more of a
10 programmatic feel as we're rolling that out. That, I
11 would not put into the tracker.

12 The tracker in my mind is really geared towards
13 these large ownership opportunities for CETA-compliant
14 resources. They're not -- it's not PPAs. It's just
15 really wind plants, solar plants, and those -- that's
16 the best -- I think that I should stop there. I can't
17 think of anything else to say.

18 Q. Okay. But you haven't put -- the company
19 hasn't put any sort of guardrails for structure around
20 specifically what it would use the CGR for except for
21 CETA-compliant projects?

22 A. I think I -- I guess I could add that we would
23 likely not be putting long-haul transmission in there.
24 That's a whole nother situation. Longer lived -- like
25 you brought up, small modular nuclear, I don't know that

1 that's -- I don't know that I'm actually -- I -- I think
2 that owned -- you know, company-owned resources that are
3 CETA compliant is how we defined it. I would not be
4 opposed to defining it a little bit more specifically if
5 that is needed.

6 Q. Okay. So had the company been applying CWIP to
7 other resources, would a standard size wind plant such
8 as PSE's Wild Horse have gone into the CGR with CWIP --

9 A. Yes.

10 Q. -- if it were being built today?

11 A. Yeah.

12 COMMISSIONER RENDAHL: Okay. Thank you.

13 JUDGE HUGHES: Thank you. You're excused.

14 THE WITNESS: Thank you.

15 JUDGE HUGHES: All right. It's four minutes
16 until 5:00, so I want to check in with the parties. We
17 have one more PSE witness.

18 How is everyone feeling, starting with staff?

19 MR. CALLAGHAN: Thank you, Your Honor. So
20 staff is willing to waive its cross of Mr. Mueller.

21 JUDGE HUGHES: Very good. AWEC?

22 MS. MOSER: I don't have more questions for
23 that witness, so I'm happy to proceed today or tomorrow
24 morning, but I can promise you my cross is short.

25 JUDGE HUGHES: Commissioners?

1 COMMISSIONER RENDAHL: I know we have a few
2 questions.

3 Is your intent to just keep plowing through
4 everybody or --

5 JUDGE HUGHES: No. Just finish the --

6 COMMISSIONER RENDAHL: -- the company's
7 witness?

8 JUDGE HUGHES: Yes. The company's witnesses
9 just so it's nice and round.

10 COMMISSIONER RENDAHL: And for the court
11 reporter, how are you doing? Do you need a break or are
12 you doing okay?

13 THE COURT REPORTER: I can keep going.

14 COMMISSIONER RENDAHL: Okay. Let's keep
15 going.

16 JUDGE HUGHES: All right. Mr. Mueller?

17 MR. MUELLER: Good day.

18 JUDGE HUGHES: Hi. Welcome. Please raise
19 your right hand.

20 BRENNAN MUELLER, having been first duly sworn
21 testified as follows:

22 JUDGE HUGHES: Thank you. Please introduce
23 the witness.

24 ////

25 ////

1 DIRECT EXAMINATION

2 BY MS. CARSON:

3 Q. Good afternoon, Mr. Mueller. Can you please
4 state your name and title and spell your name for the
5 court reporter?6 A. Yes. My name is Brennan Mueller. My title is
7 manager of power costs and energy analysis for Puget
8 Sound Energy. My name is spelled B-r-e-n-n-a-n. Last
9 name, M-u-e-l-l-e-r.10 MS. CARSON: Mr. Mueller's prefiled
11 testimony and exhibits have been stipulated into
12 evidence, and he's available for cross-examination.

13 JUDGE HUGHES: Thank you. Ms. Moser?

14 MS. MOSER: Thank you, Your Honor.

15 CROSS-EXAMINATION

16 BY MS. MOSER:

17 Q. Good evening, Mr. Mueller. How are you?

18 A. I'm good. Thank you.

19 Q. Good.

20 I have just a few questions for you, and they
21 are related to staff witness Wilson's recommendation
22 that PSE include CCA allowance costs in the model
23 dispatch of PSE's thermal generation plant?

24 Are you familiar with that recommendation?

25 A. Yes, I am.

1 Q. Okay. And just to confirm, the CCA allowance
2 costs and model dispatch staff is discussing, those
3 would be for both retail and wholesale sales; correct?

4 A. Yes. I understand staff's proposal is to
5 include those costs for all dispatch regardless of
6 whether it's for retail or wholesale.

7 Q. Great.

8 Can I have you please turn to cross Exhibit
9 BDM-57X, and this is the white paper entitled,
10 "Consideration of Electricity Imports in Determination
11 of Electricity Importer Under the Climate Commitment
12 Act."

13 A. Yes. One second, please. Okay. I'm on that
14 document.

15 Q. Okay. Great.

16 Are you generally familiar with the white paper
17 and its effect on PSE's compliance allegations under the
18 CCA?

19 A. Very generally.

20 Q. Okay.

21 A. I read through it in its entirety the first
22 time when I saw it as a cross in this proceeding, yes.

23 Q. I have two very high level questions that I'm
24 hoping that you can answer.

25 The first is: Are you aware of whether PSE's

1 wholesale sales constitute Rule 3 transactions that
2 would not incur a CCA compliance obligation under the
3 framework and the white paper?

4 A. Generally, I don't believe they are. The
5 framework in this white paper is, for the most part, not
6 very specific to PSE or its wholesale sales.

7 This generally is applying to multistate
8 utilities, which, for the most part, we are not, and
9 you'll notice there's very little directly related to
10 PSE in here.

11 Q. Okay. And then I'm assuming your answer is
12 going to be the same of whether PSE is able to take
13 advantage of the lesser methodologies discussed in the
14 white paper?

15 A. Yeah. That's generally not applying to us
16 because we're not scheduling energy from a generator
17 outside of the state to our vote in the state.

18 But for one particular generator, that's --
19 we're not actually scheduling the output. The rest of
20 our generators are in Washington State, so we're not
21 dealing with that lesser of analysis as it applies to
22 most of the others.

23 MS. MOSER: Okay. Thank you. I have no
24 further questions.

25 JUDGE HUGHES: Thank you. Any redirect?

1 MS. CARSON: No redirect.

2 JUDGE HUGHES: Very good. Any questions
3 from the bench?

4 CHAIR DANNER: Yeah. I have a question.

5 EXAMINATION

6 BY CHAIR DANNER:

7 Q. So AWEC's witness Kaufman recommends that the
8 commission direct Puget to remove the CETA premium from
9 the company's power costs in this multiyear rate plan
10 and then direct the company only to procure short-term
11 CETA-compliant energy if it's below a certain cost
12 threshold, which is a confidential number.

13 The company did not file rebuttal related to
14 this issue.

15 What's your position on AWEC's suggestion?

16 A. Yeah. The reason we did not file rebuttal on
17 that issue is that those CETA premiums that were
18 discussed in my initial prefiled testimony were not in
19 our power costs to begin with.

20 They were simply there as an informational
21 bullet to inform that, as we work towards meeting our
22 CEIP targets, we anticipate there could be additional
23 costs, but that was in the context really iterating that
24 there are no costs in our power costs at the time we
25 develop a forecast except for those associated with

1 contracts that we've already executed.

2 So while we have expectations that we're going
3 to need new resources, we do not include them in that
4 forecast until we have a signed contract.

5 Q. Okay. So you don't have a position on AWEC's
6 suggestion?

7 A. I -- I can offer that, one, their suggestion
8 was already granted. Right? They were not in the
9 forecast to begin with.

10 To dig a little bit deeper, they also suggested
11 basically a fixed cost per megawatt hour as the
12 do-not-exceed number for CETA-compliant resources. I
13 disagree with that approach.

14 You know, in general, there is no way to really
15 say exactly what a CETA premium is going to be expressed
16 in a dollar per megawatt number like that. Oftentimes
17 you might find an opportunity for such a resource, and
18 the price is expressed as a premium relative to sudden
19 going market rate.

20 That market rate could easily exceed the number
21 that Witness Kaufman in his testimony, at which point
22 you've exceeded that without even paying for the
23 CETA-eligible component of the energy.

24 So it's -- I don't believe it's workable at
25 least the way that they framed that proposal.

1 Q. Okay. And then you also didn't submit rebuttal
2 testimony regarding the timing or frequency of prudence
3 cost reviews for CCA costs.

4 Is that the same thing?

5 A. It's also true. So I think that staff witness
6 Wilson offered a pretty thorough evaluation of the
7 opportunities available to the commission.

8 I don't think PSE has a strong position at this
9 point. We expect the commission will review the
10 prudence of all those decisions.

11 I lean a little bit towards waiting until the
12 end of the compliance period just because that's really
13 when everything will be known, but to the extent there
14 are costs of CCA compliance included in the current
15 rates, you know, we have no objection to the commission
16 seeking documentation of the prudence of the decisions
17 of any of those costs.

18 CHAIR DANNER: Okay. Thank you.

19 JUDGE HUGHES: Thank you. You are excused.

20 And, hey, we did get through both, so I want to
21 thank everybody for today going very smoothly. We will
22 be back tomorrow. We only have a few more witnesses, so
23 hoping to get done before lunch.

24 Yeah. So, yeah, I'll see everyone at -- is it
25 9:00? -- nine o'clock, and let's go off the record.

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(Proceedings adjourned at 5:04 p.m.)

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C E R T I F I C A T E

STATE OF WASHINGTON
COUNTY OF THURSTON

I, ANDREA L. CLEVINGER, a Certified Court Reporter in and for the State of Washington, do hereby certify that the foregoing transcript of the evidentiary hearing on November 4, 2024, is true and accurate to the best of my knowledge, skill, and ability.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 19th day of November, 2024.


ANDREA L. CLEVINGER, CCR, RPR #3041



My commission expires:
DECEMBER 19, 2025