

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. 454****PUBLIC COUNSEL DATA REQUEST NO. 454:****RE: Rebuttal Testimony of John J. Spanos, Exh. JJS-4T at 34:6-10.**

Page 34, lines 6-10 states: “The decommissioning cost of \$100,000 stated in year 1 dollars is only \$37,243. This is the amount that Ms. McCullar recommends should be included in depreciation expense for PSE’s power plants, and her methodology would produce only \$25,931 in depreciation expense and a depreciation expense of 2.59 percent.”

- a. Does “year 1 dollars” in Mr. Spanos’ hypothetical mean the first year the asset is placed in service? If not, please explain what is meant by “year 1 dollars”?
- b. Please provide specific reference to Ms. McCullar’s testimony in which she recommends that terminal net salvage costs be calculated in the year the asset is first placed into service.
- c. Please provide specific reference to Ms. McCullar’s testimony in which she recommends that terminal net salvage costs be calculated in “year 1 dollars” as is meant by Mr. Spanos in this quoted section of testimony.

Response:

- a. Yes.
- b. As stated on page 15, lines 2-4 of the Direct Testimony of Roxie M. McCullar, Exhibit RMM-1T, she recommends “collecting the estimated terminal net salvage costs in year-2018 dollars.” Based on her calculations on page 17, this means that she is only including the current costs of terminal net salvage (or approximately so, as these costs are escalated slightly to 2018) in depreciation expense. Her general approach is therefore the same as presented in the example on pages 33 and 34 of the Prefiled Rebuttal Testimony of John J. Spanos, Exhibit JJS-4T. Presumably, Ms. McCullar would use the same general approach for a new power plant as she does for Puget Sound Energy’s (“PSE”)

existing power plants. Thus, if her method would be applied to a scenario in which year 1 was the rate year, she would produce the results discussed by Mr. Spanos on pages 33 and 34 of his rebuttal testimony.

- c. Please see PSE's response to subpart (b) above