

**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. 472****PUBLIC COUNSEL DATA REQUEST NO. 472:****Re: Rebuttal Testimony of Daniel Doyle, Exh. DAD-7T at 26 (PSE's Ability to Fund).**

At page 26, Mr. Doyle explains why he does not agree with Public Counsel in that "there is ample capability for PSE to fund the ERP through traditional ratemaking." Please provide the following information:

- a. Does Mr. Doyle or PSE contend that the Company is financially unable to fund the planned incremental expenditures within its proposed ERP, if the proposed additional revenues through the ECRM are not approved by the Commission?
- b. If your response to part (a) is affirmative, please provide a detailed statement of each constraint upon the Company's access to debt and equity capital that exists and provide copies of relevant documents and calculations supportive of your response.
- c. Explain what is meant by Mr. Doyle's reference to "Public Counsel's analysis does not address funding the equity component of the capital expenditure, and Public Counsel incorrectly assumes that debt can be issued without constraint" providing pinpoint reference to where these particular assumptions are believed to be made by Public Counsel.
- d. What constraints are imposed upon PSE's access to equity capital that would cause the Company to be unable to incrementally fund ERP spending?
- e. Provide quantification and documentation supportive of your response to part (d).
- f. Has PSE notified the Commission of any inability to access capital markets on reasonable terms in order to fully fund its regulated operations?
- g. If your response to part (f) is affirmative, please provide copies of all such notifications.

- h. If your response to part (f) is negative, please explain how Mr. Doyle can conclude that the Company does not have “ample capability to fund the ERP” but has not notified the Commission of this concern about its financial security and viability.
- i. Does Mr. Doyle or PSE contend that the \$800 million of liquidity that “belongs to Puget Energy” would not be made available to PSE if the utility had a legitimate financial need for capital? Why or why not?

**Response:**

- a. No. Neither Puget Sound Energy (“PSE”) nor Mr. Doyle contends that PSE is financially unable to fund the planned incremental expenditures within its proposed Electric Reliability Plan if the proposed additional revenues through the Electric Cost Recovery Mechanism are not approved by the Commission. Rather, in the absence of the Electric Cost Recovery Mechanism, PSE would likely fund the Electric Reliability Program over a longer period of time and seek to recover those costs through more frequent rate cases.
- b. Not applicable.
- c. On page 58, lines 21-22, and on page 59, lines 1-2, of the Direct Testimony of Direct Testimony of Michael L. Brosch, Exhibit MLB-1T, refers to “liquidity, manageable debt profile, and access to capital” and “\$1.5 billion of liquidity”, respectively. These statements incorrectly infer that PSE has unlimited access to debt capital. PSE must issue debt capital with a focused eye on maintaining a balanced capital structure consistent with the capital structure authorized by the Commission. For example, if the Commission were to adopt PSE’s proposed capital structure in this proceeding and PSE were in need of \$100 million of additional capital, PSE could not simply issue \$100 million of debt. Instead, PSE would finance the \$100 million need with approximately \$48.5 million of equity and \$51.5 million of debt to maintain PSE’s capital structure.
- d. Maintaining equity in PSE’s capital structure at a level consistent with the capital structure approved by the Commission is a constraint on PSE’s spending on programs such as the Electric Reliability Program. PSE manages the growth of its balance sheet based on equity growth (retained earnings less dividends) and the amount of debt capital that can be issued and simultaneously keep equity in the capital structure at a level consistent with the capital structure approved by the Commission. Please note that this does not suggest that PSE would be unable to incrementally fund Electric Reliability Program spending over the long-term. Rather, the Prefiled Rebuttal Testimony of Daniel A. Doyle, Exhibit DAD-7T, explains that 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. As stated above, in the absence of the Electric Cost Recovery Mechanism, PSE would likely fund the Electric Reliability Program over a longer period of time and seek to recover those costs through more frequent rate cases.

- e. If the Commission were to adopt PSE's proposed capital structure in this proceeding, PSE can issue approximately \$51.50 of debt (ignoring short-term debt for purposes of analysis) for each \$48.50 of equity growth to maintain the capital structure authorized by the Commission.
- f. No.
- g. Not applicable.
- h. As stated above, neither PSE nor Mr. Doyle concludes that PSE does or does not have "ample capability to fund the ERP." Rather, the Prefiled Rebuttal Testimony of Daniel A. Doyle, Exhibit DAD-7T, explains that 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. In the absence of the Electric Cost Recovery Mechanism, PSE would likely fund the Electric Reliability Program over a longer period of time and seek to recover those costs through more frequent rate cases.
- i. Puget Energy's \$800 million revolving lines of credit are in place to provide liquidity for Puget Energy and not for the long term capitalization of PSE. Puget Energy is relying on these revolving lines of credit to finance activities of Puget LNG, LLC and to provide back-up for approximately \$1.5 billion of debt that matures 2020-2022.