

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent

DOCKETS UE-240004 & UG-240005
(*Consolidated*)

PETITION FOR RECONSIDERATION OF
NUCOR STEEL SEATTLE, INC.

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	NATURAL GAS SERVICE COST ALLOCATION	1
A.	The Commission’s Rules Allow the Commission to Consider the Alternative Cost of Service Studies Filed by Nucor and AWEC.	2
B.	The Commission Granted a Different Exemption from the Cost of Service Rules in this Proceeding and Should Consider Granting the Exemptions Requested by Nucor and AWEC.....	4
C.	The Direct Assignment of Distribution Mains is Consistent with the Commission’s Rules, and the Commission Has a Sufficient Record Upon Which to Rule.	5
III.	NATURAL GAS RATE SPREAD.....	7
IV.	NATURAL GAS RATE DESIGN	9
V.	CONCLUSION.....	10

TABLE OF AUTHORITIES

Statutes

RCW 34.05.470	1
RCW 80.28.425	8

Regulations

WAC 480-07-110	3, 5
WAC 480-07-850	1
WAC 480-85-010	2, 3
WAC 480-85-060	2, 3, 4, 5, 6
WAC 480-85-070	3, 5

WUTC Decisions

<i>In re Amending WAC 480-07-510 and Adopting Chapter 480-85 WAC</i> , Dockets UE-170002 & UG-170003, General Order R-599 (July 7, 2020).	2, 3, 5, 6
<i>WUTC v. PacifiCorp</i> , Docket UE-140762, Order 08 (Mar. 25, 2015).	8
<i>WUTC v. Puget Sound Energy</i> , Dockets UE-240004 & UG-240005, Final Order 09/07 (Jan. 15, 2025)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10

PETITION FOR RECONSIDERATION OF NUCOR STEEL SEATTLE, INC.

I. INTRODUCTION

1 Pursuant to Revised Code of Washington (“RCW”) 34.05.470 and Washington Administrative Code (“WAC”) 480-07-850, Nucor Steel Seattle, Inc. (“Nucor”) respectfully petitions the Washington Utilities and Transportation Commission (“Commission”) for reconsideration of certain aspects of Final Order 09/07, issued January 15, 2025.¹ Specifically, Nucor requests reconsideration of Findings of Fact 37, 39, and 44, Conclusions of Law 15, 16, and 20, and the Commission’s discussions in several paragraphs as identified herein.

II. NATURAL GAS SERVICE COST ALLOCATION

2 Consistent with WAC 480-07-850(b)(i),² Nucor respectfully requests reconsideration of Findings of Fact 37 and 39 and Conclusions of Law 15 and 16.³ Nucor also respectfully requests the Commission reconsider its discussion at paragraphs 268-270 and 274-279.

3 In this case, the Commission accepted the Cost of Service Study (“COSS”) as filed on rebuttal by Puget Sound Energy (“PSE”) with some specific changes to the allocation of costs to Puget LNG under Schedule 88T as proposed by Nucor.⁴ However, the Commission improperly failed to substantively evaluate COSS proposals filed by Nucor and the Alliance of Western Energy Consumers (“AWEC”). Instead, the Commission concluded that the alternative cost of service studies filed in this proceeding are “attempts to petition for rule change” and directed Nucor and AWEC to “petition the Commission to amend 480-85 WAC.”⁵ The Commission’s conclusion

¹ *WUTC v. Puget Sound Energy*, Dockets UE-240004 & UG-240005, Final Order 09/07 (Jan. 15, 2025) (“Final Order 09/07”).

² WAC 480-07-850(b)(i) requires petitions for reconsideration to “[i]dentify each portion of the challenged order the petitioner contends is erroneous or incomplete.”

³ Final Order 09/07 at ¶¶ 516, 518 & 565-566.

⁴ *Id.* at ¶¶ 274-280.

⁵ *Id.* at ¶ 279.

directly conflicts with the Cost of Service rules in 480-85 WAC and the Commission’s General Order R-599 adopting those rules in Dockets UE-170002 and UG-170003.⁶ This conclusion is also internally inconsistent given that the Commission considered and granted an exemption proposed by PSE in this proceeding.⁷ Finally, this decision is contradictory in that it acknowledges that the direct allocation of mains may be consistent with WAC 480-85-060(3), thereby obviating the need for a rule change.⁸ Thus, the Commission should reconsider its decision and instead adopt a natural gas cost allocation method consistent with Nucor Steel witness Kevin C. Higgins’ proposal.⁹ Alternatively, Nucor supports the allocation method proposed by AWEC witness Lance D. Kaufman.¹⁰

A. The Commission’s Rules Allow the Commission to Consider the Alternative Cost of Service Studies Filed by Nucor and AWEC.

4 The Commission’s Cost of Service rules specifically contemplate that parties may file alternative COSS and provide a standardized method by which those parties file such COSS so that the Commission can compare the impacts of the proposed changes. The Purpose section of the Cost of Service Rules, WAC 480-85-010(1), reads as follows:

The purpose of these rules is to establish minimum filing requirements for any cost of service study filed with the commission. These rules are designed to streamline, improve, and promote efficiency in analyzing rate cases, clarity of presentation, and

⁶ *In the matter of Amending WAC 480-07-510 and Adopting Chapter 480-85 WAC*, Dockets UE-170002 & UG-170003, General Order R-599 (July 7, 2020) (“General Order R-599”).

⁷ Final Order 09/07 at ¶¶ 268, 271-273.

⁸ *Id.* at ¶ 278.

⁹ Specifically, Nucor witness Higgins recommends “grouping distribution mains into three size categories: small (less than 2”), medium (2-3”), and large (≥4”), with each category allocated using the peak and average method among the subset of customer classes that utilize that size main.” Higgins, Exh. KCH-1T at 9:18-20.

¹⁰ AWEC witness Kaufman recommends directly assigning the cost of distribution mains associated with Schedules 87 and 87T customers served by 4-inch and greater mains and allocating all mains over 8-inches based on the peak and average allocator. Kaufman, Exh. LDK-1T at 27-30.

ease of understanding. *The minimum filing requirements will allow for comparisons of cost of service studies.*¹¹

5 Additionally, WAC 480-85-060(2) allows parties to file an alternative cost of service study “provided that each modification is explained in narrative testimony and the party shows that each modification materially improves the cost of service study and is in the public interest.” Finally, WAC 480-85-070 explicitly allows the Commission to grant an exemption from the provisions of any rule according to the procedures set forth in WAC 480-07-110.

6 As discussed above, in this proceeding, the Commission declined to adopt proposed exemptions from the Cost of Service rules, and instead directed Nucor and AWEC, parties that filed alternative cost of service studies, to petition the Commission to amend 480-85 WAC.¹² This decision ignores that, as discussed above, 480-85 WAC specifically contemplates that alternative cost of service studies may be proposed and considered by the Commission. Additionally, a blanket refusal to consider alternative cost of service studies may deprive the Commission of information that would help it to determine just and reasonable rates in rate proceedings, which the Commission deemed to be an important element of potential alternative COSS during the Cost of Service rules proceeding.¹³

7 Nucor’s proposed cost allocation method is consistent with the Commission’s Cost of Service rules outlined in WAC 480-85-060 regarding direct assignment of the cost of distribution mains.¹⁴ To the extent, however, that the Commission believes this proposal is outside the scope of 480-85 WAC, Nucor has properly and timely requested that the Commission grant an exemption

¹¹ WAC 480-85-010(1) (emphasis added).

¹² Final Order 09/07 at ¶ 279.

¹³ General Order R-599 at ¶ 70.

¹⁴ See *WUTC v. Puget Sound Energy*, Docket Nos. UE-240004 & UG-240005, Post-Hearing Brief of Nucor Steel Seattle, Inc. at ¶¶ 6-8, 14 (Dec. 4, 2024) (“Nucor Brief”).

consistent with its Cost of Service rules.¹⁵ This proposal meets the Commission’s standard outlined in WAC 480-85-060(2) that the “modification materially improves the cost of service study and is in the public interest.” As outlined by Nucor witness Higgins, this proposal improves the COSS by more closely following cost causation.¹⁶ Additionally, avoiding drastic changes in cost allocation which result in large cost differences for a small set of customers is in the public interest.¹⁷ Nucor therefore respectfully urges the Commission to revise its order in this proceeding and adopt Nucor’s proposed exclusion of certain customers from the allocation of the cost of certain small and medium distribution mains.

B. The Commission Granted a Different Exemption from the Cost of Service Rules in this Proceeding and Should Consider Granting the Exemptions Requested by Nucor and AWEC.

8 In Finding of Fact 38, Conclusion of Law 15, as well as the Commission’s discussion in paragraphs 271-273, the Commission expressly granted PSE’s request for an exemption from the Cost of Service rules as it relates to Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts, Account 870 (Distribution Supervision & Engineering – Operations).¹⁸ Under WAC 480-85-060, Account 870 is functionalized as Transmission.¹⁹ However, as discussed in the Order, these costs are properly classified as Distribution.²⁰ This exemption had the unanimous support of the parties addressing the issue.²¹ In granting the exemption, the Commission relied on

¹⁵ See Higgins, Exh. KCH-1T at 10:4-7; Nucor Brief at ¶ 14.

¹⁶ See Nucor Brief at ¶¶ 6-8; Higgins, Exh. KCH-1T at 9:12-14 (“[I]t is essential in the interest of fairness and the principles of cost causation to exclude certain customer classes from the allocation of small and medium sized mains that they do not utilize.”).

¹⁷ See Higgins, Exh. KCH-1T at 8:23-9:9 (“[T]he unwarranted cost shift of nearly 65% of rate base to Schedules 87/87T results in a reduction to Residential rate base of less than one percent.”).

¹⁸ Final Order 09/07 at ¶ 517 & 565.

¹⁹ WAC 480-85-060(3), Table 3.

²⁰ Final Order 09/07 at ¶ 272.

²¹ *Id.* at ¶ 273.

WAC 480-85-070 and 480-07-110 which allow for exemptions to the Commission's rules.²² For clarity, Nucor supports the exemption regarding FERC Account 870.²³ It is, however, procedurally inconsistent to grant one exemption under the Cost of Service rules while refusing to consider Nucor and AWEC's requests for exemption under the same rules.

9 This inconsistency is particularly stark given that, as the Commission acknowledged, the prohibition on the use of mains pipe diameter to allocate costs is not even in the rule itself, it is in Staff Comments which were adopted by the Commission.²⁴ On the contrary, Table 3 of WAC 480-85-060(3) explicitly states that Account 870 shall be functionalized as Transmission, but the Commission granted the exemption to treat it as distribution. The Commission's rules allow review of alternative cost of service studies filed by parties. In General Order R-599, the Commission removed the requirement that a party file a separate petition for exemption, stating that to do so "is an inefficient use of parties' and the Commission's resources in a general rate case and may deprive the Commission of information that may help inform its decision in the matter."²⁵ The Commission properly considered the exemption requested in this proceeding by PSE, and Nucor respectfully requests the Commission reconsider the exemption Nucor similarly filed.

C. The Direct Assignment of Distribution Mains is Consistent with the Commission's Rules, and the Commission Has a Sufficient Record Upon Which to Rule.

10 The Commission acknowledged that the direct assignment of distribution mains may be consistent with the plain language in Table 4 of WAC 480-85-060(3), "particularly if there were a

²² *Id.* at ¶ 271 ("WAC 480-85-070 provides the Commission may grant exemptions to 480-85 WAC consistent with WAC 480-07-110. In determining whether an exemption should be granted, the Commission uses the public interest standard and may consider 'whether the effect of applying the rule to the requesting person would be contrary to the underlying purposes of the rule and the public interest.'").

²³ See Higgins, Exh. KCH-1T at 19:5-20:2; Nucor Brief at ¶ 15.

²⁴ Final Order 09/07 at ¶ 279 (citing General Order R-599 at ¶ 53, App'x A).

²⁵ General Order R-599 at ¶ 70.

sufficient showing that direct costs could be assigned.”²⁶ Nucor agrees that direct assignment of mains is consistent with WAC 480-85. Specifically, Table 4 of WAC 480-85-060(3) provides that distribution mains should be classified based on demand and allocated as follows:

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

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

One principle of cost of service is assigning costs to a customer or customer class directly, where the costs can be directly attributed to that customer or customer class. It is not the Commission’s intent to change this principle and, as it applies to the allocation of distribution mains, we add language to clarify the Commission’s intent that distribution mains should be allocated to a customer class directly, where practical, with all other costs being allocated based upon design day and annual throughput based on the system load factor.²⁷

The Commission has therefore acknowledged that direct assignment of costs, such as directly assigning the costs of distribution mains solely to those customers who utilize those mains, is consistent with cost allocation principles.²⁸

11 The Commission erred, however, in saying that the record does not support directly assigning distribution mains costs in this proceeding.²⁹ As discussed in the testimony of Nucor witness Higgins,³⁰ AWEC witness Kaufman,³¹ and PSE witness John D. Taylor,³² there is ample evidence in the record supporting the direct assignment of distribution mains in this proceeding. Nucor witness Higgins’ proposed cost allocation method utilizes a form of direct assignment,

²⁶ Final Order 09/07 at ¶ 278.

²⁷ General Order R-599 at ¶ 77.

²⁸ *Id.*

²⁹ Final Order 09/07 at ¶ 278.

³⁰ Higgins, Exh. KCH-1T at 4:2-11:9.

³¹ Kaufman, Exh. LDK-1T at 24:10-30:14.

³² Taylor, Exh. JDT-8T at 6:19-12:23.

where mains size categories are assigned to customer classes that utilize mains of that size and then the costs are allocated among those customers based on the peak and average allocator.³³ AWEC witness Kaufman also utilizes direct assignment in his proposed COSS using diagrams to calculate the number of feet serving Schedules 87/87T and then allocating mains larger than 8 inches using the peak and average allocator.³⁴ PSE witness Taylor provides a third direct assignment analysis with the same underlying principles used in AWEC witness Kaufman's filing.³⁵ The Commission has an ample record upon which to rule to support the direct assignment proposals before it in this proceeding. Nucor therefore respectfully requests that the Commission reconsider and adopt the recommendation of Nucor witness Higgins regarding the assignment of distribution mains.

III. NATURAL GAS RATE SPREAD

12 Nucor respectfully requests reconsideration of Finding of Fact 44, Conclusion of Law 20, as well as the Commission's discussion at paragraphs 275 and 303-306.³⁶

13 In Final Order 09/07, the Commission accepted the natural gas rate spreads proposed on rebuttal in this proceeding by PSE.³⁷ However, the Commission improperly failed to evaluate the rate spread proposals provided by Nucor and Public Counsel. Specifically, the Commission evaluated Public Counsel's rate spread requests while evaluating the cost allocation proposals, where Public Counsel witness David Dismukes' proposals can be best categorized as rate spread

³³ Higgins, Exh. KCH-1T at 10:10-14. The same cost causation principles that favor the direct assignment of costs to customers or classes, when practical, support not assigning to customers or classes the costs of facility categories that they do not use. *Id.* at 9:12-15.

³⁴ Kaufman, Exh. LDK-1T at 24:10-30:14.

³⁵ See Taylor, Exh. JDT-8T at 9:18-12:23 & Exh. JDT-14.

³⁶ Final Order 09/07 at ¶¶ 523 & 570.

³⁷ *Id.* at ¶ 304.

proposals.³⁸ The Commission also failed to address Nucor’s proposal on rate spread in its Order. For the reasons set forth below, the Commission should reconsider its decision and adopt a rate spread consistent with Nucor witness Higgins’ rate spread proposal as follows:

- (1) Apply 90 percent of the system average increase to Schedules 16/23/53;
- (2) Apply 110 percent of the system average increase to Schedules 41/41T, 85/85T, and 87/87T;
- (3) Apply 125 percent of the system average increase to Schedules 31/31T;
- (4) Apply 70 percent of the system average increase to Schedules 86/86T; and
- (5) Set Schedule 88T rates to full parity.³⁹

14 As the Commission stated in Final Order 09/07, “[i]n determining rate spread, cost of service studies are only one factor the Commission considers, along with gradualism, rate stability, affordability, and public policies concerning economic conditions and development.”⁴⁰ Additionally, RCW 80.28.425(1) provides that when considering a multi-year rate plan, the Commission may consider “environmental health and greenhouse gas emissions reductions, health and safety concerns, economic development, and equity, to the extent such factors affect the rates, services, and practices of a gas or electrical company regulated by the commission.”

15 The Commission should reconsider the inequitable results of PSE’s rebuttal natural gas COSS adopted by the Commission in this proceeding. Using the Compliance Filing submitted by PSE, in the first rate year Schedule 87T customers will see an increase of approximately 23 percent, which is more than double the system average rate increase of 10.6 percent.⁴¹ Schedule 87T will

³⁸ *Id.* at ¶ 275.

³⁹ Higgins, Exh. KCH-1T at 24:4-12.

⁴⁰ Final Order 09/07 at ¶ 303 (citing *WUTC v. PacifiCorp*, Docket UE-140762, Order 08 at ¶¶ 85-86 (Mar. 25, 2015)).

⁴¹ See PSE Compliance Filing, Att. 240004-05-PSE-Cply-WP-JDT-12-GAS-BILL-IMPACTS-24GRC-01-2025.xlsx.

similarly see almost double the system average rate increase in Rate Year 2.⁴² Nucor’s proposed rate spread would moderate these inequitable impacts on Schedule 87T consistent with the rate principle of gradualism. PSE acknowledged that Schedule 87T will receive a disproportionately large increase, in large part due to the change in allocation methods for distribution mains as discussed above.⁴³

16 The Commission also improperly reviewed Public Counsel witness Dismukes’ rate spread proposals when evaluating cost allocation methods in this proceeding. The Commission stated that “Public Counsel’s recommendations are largely unsupported and therefore should be rejected.”⁴⁴ However, Public Counsel witness David E. Dismukes’ proposals are properly reviewed as rate spread proposals, which he justifies as limiting rate increases to no more than 1.25 times the system average increase to Schedule 87T to be more consistent with the concept of gradualism.⁴⁵ Nucor respectfully requests the Commission reconsider its order and properly consider the rate spread proposals put forth in this proceeding consistent with Commission precedent.

IV. NATURAL GAS RATE DESIGN

17 Nucor respectfully requests the Commission reconsider its discussion in Final Order 09/07 at paragraphs 315-317.

18 The Commission’s Order is incomplete in that it failed to instruct PSE as to how to implement, with respect to rate design, the reduced revenue requirement for Schedules 87/87T resulting from the Commission’s Order relative to PSE’s filed case. Specifically, Nucor witness

⁴² *Id.*

⁴³ Taylor, Exh. JDT-8T at 9:12-15 (“[T]he WAC rules as interpreted by PSE and Staff result in significantly more costs being allocated to Schedules 85, 85T, 86, 86T, 87, and 87T, in comparison to the segmented analysis that PSE utilized in its 2019 general rate case.”).

⁴⁴ Final Order 09/07 at ¶ 275.

⁴⁵ Dismukes, Exh. DED-1T at 28:6-8 (“[T]he Company’s proposal would increase rates for specific customer classes by 1.5 times the system average rate increase, which is inconsistent with the concept of rate gradualism.”).

Higgins recommended that, to the extent the Commission adopts a lower revenue requirement increase in this proceeding than the one proposed by PSE (as the Commission has), the Commission “proportionately [reduce] the Schedules 87/87T volumetric delivery charges and demand charge by an equal percentage... to target the class revenues.”⁴⁶ While Mr. Higgins made his proposal in the context of his cost of service and revenue allocation proposals, which the Commission has not accepted, the underlying principle of his recommendation reasonably applies proportionate reductions to both the demand charge and volumetric charges for Schedules 87/87T relative to PSE’s requested revenue requirement in its rebuttal filing. The Commission failed to address Nucor’s rate design proposal in its Order.⁴⁷ Absent direction from the Commission, PSE did not reduce its proposed demand charge for Schedules 87/87T *at all* relative to its filed case in its compliance filing, despite being ordered to reduce its overall revenue requirement for these schedules, instead placing the entirety of the reduction in the volumetric commodity charges.⁴⁸ Nucor urges the Commission to reconsider Final Order 09/07 and adopt a rate design for Schedules 87/87T consistent with Nucor witness Higgins’ rate design recommendation in this proceeding.

V. CONCLUSION

19 WHEREFORE, for the reasons stated above, Nucor respectfully requests that the Commission reconsider certain aspects of Final Order 09/07 in this proceeding, including specifically:

⁴⁶ Higgins, Exh. KCH-1T at 27:8-10.

⁴⁷ In its Compliance Filing, PSE incorrectly states that the “handling of increased demand and volumetric charges for natural gas” was an uncontested issue in this proceeding. *See WUTC v. Puget Sound Energy*, Dockets UE-240004 & UG-240005, Compliance Letter at 5 (Jan. 21, 2025).

⁴⁸ *See WUTC v. Puget Sound Energy*, Dockets UE-240004 & UG-240005, 240004-05-Advice-2025-04-PSE-Cply-Natural-Gas-Trf-Sheets-(01-21-2025).pdf (Jan. 21, 2025).

- (1) Findings of Fact 37 and 39, Conclusions of Law 15 and 16, and the Commission's discussion at paragraphs 268-270 and 274-279 to properly consider and adopt a natural gas cost allocation method consistent with Nucor witness Higgins' recommendations (or alternatively, the cost allocation method proposed by AWEC witness Kaufman);
- (2) Finding of Fact 44 and Conclusion of Law 20, and the Commission's discussion at paragraphs 275 and 303-306 to properly evaluate the rate spread proposals before it considering the inequitable increases in this proceeding to Schedule 87T customers; and
- (3) The Commission's discussion at paragraphs 315-317 to properly consider Nucor's rate design proposal to proportionately lower the demand and volumetric charges for Schedules 87/87T relative to PSE's rebuttal filing given the lower overall revenue requirement in this proceeding.

DATED this 27th day of January 2025.

Respectfully submitted,

/s/ *Damon E. Xenopoulos*

Damon E. Xenopoulos, Esq.

Shaun C. Mohler, Esq.

Laura W. Baker, Esq.

Joseph R. Briscar, Esq.

Stone Mattheis Xenopoulos & Brew, PC

1025 Thomas Jefferson Street, N.W.

Suite 800 West

Washington, DC 20007

Telephone: (202) 342-0800

Facsimile: (202) 342-0807

dex@smxblaw.com

scm@smxblaw.com

lwb@smxblaw.com

jrb@smxblaw.com

Attorneys for Nucor Steel Seattle, Inc.