

ATTACHMENT D

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

EXPLANATIONS FOR SIGNIFICANT
VARIANCES BETWEEN 2023 FORECASTED
AND ACTUAL PLANT CLOSINGS

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

MARCH 29, 2024

Variance Explanations for 2023 Actual vs. Approved Plant Closings

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

(in millions)		(cumulative 2022-2023)	2023
Line	Description	Gross Plant Balance	Plant Closings
		(AMA)	
1	Electric		
2	Approved	\$ 729.0	\$ 659.3
3	Actual	\$ 796.1	\$ 886.4
4	Over / (Under)	\$ 67.1	\$ 227.2
5			
6	Natural Gas		
7	Approved	\$ 358.9	\$ 251.6
8	Actual	\$ 365.5	\$ 288.0
9	Over / (Under)	\$ 6.6	\$ 36.3
10			
11	Combined		
12	Approved	\$ 1,087.8	\$ 910.9
13	Actual	\$ 1,161.6	\$ 1,174.4
14	Over / (Under)	\$ 73.8	\$ 263.5

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

Electric and Gas Combined	Actual CWIP Closings	Forecast CWIP Closings	Forecast < Actual (Forecast > Actual)
Facilities	\$ 10,286,790.55	\$ 20,478,022.65	\$ (10,191,232.10)
Generation	\$ 109,499,005.76	\$ 29,739,902.66	\$ 79,759,103.10
IT	\$ 128,978,578.30	\$ 143,681,759.98	\$ (14,703,181.68)
NP&S	\$ 13,737,946.19	\$ 29,717,406.46	\$ (15,979,460.26)
Operations	\$ 902,698,887.36	\$ 679,521,688.75	\$ 223,177,198.60
Storm	\$ 4,377,633.98	\$ 3,769,399.51	\$ 608,234.47
Other	\$ 4,811,877.21	\$ 3,976,922.06	\$ 834,955.15
Grand Total	\$ 1,174,390,719.35	\$ 910,885,102.07	\$ 263,505,617.29

Electric + Allocated Common	Actual CWIP Closings	Forecast CWIP Closings	Forecast < Actual (Forecast > Actual)
Facilities	\$ 6,909,542.29	\$ 13,503,208.13	\$ (6,593,665.84)
Generation	\$ 107,595,170.29	\$ 27,127,013.11	\$ 80,468,157.18
IT	\$ 89,772,258.87	\$ 106,430,294.66	\$ (16,658,035.79)
NP&S	\$ 13,484,498.22	\$ 29,717,406.46	\$ (16,232,908.24)
Operations	\$ 659,657,511.10	\$ 474,959,309.49	\$ 184,698,201.61
Storm	\$ 4,377,633.98	\$ 3,769,399.51	\$ 608,234.47
Other	\$ 4,615,386.44	\$ 3,745,002.86	\$ 870,383.58
Grand Total	\$ 886,412,001.20	\$ 659,251,634.22	\$ 227,160,366.97

Gas + Allocated Common	Actual CWIP Closings	Forecast CWIP Closings	Forecast < Actual (Forecast > Actual)
Facilities	\$ 3,377,248.26	\$ 6,974,814.51	\$ (3,597,566.26)
Generation	\$ 1,903,835.47	\$ 2,612,889.55	\$ (709,054.08)
IT	\$ 39,206,319.43	\$ 37,251,465.32	\$ 1,954,854.12
NP&S	\$ 253,447.98	\$ -	\$ 253,447.98
Operations	\$ 243,041,376.26	\$ 204,562,379.27	\$ 38,478,996.99
Storm	\$ -	\$ -	\$ -
Other	\$ 196,490.76	\$ 231,919.20	\$ (35,428.44)
Grand Total	\$ 287,978,718.16	\$ 251,633,467.84	\$ 36,345,250.31

Narrative explanations for the majority of the deviations between actual and forecasted investment are provided below and are at the business unit level, i.e. Information

Technology (“IT”), Generation, and Operations. Related to variance explanations for projects that did not go into service as forecasted in 2023, PSE placed in service \$225.1 million¹ of investments that were not originally forecasted vs. \$169.8 million² of investments that did not close as planned for 2023. A detail listing of the variances on all projects that underlie the overall \$263.5 million variance in the initial table above is provided in Attachment B to the Annual Report, tab “Source Data - Act v Plan by WBS”.

Information Technology Business Unit

IT placed in service approximately \$14.5 million less than was approved in PSE’s rates. Most of this variance, or \$13.7 million, was attributed to Distribution Management System project which was forecast to be in service in 2023 but has been delayed and is anticipated to be in service in 2024.

Generation Business Unit

Generation placed in service approximately \$79.8 million more than was included for 2023 in PSE’s rates. \$26.3 million of the variance is due to the Ferndale Major Maintenance activity which was forecasted to be completed in 2024, but was moved up to 2023 due to equipment conditions resulting from increased run hours. \$24.5 million of the variance is due to a rotor replacement at the Mint Farm generating station that was not anticipated in the 2022 Multi-year Rate Plan. However a borescope inspection in the spring of 2023 detected damage. It was determined that a replacement was more economical than repair as a repair would have required the unit to be out and unavailable until 2024 due to material availability and shop turnaround time. Ongoing replacement of units of property by the Original Equipment Manufacturer for PSE’s Wild Horse and LSR wind facilities were higher than forecast by \$5.2 million. Other miscellaneous variances account for the remaining variance.

Facilities Business Unit

Facilities placed in service approximately \$3.6 million less than was approved in PSE’s rates. This variance was primarily due to two relocation projects that were determined to no longer be cost effective and were not executed.

Operations Business Unit

Operations placed in service approximately \$224.0 million more than was forecast. \$195.7 million of this amount is related to the specific projects identified in Attachment C that were forecast to be in service in 2022, but were delayed until 2023 as discussed in Attachment C. The below table presents the variances by project and a discussion for the majority of the causes for these variances follows. Attachment B contains a more

¹ Amount is obtained by filtering on zero values in column I of tab “Source Data - Act v Plan by WBS” in Attachment B and then summing the filtered values in column H.

² Amount is obtained by filtering on zero values in column H of tab “Source Data - Act v Plan by WBS” in Attachment B and then summing the filtered values in column I.

detailed presentation of the table broken down by electric and gas and by Used and Useful category.

Project	Actual Plant Closings EOP	Forecast Used to Set Rates	Forecast < Actual (Forecast > Actual)
AMI Meters and Modules Deploym	\$ 34,462,243	\$ 167,082,331	\$ (132,620,088)
Bainbridge Tlines Trans	617,925	12,558,884	(11,940,959)
Capacity Electric	2,741,448	32,512,440	(29,770,992)
Capacity Gas	5,820,360	16,673,797	(10,853,438)
CIAC - Electric	(14,562,652)	(6,382,400)	(8,180,252)
CIAC - Gas	(198,564)	(3,005,100)	2,806,536
Customer Construction Electric	83,378,956	4,503,421	78,875,535
Customer Construction Gas	84,839,700	16,270,357	68,569,343
Emergent Electric	92,570,411	59,029,849	33,540,562
Emergent Gas	18,678,694	20,923,807	(2,245,113)
Energize Eastside	203,325,688	40,119,811	163,205,877
EV Circuit	1,442,703	7,165,996	(5,723,293)
Gas Modernization	14,280,359	24,475,978	(10,195,619)
Grid Modernization	158,669,103	177,412,055	(18,742,952)
Major Projects Electric	3,100,111	13,216,827	(10,116,716)
Major Projects Gas	3,197,291	576,038	2,621,254
Marine Crossing	110,540	-	110,540
Pipe Replacement	63,783,669	49,664,371	14,119,298
Projected	21,621,499	12,515,350	9,106,150
PI Electric	22,456,528	9,797,539	12,658,989
PI Gas	37,414,039	143,932	37,270,107
Resilience Enhancement	1,258,562	4,266,597	(3,008,034)
Sammamish Juanita 115Kv Tline	44,028,433	9,047,247	34,981,186
Thurston Transmission Capacity	19,661,839	10,173,067	9,488,773
Over (Under) Closed	\$ 902,698,887	\$ 678,742,195	\$ 223,956,693

1. AMI – Meters and Modules Deployment

The -\$132.6 million variance for AMI deployment continues to relate to a difference between the forecasting methodology which forecasted pre-capitalized meters and modules would be placed in service at the final completion of the AMI roll-out versus these assets actually being placed in service monthly. In the 2022 GRC, support for this project was provided by Ms. Catherine A. Koch in Exh. CAK-1T.

2. Bainbridge Island Transmission Line Project

The -\$12 million variance for the Bainbridge Island Transmission Line Project was due to the project continuing delays from jurisdictional code amendments, property re-zoning and permitting impacts which are needed for the new transmission line. In the 2022 GRC, support for this project was provided by Mr. Roque B. Bamba in Exh. RBB-1T.

3. Capacity Electric and Gas

In the 2022 GRC, support for this project was provided by Ms. Koch. The combined electric and gas variance of -\$40.7 million was due to less of this type of work being completed than was forecast.

4. Emergent Electric and Gas

In the 2022 GRC, support for this project was provided by Ms. Koch. The variance of \$33.5 million on Emergent Electric was due to more non-storm outage damage requiring repair than originally forecasted as well as a difference in the type of costs that were capitalized under this program than was assumed in the forecast.

5. Energize Eastside

The \$163.2 million variance for the Energize Eastside project is comprised of two pieces the first which partially offsets the total plant closing of \$203.3 million. It relates to a \$40.1 million adjustment to the Energize Eastside project agreed to in the Settlement Agreement. Page 9 of the Settlement Agreement states:

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

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

The in-service timing for the Energize Eastside project is changed by the Settlement since the assumptions were set in the board approved budget that was used as the basis for PSE's original filing. Accordingly, PSE has updated the timing of the plant closings for Energize Eastside in Exhibit I from those used in the original filing. The Settlement provided that there would be no impact to the

agreed upon revenue requirement for the change in timing for Energy Eastside as the presumption is that PSE will follow its governance process to manage plant closings to the overall budget, so a corresponding capital adjustment has been applied the Projected Provisional Proforma, Adjustment 6.34 “Projected Provisional Proforma” in Exhibit D to the Settlement, offsetting the impacts of the update to the Energize Eastside assumptions.

The adjustment shown in 2022 represents the reclassification of costs previously forecasted for the Energize Eastside project in 2022 to other transmission projects. A demonstration of the treatment of these costs under the Settlement Agreement is shown below with additional information included in Attachment B on the tab “Eng ES Stmt Chg”.

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

The second piece relates to development costs such as engineering, design, and permitting. In the 2022 GRC these costs were all forecast to be placed in service at the final completion of the Energize Eastside project versus these assets actually being placed in service along with the portion of the project to which they relate. These, along with other cost increases resulted in \$163.2 million more being placed in service in 2023 than was forecast.

6. System Modernization – Electric and Gas

The -\$18.7 million variance on Electric System Modernization was due the closing assumption utilized for forecasting being different than the actual closing pattern experienced which resulted in less plant closings than were forecast.

The -\$10.2 million variance on Gas System Modernization was due to a delay in closing projects which resulted in closings being less than were forecast. In the 2022 GRC, support for these projects was provided by Ms. Koch.

7. Major Projects – Electric and Gas

The -\$10.1 million variance for Electric Major Projects was due to the following projects, support for these was provided by Mr. Bamba:

Lynden Substation Expansion (\$7.2 million)

-\$7.2 million variance is due to a permitting review process delay for the substation rebuild.

Wilkeson Substation (\$2 million)

-\$2.0 million of the variance is associated with the delay of the Wilkeson Substation project which is due to required code changes, property re-zoning, and permitting impacts.

The \$2.6 million variance for Gas Major Projects was due to SWARR plant upgrades of \$2.8 million which were forecast to close to plant in 2022 but were delayed until 2023 because of supply chain issues. Additionally, Williams Pipeline delayed their own pipeline replacement work that they had planned which delayed \$0.2 million of equipment upgrades PSE had forecasted were needed in 2023.

8. Pipeline Replacement

In the 2022 GRC, support for this program was provided by Ms. Koch. The \$14.1 million variance for Pipeline Replacement was the result of catch up from delays that occurred last year due to permitting issues with the City of Seattle for Dupont pipe replacement projects.

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

The events that caused the \$83.3 million variance on electric and \$108.6 million variance on gas CIAC, Customer Requests and Public Improvement continues to be the same as last year. The primary cause is that the closing percentage applied to capital expenditures to estimate plant closings for both electric and gas Customer Requests and Public Improvement projects was too low which in turn resulted in the forecasted plant closings for these programs being too low.

10. Sammamish Juanita

In the 2022 GRC, support for this project was provided by Mr. Bamba. The \$35.0 million variance is due to a delay in the project in-service date that occurred last year. This pushed the plant closings from 2022 into 2023 along with the forecast 2023 closings of \$9.0 million.

11. Thurston Transmission Capacity

In the 2022 GRC, support for this project was provided by Mr. Bamba. The \$9.5 million variance is due to a delay in the project in-service date that occurred last year. This pushed the plant closings from 2022 into 2023 in addition to the forecast 2023 closings of \$10.1 million.

Status of Benefits Discussed in 2022 GRC

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

PSE provided the below benefits in its 2022 GRC. The below table is a combination of Table 1 included in the Prefiled Direct Testimony of Josh A. Kensok, Exh. JAK1T and PSE’s Response to WUTC Staff Data Request No. 071.³ As discussed by Josh A. Kensok in PSE’s 2022 GRC in Exh. JAK-1T, because PSE increases its O&M budget at a rate that is less than inflation, O&M is inherently constrained compared to if PSE built its O&M budget from the bottom up. This process is how benefits such as those shown below, are incorporated into the budget. As such, these benefits were considered to be incorporated into the operational forecast to which the business is held which was also the basis for the forecast that was used to set rates. And that is how it was ensured that these benefits were achieved as well as passed back to customers.

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

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