

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**Dockets UE-170033 and UG-170034
Puget Sound Energy
2017 General Rate Case****PUBLIC COUNSEL DATA REQUEST NO. 471****PUBLIC COUNSEL DATA REQUEST NO. 471:****Re: Rebuttal Testimony of Daniel Doyle, Exh. DAD-7T at 24:15-17, 25:1-8
(Substantial Spending Criteria for Piecemeal Ratemaking).**

At page 24, Mr. Doyle states, "It is irrefutable that the Electric Reliability Plan is a material and substantial program in terms of dollars spending. As previously stated, PSE intends to spend over \$78 million on the Electric Reliability Plan in 2017." Then, at page 25 he compares this level of spending to the costs recovered through the conservation tracker, stating:

PSE's conservation tracker is a very significant program in terms of dollars spend, approximately \$110 million per year. Recovering these significant costs through a tracking mechanism ensures dollar-for-dollar recovery, which protects customers by eliminating the risk that PSE would over-collect these costs. In summary, the Electric Reliability Plan is substantial in terms of dollars spend, and considerations of volatility are less relevant to whether or not the Electric Recovery Mechanism should be approved.

Please respond to the following:

- a. What is the approximate annual revenue requirement associated with the \$78 million of intended capital spending on the Electric Reliability Plan?
- b. Confirm that the "spend" recovered through the conservation tracker is of expensed dollars, rather than return and depreciation of capital expenditures, resulting in much higher annual revenue requirements that are associated with the dollars of capital investment spending referenced in your response to part (a).
- c. Provide a side-by-side comparison of the annual revenue requirements associated with Electric Reliability Plan expected annual spending and conservation tracker "annual spending."

Response:

Puget Sound Energy (“PSE”) objects to Public Counsel Data Request No. 471 insofar as the request is based on a false premise that the Prefiled Rebuttal Testimony of Daniel A. Doyle, Exhibit DAD-7T, makes a direct comparison of PSE’s \$78 million of Electric Reliability Plan capital spend for 2017 to PSE’s \$110 million of annual conservation spend. Without waiving this objection and subject thereto, the referenced portion of Mr. Doyle’s testimony simply cites to PSE’s conservation tracker as an example of a cost-recovery mechanism approved by the Commission for a program with a material impact but little volatility. In other words, PSE’s conservation tracker is evidence that cost recovery mechanisms are not restricted to activities with volatility.

- a. The approximate annual revenue requirement associated with PSE’s \$78 million of intended capital spending on the Electric Reliability Plan is approximately \$10.1 million (the product of \$78 million multiplied by 13% (i.e., the sum of an assumed 10% pre-tax return plus an assumed 3% for depreciation)).
- b. Yes. The “spend” recovered through the conservation tracker is of expensed dollars.
- c. \$110 million for conservation versus \$10.1 million for the Electric Cost Recovery Mechanism. However, this comparison is misleading and incorrect given that the Electric Cost Recovery Mechanism will operate for years and accumulate in between general rate cases. Assume, for example, that PSE accumulates five years of Electric Cost Recovery Mechanism spend in between general rate cases. That would mean that the Electric Cost Recovery Mechanism would have accumulated to approximately \$50.5 million (the product of approximately \$10.1 million multiplied by five years). Therefore, the Electric Cost Recovery Mechanism would allow PSE to recover costs associated with a material and significant program while reducing the burden of frequent general rate cases.