ATTACHMENT D

FIRST REVISED MULTI-YEAR RATE PLAN ANNUAL REPORT

REGARDING PLANT INVESTMENT AND METRICS REPORTING

EXPLANATIONS FOR SIGNIFICANT VARIANCES BETWEEN 2023 FORECASTED AND ACTUAL PLANT CLOSINGS

PUGET SOUND ENERGY
DOCKETS UE-220066 AND UG-220067
(CONSOLIDATED)

ORIGINAL REPORT FILED MARCH 29, 2024

THIS REVISED REPORT FILED OCTOBER 18, 2024

Variance Explanations for 2023 Actual vs. Approved Plant Closings

Item I.C. in the Revised Annual Report ("revised main report") shows the total variance between actual plant closings and amounts approved when setting rates subject to refund per the Multiparty Settlement Agreement ("Settlement Agreement") approved in consolidated Dockets UE-220066 and UG-220067 (the "2022 GRC") after removal of Energize Eastside.[1] This revised Attachment to the revised main report provides narrative explanations of the causes for the majority of the variance noted below, which exclude Energize Eastside.

Line	(in millions) Description	(cumulative 2022-2023) Gross Plant Balance (AMA)	2023 Plant Closings
1	**Electric**		
2	Approved	$ 720.6	$ 619.1
3	Actual	$ 741.9	$ 683.7
4	Over / (Under)	$ 21.3	$ 64.6
5			
6	**Natural Gas**		
7	Approved	$ 358.9	$ 251.6
8	Actual	$ 365.5	$ 287.3
9	Over / (Under)	$ 6.6	$ 35.7
10			
11	**Combined**		
12	Approved	$ 1,079.5	$ 870.8
13	Actual	$ 1,107.4	$ 971.1
14	Over / (Under)	$ 27.9	$ 100.3

A breakdown of the above variance by business unit is provided below:

[1] The need for removal of the Energize Eastside project is explained in the revised main report.

Electric and Gas Combined	Actual CWIP Closings	Forecast CWIP Closings	Forecast < Actual (Forecast > Actual)
Facilities	$ 10,286,790.55	$ 20,478,022.65	$ (10,191,232.10)
Generation	$ 109,499,005.76	$ 29,739,902.66	$ 79,759,103.10
IT	$ 128,978,578.30	$ 143,681,759.98	$ (14,703,181.68)
NP&S	$ 13,737,946.19	$ 29,717,406.46	$ (15,979,460.26)
Operations	$ 699,373,198.88	$ 639,401,877.30	$ 59,971,321.58
Storm	$ 4,377,633.98	$ 3,769,399.51	$ 608,234.47
Other	$ 4,811,877.21	$ 3,976,922.06	$ 834,955.15
Grand Total	$ 971,065,030.87	$ 870,765,290.61	$ 100,299,740.26

Electric + Allocated Common	Actual CWIP Closings	Forecast CWIP Closings	Forecast < Actual (Forecast > Actual)
Facilities	$ 6,909,542.29	$ 13,503,208.13	$ (6,593,665.84)
Generation	$ 107,595,170.29	$ 27,127,013.11	$ 80,468,157.18
IT	$ 89,772,258.87	$ 106,430,294.66	$ (16,658,035.79)
NP&S	$ 13,484,498.22	$ 29,717,406.46	$ (16,232,908.24)
Operations	$ 456,978,106.51	$ 434,839,498.03	$ 22,138,608.48
Storm	$ 4,377,633.98	$ 3,769,399.51	$ 608,234.47
Other	$ 4,615,386.44	$ 3,745,002.86	$ 870,383.58
Grand Total	$ 683,732,596.60	$ 619,131,822.77	$ 64,600,773.84

Gas + Allocated Common	Actual CWIP Closings	Forecast CWIP Closings	Forecast < Actual (Forecast > Actual)
Facilities	$ 3,377,248.26	$ 6,974,814.51	$ (3,597,566.26)
Generation	$ 1,903,835.47	$ 2,612,889.55	$ (709,054.08)
IT	$ 39,206,319.43	$ 37,251,465.32	$ 1,954,854.12
NP&S	$ 253,447.98	$ -	$ 253,447.98
Operations	$ 242,395,092.37	$ 204,562,379.27	$ 37,832,713.10
Storm	$ -	$ -	$ -
Other	$ 196,490.76	$ 231,919.20	$ (35,428.44)
Grand Total	$ 287,332,434.27	$ 251,633,467.84	$ 35,698,966.43

Narrative explanations for the majority of the deviations between actual and forecasted investment are provided below and are at the business unit level, i.e. Information Technology ("IT"), Generation, and Operations. Related to variance explanations for projects that did not go into service as forecasted in 2023, PSE placed in service $225.1

million[2] of investments that were not originally forecasted vs. $169.8 million[3] of investments that did not close as planned for 2023. A detail listing of the variances on all projects that underlie the overall $100.3 million variance in the initial table above is provided in Revised Attachment B to the Annual Report, tab "Source Data - Act v Plan by WBS".

Information Technology Business Unit

IT placed in service approximately $14.7 million less than was approved in PSE's rates. Most of this variance, or $13.7 million, was attributed to Distribution Management System project which was forecast to be in service in 2023 but has been delayed and is anticipated to be in service in 2024.

Generation Business Unit

Generation placed in service approximately $79.8 million more than was included for 2023 in PSE's rates. $26.3 million of the variance is due to the Ferndale Major Maintenance activity which was forecasted to be completed in 2024, but was moved up to 2023 due to equipment conditions resulting from increased run hours. $24.5 million of the variance is due to a rotor replacement at the Mint Farm generating station that was not anticipated in the 2022 Multi-year Rate Plan. However a borescope inspection in the spring of 2023 detected damage. It was determined that a replacement was more economical than repair as a repair would have required the unit to be out and unavailable until 2024 due to material availability and shop turnaround time. Ongoing replacement of units of property by the Original Equipment Manufacturer for PSE's Wild Horse and LSR wind facilities were higher than forecast by $5.2 million. Other miscellaneous variances account for the remaining variance.

Facilities Business Unit

Facilities placed in service approximately $10.1 million less than was approved in PSE's rates. This variance was primarily due to two relocation projects that were determined to no longer be cost effective and were not executed.

Operations Business Unit

Operations placed in service approximately $60.0 million more than was forecast. $32.5 million of this amount is related to the specific projects identified in Revised Attachment C that were forecast to be in service in 2022, but were delayed until 2023 as discussed in Revised Attachment C. The below table, which excludes Energize Eastside, presents the variances by project and a discussion for the majority of the causes for these

[2] Amount is obtained by filtering on zero values in column I of tab "Source Data - Act v Plan by WBS" in Attachment B and then summing the filtered values in column H.

[3] Amount is obtained by filtering on zero values in column H of tab "Source Data - Act v Plan by WBS" in Attachment B and then summing the filtered values in column I.

variances follows. Revised Attachment B contains a more detailed presentation of the table broken down by electric and gas and by Used and Useful category.

Project	Actual Plant Closings	Forecast Used to Set Rates	Forecast < Actual (Forecast > Actual)
AMI Meters and Modules Deploym	$ 34,462,243	$ 167,082,331	$ (132,620,088)
Bainbridge Tlines Trans	617,925	12,558,884	(11,940,959)
Capacity Electric	2,741,448	32,512,440	(29,770,992)
Capacity Gas	5,820,360	16,673,797	(10,853,438)
CIAC - Electric	(14,562,652)	(6,382,400)	(8,180,252)
CIAC - Gas	(198,564)	(3,005,100)	2,806,536
Customer Construction Electric	83,378,956	4,503,421	78,875,535
Customer Construction Gas	84,839,700	16,270,357	68,569,343
Emergent Electric	92,570,411	59,029,849	33,540,562
Emergent Gas	18,678,694	20,923,807	(2,245,113)
Energize Eastside	-	-	-
EV Circuit	1,442,703	7,165,996	(5,723,293)
Gas Modernization	14,280,359	24,475,978	(10,195,619)
Grid Modernization	158,669,103	177,412,055	(18,742,952)
Major Projects Electric	3,100,111	13,216,827	(10,116,716)
Major Projects Gas	3,197,291	576,038	2,621,254
Marine Crossing	110,540	-	110,540
Pipe Replacement	63,783,669	49,664,371	14,119,298
Projected	21,621,499	12,515,350	9,106,150
PI Electric	22,456,528	9,797,539	12,658,989
PI Gas	37,414,039	143,932	37,270,107
Resilience Enhancement	1,258,562	4,266,597	(3,008,034)
Sammamish Juanita 115Kv Tline	44,028,433	9,047,247	34,981,186
Thurston Transmission Capacity	19,661,839	10,173,067	9,488,773
Over (Under) Closed	**$ 699,373,199**	**$ 638,622,383**	**$ 60,750,815**

1. **<u>AMI – Meters and Modules Deployment (variance explanation has been revised)</u>**
   There is a negative variance of $132.6 million for AMI deployment in 2023 which brings the cumulative variance for 2022 and 2023 for AMI to $106.3 million due to capital additions for the project in 2022 being $26.3 million higher than assumed when setting rates. This cumulative variance is primarily due to timing differences and is not materially due to the difference in the closing assumptions for pre-capitalized meters and modules, as was stated in PSE's original Attachment D. After appropriately adjusting for these timing differences, the

actual variance in gross plant is negative $30.2 million, not negative $106.3 million, as demonstrated in the following table:

Line	Description	(in millions) 2022 - 2023 Forecast	2022 - 2023 Actuals	Variance
		d	e	f
6	Totals from Attachment B to the 2023 and 2024 MYRP Reports.	$ 210.9	$ 104.6	$ (106.3)
7	Add Network Equipment outside of review period	-	41.4	41.4
8	Add Plant Closings that have/will close to plant in 2024	-	34.7	34.7
9	Adjusted Variance for Appropriate Comparison	$ 210.9	$ 180.7	$ (30.2)

While a negative $106.3 million variance exists in the combination of last year's report and this year's report,[4] when viewed with amounts for AMI that are being recovered in base rates (line 7) and remaining AMI plant that will close during this MYRP period which extends through 2024 (line 8), the ultimate negative variance is much less than the negative $132.6 million variance when 2023 capital additions are viewed in isolation.

A further explanation of the timing differences shown in the above table follows:

1. $41.4 million of network equipment closed earlier than expected in December 2021. It had been forecasted to close in March 2022 at the time the data used for PSE's 2022 GRC original filing was finalized. As such, the network equipment is not presented in the 2022 and 2023 actuals to which forecasted amounts (in which the forecasted closing is included) are compared in the MYRP Reports. This creates a perceived variance only, but not a real one for purposes of determining whether rates should be refunded. The network equipment is in service and used and useful to customers, it is just not included in the time period covered by PSE's MYRP reporting. This is reflected in the above table on line 7.

2. Although the AMI project was substantially complete at the end of 2023, the book accounting for the assets is such that project costs will close to plant in the ensuing months. This amount represents the trailing costs that have been placed in service in 2024. Similar to item 1 above, these amounts must be added to the actuals used for comparison in order for actuals to be on the same basis as forecast. This is reflected in the above table on line 8.

Furthermore – and most importantly – once accumulated depreciation, accumulated deferred income taxes and depreciation expense are calculated on the gross plant amounts on line 6 in the table above (which is before adjustment for relevant out of period actuals), the revenue requirement based on actuals is higher than the revenue requirement actually set in rates based on the forecast.

[4] See the revised main report for a discussion of the cumulative nature of the annual reviews.

As such, the revenue requirement for the AMI project has not been set too high during the review period. Please see the below table which is supported in Attachment F to the revised main report.

Comparison of Revenue Requirement for AMI
Actual vs. In Rates Subject to Refund

Description	2023 Electric	2023 Gas	2023 Combined
In Rates - Based on Forecast - Subject to Refund	$ 2,969,909	$ 1,533,309	$ 4,503,218
Based on Actuals	3,652,075	1,837,341	5,489,416
(Actuals > In Rates)	$ (682,165)	$ (304,032)	$ (986,197)

In the 2022 GRC, support for this project was provided by Ms. Catherine A. Koch in Exh. CAK-1T.

2. **Bainbridge Island Transmission Line Project**

The negative $12 million variance for the Bainbridge Island Transmission Line Project was due to the project continuing delays from jurisdictional code amendments, property re-zoning and permitting impacts which are needed for the new transmission line. In the 2022 GRC, support for this project was provided by Mr. Roque B. Bamba in Exh. RBB-1T.

3. **Capacity Electric and Gas**

In the 2022 GRC, support for this project was provided by Ms. Koch. The combined electric and gas negative variance of $40.6 million was due to less of this type of work being completed than was forecast.

4. **Emergent Electric and Gas**

In the 2022 GRC, support for this project was provided by Ms. Koch. The variance of $33.5 million on Emergent Electric was due to more non-storm outage damage requiring repair than originally forecasted as well as a difference in the type of costs that were capitalized under this program than was assumed in the forecast.

5. **Energize Eastside**

Per agreement between PSE and WUTC Staff, the Energize Eastside project will remain in rates subject to refund until the next review period, at which time the project costs will be reviewed in their entirety.

6. **System Modernization – Electric and Gas**

The $18.7 million negative variance on Electric System Modernization was due the closing assumption utilized for forecasting being different than the actual

closing pattern experienced which resulted in less plant closings than were forecast.

The $10.2 million negative variance on Gas System Modernization was due to a delay in closing projects which resulted in closings being less than were forecast.

In the 2022 GRC, support for these projects was provided by Ms. Koch.

7. **Major Projects – Electric and Gas**

The $10.1 million negative variance for Electric Major Projects was due to the following projects, support for these was provided by Mr. Bamba in the 2022 GRC:

Lynden Substation Expansion ($7.2 million)
A $7.2 million negative variance exists that is due to a permitting review process delay for the substation rebuild.

Wilkeson Substation ($2 million)
A $2.0 million negative variance is associated with the delay of the Wilkeson Substation project which is due to required code changes, property re-zoning, and permitting impacts.

The $2.6 million variance for Gas Major Projects was due to SWARR plant upgrades of $2.8 million which were forecast to close to plant in 2022 but were delayed until 2023 because of supply chain issues. Additionally, Williams Pipeline delayed their own pipeline replacement work that they had planned which delayed $0.2 million of equipment upgrades PSE had forecasted were needed in 2023.

8. **Pipeline Replacement**

In the 2022 GRC, support for this program was provided by Ms. Koch. The $14.1 million variance for Pipeline Replacement was the result of catch up from delays that occurred last year due to permitting issues with the City of Seattle for Dupont pipe replacement projects.

9. **Contributions in Aid of Construction ("CIAC"), Customer Requests and Public Improvement – Electric and Gas**

The events that caused the $83.3 million variance on electric and $108.6 million variance on gas CIAC, Customer Requests and Public Improvement continues to be the same as last year. The primary cause is that the closing percentage applied to capital expenditures to estimate plant closings for both electric and gas Customer Requests and Public Improvement projects was too low which in turn resulted in the forecasted plant closings for these programs being too low. Additional information regarding this variance was provided during Commission

Staff's informal discovery which has been provided as Attachments G and H to the revised main report.

10. **Sammamish Juanita**

    In the 2022 GRC, support for this project was provided by Mr. Bamba. The $35.0 million variance is due to a delay in the project in-service date that occurred last year. This pushed the plant closings from 2022 into 2023 along with the forecast 2023 closings of $9.0 million.

11. **Thurston Transmission Capacity**

    In the 2022 GRC, support for this project was provided by Mr. Bamba. The $9.5 million variance is due to a delay in the project in-service date that occurred last year. This pushed the plant closings from 2022 into 2023 in addition to the forecast 2023 closings of $10.1 million.

Status of Benefits Discussed in 2022 GRC

A list of the benefits included in PSE's rates was provided on page 24 through 26 of Exh. SEF-1Tr in the 2022 GRC. A significant portion of the hard benefits associated with the plant investments that were included in the rates subject to refund was comprised of the roll forward of test year plant which was included in rates that were not subject to refund.

PSE provided the below benefits in its 2022 GRC. The below table is a combination of Table 1 included in the Prefiled Direct Testimony of Josh A. Kensok, Exh. JAK1T and PSE's Response to WUTC Staff Data Request No. 071.[5] As discussed by Josh A. Kensok in PSE's 2022 GRC in Exh. JAK-1T, because PSE increases its O&M budget at a rate that is less than inflation, O&M is inherently constrained compared to if PSE built its O&M budget from the bottom up. This process is how benefits such as those shown below, are incorporated into the budget. As such, these benefits were considered to be incorporated into the operational forecast to which the business is held which was also the basis for the forecast that was used to set rates. And that is how it was ensured that these benefits were achieved as well as passed back to customers.

[5] The primary witness for ADMS should have been listed as Catherine A. Koch in PSE's Response to Staff DR 071.

CSA	Witness	Location	Exhibit / Work Paper File Name	JAK-1T Table 1	Comment
Community Solar	Will T. Einstein	Testimony	Exh. WTE-1CT	$ 623,760	Included in MYRP Rev Req
eProcurement Phase 3	Dawn M. Reyes	Testimony	Exh. DMR-1T	$ 3,760,000	
Up & Go	Will T. Einstein	Testimony	Exh. WTE-1CT	$ 31,775	Included in MYRP Rev Req
WECC CIP-014-02 Mitigation	Suzanne L. Tamayo	Exhibit	Exh. SLT-10	$ 78,096	
Generation RFP	Josh A. Kensok	Work Paper	NEW-PSE-WP-JAK-CSA-Generation-RFP-Automation-Planning-Design-to-Execution.pdf	$ 195,000	
Front Office	Josh A. Kensok	Work Paper	NEW-PSE-WP-JAK-Front Office.pdf	$ 163,000	
ADMS	Suzanne L. Tamayo	Exhibit	Exh. SLT-14, CAK-5, CAK-5 App D	$ 9,138,994	
GTZ IWM for Gas Operations	Suzanne L. Tamayo	Exhibit	Exhs. SLT-1T, SLT-6, SLT-8	$ 1,180,995	
Platform of Insights	Suzanne L. Tamayo	Exhibit	Exh. SLT-12	$ 1,200,000	