BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Dockets UE-260005 & UG-260006
Puget Sound Energy
2026 General Rate Case

PUBLIC COUNSEL DATA REQUEST NO. 505

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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PUBLIC COUNSEL DATA REQUEST NO. 505:

RE: Day-Ahead Market Costs. Diane E. Perry, Exh. DEP-7

Perry, Exh. DEP-7 identifies several cost estimates associated with PSE's planned participation in SPP Markets+ and implementation of the Day-Ahead Market Project, including:

- SPP Markets+ yearly market operating fees of [redacted], categorized as administrative fees to be recovered through power costs "similar to how we recover costs in the WEIM." Perry, Exh. DEP-7 at 17.
- PSE's total portion of Markets+ Phase 2 funding of [redacted], which "will be recovered through Power Costs." Perry, Exh. DEP-7 at 18.
- Internal implementation costs estimated at $18.5 million, with a recommendation to staff 10 incremental FTEs. Perry, Exh. DEP-7 at 19.
- Day Ahead Market Implementation CSA allocations of $3,015,912 in 2026, $8,560,735 in 2027, and $7,395,753 in 2028, and the CSA indicates "New Ongoing O&M" as Non-Labor. Perry, Exh. DEP-7 at 1.
- A CSA change-history entry stating: "Updated capital and O&M requested funding per PSE Markets+ cost estimating model." Perry, Exh. DEP-7 at 5.

Please reconcile the following Perry, Exh. DEP-7 items to PSE's filed revenue requirement, power cost forecast, FERC Account 557 forecast, not-in-Aurora adjustments, and all supporting workpapers and exhibits. This request includes the amounts listed below, as well as any updated, revised, reclassified, superseding, replacement, or successor amounts associated with the same cost categories. Please

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indicate the amount included in PSE's filed case by rate year, the witness, testimony page and line, exhibit, workpaper, worksheet/tab, row, column, and formula reference where the amount is included.

1. The [redacted] Markets+ Phase 2 funding estimate;

2. The [redacted] annual SPP Markets+ market operating fee estimate;

3. The $18.5 million internal implementation cost estimate;

4. The 10 incremental FTEs referenced for Market Design and Implementation support;

5. The Day Ahead Market Implementation CSA allocations of $3,015,912 in 2026, $8,560,735 in 2027, and $7,395,753 in 2028; and

6. Any "New Ongoing O&M" associated with CSA0021 or SPP Markets+.

7. Any avoided, reduced, replaced, or continuing CAISO WEIM/EIM costs or benefits associated with PSE's planned transition to Markets+.

Response:

Puget Sound Energy ("PSE") objects to Public Counsel Data Request No. 505 to the extent it seeks "any updated, revised, reclassified, superseding, replacement, or successor amounts" without limitation.

Subject to and without waiving the objection and subject thereto, PSE responds as follows:

The cost categories identified in Items 3 through 5 of Public Counsel Data Request No. 505 should not be interpreted as separate, additive costs. Rather, they represent the same underlying Day-Ahead Market implementation activities viewed through different budgeting, project accounting, capitalization, and labor planning frameworks associated with PSE's planned internal integration into SPP Markets+. As PSE's internal project planning evolves and more information is known, costs may be refined, reclassified, or receive accounting treatment other than what was originally assumed while continuing to relate to the same implementation effort. Accordingly, these amounts should not be summed, as doing so would result in double counting.

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The Day Ahead Market capital project implementation estimate of $18.5 million cited in the Sixth Exhibit to the Prefiled Direct Testimony of Diane E. Perry, Exh. DEP-7, at page 19, originated from Utilicast's initial gap-analysis assessment and represents an early estimate of the implementation costs reflected in Items 3 through 5 of Public Counsel Data Request No. 505, including the labor costs associated with a portion of the ten (10) incremental FTEs identified in Item 4 of Public Counsel Data Request No. 505.

The implementation costs identified in Item 5 of Public Counsel Data Request No. 505 reflect a later Corporate Spending Authorization cost-allocation treatment of the approximately $18.5 million implementation estimate originally developed through Utilicast's gap-analysis assessment. As implementation planning progressed and additional information became available, those costs were refined and incorporated into CSA00021 – Day Ahead Market Implementation Project forecasts. As explained in PSE's Response to WUTC Data Request No. 086, the CSA00021 – Day Ahead Market Implementation Project annual capital expenditures of $3,015,912 in 2026, $8,560,735 in 2027, and $7,395,753 in 2028 roll up to the approximately $21.1 million, which is inclusive of capital overheads and AFUDC and is reflected on Line 347 in Rate Year 2 of the work paper titled "260005-06-PSE-WP-SEF-10-Proposed-Capex-CWIP-Closing-26GRC-02-2026(HC).xlsx." The average-of-monthly-averages balances for each rate year for gross plant, accumulated depreciation and accumulated deferred income taxes along with the rate year depreciation expense for this item using WBS "F.10002.01.29.01: Enh Day Ahead Mkt for CAISO or SPP+ " can be found in the "MonthlyAddDetail", MonthlyAccumDetail", "MonthlyDeprDetail", and "MonthlyAccumDFITDetail" tabs in the work paper titled "260005-06-PSE-WP-SEF-6-TJP-6-ProvProforma-26GRC-02-2026.xlsx".

The difference between the initial Utilicast estimate and the later CSA00021 – Day Ahead Market Implementation Project forecasts reflects normal refinement of project cost estimates as scope, timing, resource requirements, vendor support, and implementation assumptions became more defined. Consistent with the discussion above, the approximately $21.1 million amount is not a separate implementation cost in addition to the CSA00021 – Day Ahead Market Implementation Project expenditures but represents the projected capitalized asset balance associated with those same underlying project expenditures at its expected in-service date in December 2028, including capital overheads and AFUDC.

Related to Item 6 of Public Counsel Data Request No. 505, PSE has estimated that an additional eight (8) to ten (10) FTEs will be needed to support participation in Markets+.

- Four (4) FTEs were budgeted in PSE's O&M included in this filing starting in 2029 as is shown in Table 1 below.

Table 1. Labor and Benefits for SPP Markets+ FTEs
WBS - K.99999.03.07.03 Elec Trans Ops and Admin

Account	FERC Description	Spread	Rate Year 1 Feb 28 - Jan 29	Rate Year 2 Feb 29 - Jan 30	Rate Year 3 Feb 29 - Jan 31
561.5	Transmission Expenses - Reliability planning and standards development	57%	$ 33,429	$ 401,142	$ 401,142
566	Transmission Expenses - Miscellaneous transmission expenses	43%	$ 25,325	$ 303,896	$ 303,896
926	Employee pensions and benefits		$ 11,668	$ 140,019	$ 140,019
408.1	Taxes other than income taxes		$ 4,439	$ 53,262	$ 53,262
Totals			$ 74,860	$ 898,320	$ 898,320

- The remaining four (4) to six (6) FTEs that PSE expects will be required for managing PSE's participation in Markets+ are anticipated to be charged to Power Costs to FERC 557. However, as mentioned in more detail below, PSE did not adjust its forecasted power costs for Markets+ participation and so there was no presumption of additional FTEs in power costs in this filing.

By contrast, Items 1, 2, and 7 of Public Counsel Data Request No. 505 relate to market participation costs and should not be viewed as part of the DA Market internal implementation costs or the ongoing incremental FTE costs reflected in Items 3 through 6 of Public Counsel Data Request No. 505. These items primarily represent power costs associated with SPP's development and PSE's participation in SPP Markets+. Additionally, PSE has not directly included any of these costs in PSE's filing, as is discussed in more detail below.

Item 1 of Public Counsel Data Request No. 505 reflects PSE's committed share of [redacted] for the Markets+ Phase 2 funding obligation which allows SPP to acquire, create, and/or modify the systems and processes required to implement Markets+. These costs are currently being funded by an SPP line of credit to be repaid by PSE and other participants over time beginning upon the Markets+ go-live date which is expected to be October 2027. These repayments are distinct from the ongoing Markets+ transaction and participation costs reflected in Item 2 of Public Counsel Data Request No. 505. PSE expects to charge and recover repayment of the Phase 2 funding obligation through power costs when incurred.

Item 2 of Public Counsel Data Request No. 505 reflects PSE's projected ongoing Markets+ participation costs following PSE's entry into Markets+ and is also expected to be charged to and recovered through power costs after PSE's go-live date, currently expected to be October 2028.

PSE has not included either Item 1 or Item 2 of Public Counsel Data Request No. 505 in this filing. As discussed in the Prefiled Direct Testimony of Brennan D. Mueller, Exh. BDM-1T, at page 40, line 8, through page 41, line 13, PSE expects the Markets+ participation costs reflected in Items 1 and 2 to replace the CAISO WEIM/EIM participation costs following PSE's transition to Markets+. Because the timing of both the Markets+ and PSE go-live dates are uncertain, PSE left the WEIM cost structure in its forecasted power costs. *See* Twenty-Fifth Exhibit to the Prefiled Direct Testimony of Brennan D. Mueller, Exh. BDM-26, "Not in Model WEIM Costs and Benefits," which amounts flow through to the revenue requirement model via the work paper titled "260005-06-PSE-WP-SEF-6-PowerCosts-26GRC-02-2026(HC)." tab "Power Cost Summary".

Accordingly, based on PSE's proposal, there are no Item 7 cost savings associated with WEIM because PSE (i) has not forecasted the implementation or participation costs in Items 1 or 2 into this proceeding for any of the rate years and (ii) has left the WEIM cost structure in power costs in each of the proposed rate years. This approach is reasonable because PSE's Markets+ go-live date isn't until October 2028 at the earliest, so it is known that PSE will be a WEIM participant through all of Rate Year 1. Additionally, because PSE's proposal is to update power costs before Rate Year 2, the status of PSE's WEIM and Markets+ implementation will be clearer by the time of PSE's proposed update filing for Rate Years 2 and 3. In other words, under PSE's proposal, it is not necessary to fully forecast the Markets+ participation offset from WEIM savings in this proceeding as PSE's proposed power cost updates for Rate Years 2 and 3 will allow for more accurate estimates for the transition to Markets+ to be included in rates for those years.

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If the Markets+ go-live date is reached as expected in October 2027,[1] and PSE must make payments on its Phase 2 funding obligation, such costs will be charged to FERC 557, which is not a component of PSE's Power Cost Adjustment mechanism and will therefore not be specifically recovered.

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[1] Which is before power costs will be updated again under PSE's proposal.