

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. 477****PUBLIC COUNSEL DATA REQUEST NO. 477:**

Re: Rebuttal Testimony of Katherine J. Barnard, Exhibit No. KJB-17T at 95:15-20 to 96:1-6 (New Adjustments in Rate Cases).

According to Ms. Barnard:

Public Counsel compares the number of adjustments included in a general rate case to the limited adjustments that are included in a Commission Basis Report and distorts the difference to illustrate what Public Counsel views to be “a very basic problem with the ERF process.” Mr. Brosch fails to recognize that the majority of the “new adjustments” that are “unique” to a particular general rate case tend to be one time annualizing or pro forma adjustments that are typically recognizing increases in costs that will be in place during the rate year; therefore the exclusion of these adjustments benefits customers, it does not harm customers. One of the things PSE forgoes by utilizing an expedited rate filing as opposed to a general rate case is the use of pro forma adjustments which typically recognize increases or changes in costs that occur outside of the test year; in return the process is more streamlined.

Please respond to the following:

- a. Which of the adjustments proposed by PSE in its rebuttal electric revenue requirement position are “new adjustments” that are “unique” to the pending rate case?
- b. What is the approximate revenue requirement impact of each of the adjustments listed in your response to part (a)?
- c. Which of the adjustments proposed by PSE in its rebuttal gas revenue requirement position are “new adjustments” that are “unique” to the pending rate case?
- d. What is the approximate revenue requirement impact of each of the adjustments listed in your response to part (c)?

- e. Does Ms. Barnard contend that the Company's electric and gas revenue requirement can be fairly and reasonably determined if the Commission denies each of the adjustments listed in your response to parts (a) through (d).
- f. Please explain whether and why the adjustments listed in your response to parts (a) through (d) are appropriate and necessary in general rate cases, but can reasonably be eliminated in an ERF proceeding without adversely impacting PSE or its ratepayers.

Response:

- a. The adjustments noted in Mr. Brosch's Response Testimony, Exhibit MLB-01T, at 66:5-8, which he obtained from Puget Sound Energy's ("PSE") Response to Public Counsel Data Request No. 388, are all new and unique to the pending general rate case. Additionally, Adjustment No. 20.06 Depreciation Study, which was not mentioned in Mr. Brosch's testimony as it was designated as standard in PSE's Response to Public Counsel Data Request No. 388, is also new and unique to the pending general rate case. A depreciation study adjustment is a standard adjustment when made. However, it is made only periodically and is not made in every general rate case filing.
- b. Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 477, please find a calculation of the revenue requirement associated with the adjustments referenced in subpart (a) above.
- c. Please see PSE's Response to Public Counsel Data Request No. 390 for a listing of adjustments that are new and unique to the pending natural gas general rate case. The natural gas depreciation study adjustment shown as standard in PSE's Response to Public Counsel Data Request No. 390 could also be considered new and unique based on its periodic nature.
- d. Attached as Attachment B to PSE's Response to Public Counsel Data Request No. 477, please find a calculation of the revenue requirement associated with the adjustments referenced in subpart (c) above.
- e. No, a general rate case allows PSE the opportunity to earn a fair and reasonable return. If the Commission were to disallow the adjustments listed in subparts (a) and (d) above PSE would not have the opportunity to earn a fair return.
- f. In the referenced testimony, the discussion regarding the pro forma adjustments that are foregone by PSE in an Expedited Rate Filing ("ERF") relates to potential new pro forma adjustments that PSE might make in the filing if it were a general rate case rather than an ERF. The foregone pro forma adjustments discussed in

the testimony do not relate to the pro forma adjustments approved in the last general rate case prior to the ERF.

All of the adjustments listed in Attachments A and B to PSE's Response to Public Counsel Data Request No. 477 would not result in a Commission Basis Report ("CBR") adjustment in the CBR which follows the initial rate case in which they are accepted as any adjustment to revenue or expense related to these items would be considered an annualizing adjustment which are expressly prohibited for CBR purposes under WAC 480-100-257(3). To the extent that an ERF would require the revenue from the prior general rate case to be annualized as was required in WUTC Docket Nos. UE-130137 and UG-130138, the underlying expenses would also have to be adjusted for ERF purposes, but this would occur only one time until the revenues and expenses associated with each adjustment are fully included in a given subsequent test year. Additionally, any annualizing adjustments required in the ERF to properly reflect the pro forma adjustments allowed in the prior general rate case would be performed in the same manner as was approved in the prior general rate case and so would not be controversial.

ATTACHMENT A to PSE's Response to PUBLIC COUNSEL Data Request No. 477

Attachment A to PSE's Response to Public Counsel Data Request No. 477

Electric Adjustments

Rate or Return	7.74%
Weighted Average Cost of Debt	2.99%
Conversion Factor	0.619051

Adj No.	Adj. Description	Rate Base	NOI	Revenue Requirement ⁽¹⁾
KJB 20.06	Depreciation Study	\$ (17,305,306)	\$ (34,610,611)	\$ 54,038,004
KJB 20.19	Environmental Remediation	-	(925,460)	1,494,966
KJB 20.20	Payment Processing Costs	-	(2,010,221)	3,247,263
KJB 20.21	South King Service Center	15,915,060	434,046	1,019,671
KJB 21.07	Glacier Battery Strg	2,842,787	(145,490)	542,398
KJB 21.08	Energy Imb Market	5,131,869	(3,492,717)	6,196,935
KJB 20.01	Offset to EIM Adj in Power Costs			(6,196,935)
KJB 21.09	Goldendale Capacity Upgrade	18,140,954	2,156	1,958,011
KJB 21.10	Mint Farm Capacity Upgrade	19,004,590	-	2,054,875
KJB 21.11	White River	(4,108,724)	(3,288,310)	4,867,600
KJB 21.12	Reclass of Hydro Treasury Grants	5,739,615	(2,131,857)	4,064,347

⁽¹⁾ Includes the impact of the tax benefit of proforma interest.

ATTACHMENT B to PSE's Response to PUBLIC COUNSEL Data Request No. 477

Attachment B to PSE's Response to Public Counsel Data Request No. 477

Gas Adjustments

Rate or Return	7.74%
Weighted Average Cost of Debt	2.99%
Conversion Factor	0.620450

Adj No.	Adj. Description	Rate Base	NOI	Revenue Requirement ⁽¹⁾
SEF 15.06	Depreciation Study	\$ 6,587,049	\$ 13,174,098	\$ (20,522,513)
SEF 15.19	Environmental Remediation	-	(5,592,128)	9,013,019
SEF 15.20	Payment Processing Costs	-	(1,449,117)	2,335,590
SEF 15.21	South King Service Center	7,775,116	212,048	497,025
SEF 16.01	Gas Cost Recovery Mechanism	Note A	Note A	Note A

⁽¹⁾ Includes the impact of the tax benefit of proforma interest.

Note A - Although the Gas Cost Recovery Mechanism Adjustment is new and unique to this rate case for purposes of calculating the base rates revenue requirement, an adjustment to rates is being made to Gas Schedule 149 that offsets this base rates adjustment, and so the revenue requirement impact of \$8,523,163 (rate base adjustment of \$19,011,708 and NOI adjustment of -\$4,003,724) for this base rates adjustment is not relevant to this data request response.