

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,
Complainant,
v.
PUGET SOUND ENERGY,
Respondent.

DOCKETS UE-170033 & UG-170034 (*Consolidated*)

TESTIMONY IN RESPONSE TO PROPOSED SETTLEMENT
OF
CARLA A. COLAMONICI (CAC-1T)
ON BEHALF OF
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL,
PUBLIC COUNSEL UNIT

SEPTEMBER 22, 2017

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TABLE OF CONTENTS

I. INTRODUCTION / SUMMARY 1

II. REVENUE REQUIREMENT 8

III. OTHER SETTLEMENT STIPULATION ISSUES 13

I. INTRODUCTION / SUMMARY

Q: Please state your name and business address.

A: My name is Carla Colamonicci and my business address is 800 Fifth Avenue, Suite 2000, Seattle, Washington 98104. I am employed as a Regulatory Analyst with the Public Counsel Unit of the Washington State Attorney General's Office ("Public Counsel").

Q: Please state your qualifications and experience.

A: I have a B.A. in Philosophy and a B.S. in Psychology from Loyola University Chicago, as well as a Master of Public Policy also from Loyola University Chicago. Prior to joining Public Counsel, I was a Consumer Rights Counselor and a Policy Intern at Citizens Utility Board (CUB) in Chicago, Illinois. In my duties as a Consumer Rights Counselor, I assisted ratepayers in understanding their rights under the Public Utilities Act, filed informal cases with investor-owned utilities, and conducted billing analysis. As a Policy Intern, I represented CUB at Stakeholder Advisory Group monthly energy efficiency meetings and in negotiations on their Energy Efficiency Portfolio Standard Plans. Additionally, I worked on issues and cases related to Smart Grid deployment, distributed generation, and consumer protections related to electricity deregulation. Since joining Public Counsel in August 2016, I have worked on a range of energy issues and cases, including the review and analysis of utility conservation programs, low-income assistance programs, and various issues in an electric and natural gas general rate case (Avista, Dockets UE-160228 and UG-160229). Finally, I have testified on behalf of Public Counsel in support of the settlements reached in Dockets UG-151663 (Puget Sound Energy's Liquefied Natural Gas proposal) and UE-161123 (Puget Sound Energy Open Access Tariff).

1 **Q: What is the purpose of your testimony?**

2 A: I am testifying in response to the Multiparty Settlement Stipulation and Agreement
3 (“Settlement”) filed by the Settling Parties on September 15, 2017, and supporting
4 testimony filed on September 15 and 18, 2017. I will provide an overview of Public
5 Counsel’s alternative viewpoint regarding why the Settlement is not in the public interest.
6 Additionally, I will discuss Public Counsel’s alternative viewpoint to the Settlement
7 regarding revenue requirement.

8 **Q: Did Public Counsel participate in the Settlement discussions in this case?**

9 A: Yes. Public Counsel participated in the Settlement Conferences that took place on
10 August 11, 2017, and on August 24, 2017.

11 **Q: Please describe Public Counsel’s concerns with the Settlement.**

12 A: Public Counsel has the following concerns with the proposed Settlement:

- 13 • The Settlement proposes an unreasonably high authorized return on equity and rate of
14 return, which is of significant importance, as the Settlement authorizes Expedited
15 Rate Filings (ERF) without an adjustment to the cost of capital.
- 16 • The evidence provided in the record does not support the proposed electric revenue
17 increase of \$20 million and natural gas decrease of \$35 million.
- 18 • The Settlement’s proposed annual depreciation expense for Colstrip Units 1 and 2 is
19 excessive. Although Public Counsel agrees that depreciation should be accelerated
20 for Units 1 and 2, Public Counsel’s proposal allows for a more moderate impact on
21 customers. Additionally, the record does not provide the necessary evidence for the
22 accelerated depreciation date of 2027 for Units 3 and 4.
- 23 • The stipulated electric rate spread is vague and incomplete.

- 1 • The Settlement’s terms regarding Service Quality Index (SQI) No. 5 loosens the
2 current standard, is not supported by evidence, and is not appropriate. Additionally,
3 the Settlement fails to address other related service quality issues raised by Public
4 Counsel.
- 5 • The Settlement provides limited details on the procedures of the Expedited Rate
6 Filing and does not provide justification for allowing Puget Sound Energy (PSE) to
7 file an ERF.

8 **Q: Please explain the concerns you have with the cost of capital.**

9 A: Public Counsel believes that the record in this case supports returns that are lower than
10 the Settlement’s proposed 9.50 percent ROE and 7.6 percent ROR.¹ Indeed, two other
11 Settling Parties, Commission Staff and ICNU, filed evidence indicating significantly
12 lower recommendations. Commission Staff recommended an approximate ROE of 9.2
13 percent with an ROR of 7.37 percent.² ICNU recommended an ROE of 9.1 percent with
14 an ROR of 7.4 percent.³ As explained further by Dr. Woolridge, Public Counsel’s
15 alternative view is that ROE is more appropriately set at 8.85 percent with an ROR of
16 7.28 percent.⁴

17 **Q: Please explain the concerns you have with the Settlement’s treatment of**
18 **depreciation.**

19 A: The Settling Parties have stipulated to an “annual depreciation expense of \$18.5 million
20 for the remaining operational lives of those units” for Colstrip Units 1 and 2.⁵

¹ Multiparty Settlement Stipulation and Agreement ¶ 8.

² Testimony of David C. Parcell, Exh. DCP-1T at 2-3.

³ Response Testimony of Michael P. Gorman, Exh. MPG-1T at 12; Bradley G. Mullins, Exh. BGM-3 at 8.

⁴ Response Testimony of Dr. J. Randall Woolridge, Exh. JRW-1T through Exh. JRW-16.

⁵ Multiparty Settlement Stipulation and Agreement ¶ 25.

1 Additionally, the Settlement includes a depreciation schedule for Units 3 and 4 through
2 December 31, 2027.

3 Public Counsel has several concerns regarding the depreciation terms in the
4 Settlement Stipulation. First, the stipulated annual depreciation expense for Colstrip
5 Units 1 and 2 is exorbitant and does not consider PSE's surplus depreciation as a method
6 for offsetting the impact of accelerated depreciation on ratepayers. As explained by
7 Public Counsel witness Ms. Roxie McCullar, PSE has surplus depreciation that can be
8 used to offset the accelerated depreciation amount. This result is fair considering the
9 same ratepayers who, in theory, should have paid more for Colstrip Units 1 and 2 also
10 paid rates sufficient to accumulate surplus depreciation on longer living production units
11 during the same time period.

12 Second, there is no evidence for supporting the accelerated depreciation date of
13 2027 for Colstrip Units 3 and 4, especially considering there is no set retirement date for
14 these units.

15 Finally, Public Counsel does not view the natural gas depreciation study as
16 'uncontested,' as we clearly presented opposition to PSE's proposal in our Response
17 Testimony.

18 **Q: Please explain Public Counsel's alternative viewpoint on the electric and natural gas**
19 **depreciation study.**

20 A: Public Counsel recommends an annual depreciation expense of \$8.7 million for Colstrip
21 Units 1 and 2, including the use of surplus depreciation to offset the impact of
22 accelerating the depreciation schedule for these Units. Additionally, Public Counsel
23 believes that a depreciation schedule ending in 2035 is more suitable for Units 3 and 4;

1 however, Public Counsel would accept a depreciation schedule ending in 2030 as a
2 reasonable settlement outcome. Finally, Public Counsel recommends adjustments to
3 future net salvage percent for accounts 376.20, 376.40, 378.00, 380.20, and 380.30.
4 Please see Ms. McCullar's testimony for further details on Public Counsel's alternative
5 view to the depreciation study and adjustments.⁶

6 **Q: Does Public Counsel have any additional concerns with the depreciation
7 adjustment?**

8 A: Yes. Public Counsel has some concerns on whether PSE's Production Tax Credits
9 (PTCs) will be monetized, as described by the Settlement, in order to offset any
10 unrecovered depreciation expense associated with Colstrip Units 1 and 2. However,
11 Public Counsel believes the risk of monetization is appropriately placed on PSE, as stated
12 in paragraph 25.⁷

13 **Q: Please state your concerns with the electric rate spread.**

14 A: Public Counsel agrees with the elimination of Schedule 40 in the next general rate case.⁸
15 However, the Settlement is vague in its description of electric rate spread. First, the
16 Settlement is ambiguous on the methodology for allocating the \$20 million increase to
17 electric revenue requirement. Second, the electric rate spread as stated by the Settlement
18 is incomplete, providing some customer classes with an unreasonably favorable outcome
19 while leaving other rate classes for the Commission to decide. Finally, the Settlement is
20 inconsistent with past Commission practices regarding rate spread. As a result, the

⁶ Response Testimony of Roxie M. McCullar, Exh. RMM-1T through Exh. RMM-11.

⁷ Multiparty Settlement Stipulation and Agreement ¶ 25.

⁸ Multiparty Settlement Stipulation and Agreement ¶ 96.

1 Settlement creates an unreasonable rate spread proposal. For further details on electric
2 rate spread, please see Mr. Glenn Watkins' testimony responding to the Settlement.⁹

3 **Q: What is Public Counsel's alternative viewpoint concerning electric rate spread?**

4 A: Mr. Watkins provides a comprehensive analysis of rate spread and rate design for both
5 electric and natural gas services. Many of his recommendations are subject to the
6 contested portion of this proceeding. With respect to electric rate spread, Mr. Watkins
7 analyzed PSE's cost of service and determined that all but three rate schedules are within
8 10 percent of parity. Irrigation, Retail Wheeling, and Non-Jurisdictional Resale rate
9 schedules are significantly below parity according to Mr. Watkins' cost of service study,
10 and each of those rate schedules should receive a higher than average rate increase. The
11 remaining rate schedules should receive a slightly lower than average rate increase.¹⁰
12 Please see Mr. Watkins' Response and Cross-Answering Testimony.¹¹

13 **Q: Please explain your concerns regarding the Settlement's Service Quality terms.**

14 A: The Settlement states the following regarding Service Quality: "PSE shall revise Service
15 Quality Index (SQI) No. 5 to establish an annual benchmark of 80 percent of calls
16 answered within 60 seconds. The calculation will not include Integrated Voice Response
17 System (IVR) transactions."¹²

18 Public Counsel agrees with the condition to exclude the Integrated Voice
19 Response System (IVR) transactions from the SQI No. 5 calculation. However, Public

⁹ Testimony in Response to Proposed Settlement of Glenn A. Watkins, Exh. GAW-14T.

¹⁰ Response Testimony of Glenn A. Watkins, Exh. GAW-1T at 34:1 – 38:7.

¹¹ Watkins, Exh. GAW-1T through Exh. GAW-12; Cross-Answering Testimony of Glenn A. Watkins, Exh. GAW-13T.

¹² Multiparty Settlement Stipulation and Agreement ¶ 101.

1 Counsel does not believe that the agreed upon revision of SQI No. 5 is advantageous to
2 customers; it, in fact, depredates the current standard.

3 **Q: Please describe Public Counsel's alternative viewpoint on SQI.**

4 A: Public Counsel recommends strengthening SQI No. 5 to 80 percent of calls answered
5 within 30 seconds, as stated in Ms. Barbara Alexander's Response Testimony.¹³ Please
6 see Ms. Alexander's Response Testimony¹⁴ and testimony in response to the Settlement
7 for other alternatives and proposals regarding increasing service quality, which were
8 omitted from the Settlement.

9 **Q: Please describe your concerns on the Expedited Rate Filings.**

10 A: The Settling Parties agreed to the following terms, concerning the ERF:

11 PSE may file one ERF within one year after the effective date of
12 the tariffs resulting from this proceeding that is consistent with the process
13 and procedures used by the Commission in Dockets UE-130137 & UG-
14 130138 and the parameters identified in Exhibit I to this Settlement. The
15 Settling Parties will support, or not oppose, a schedule for such ERF that
16 would allow rates to take effect within 120 calendar days after filing. Any
17 subsequent ERF or limited rate proceeding filed by PSE shall be
18 consistent with Commission guidance provided by rule or policy statement
19 in Docket A-130355.¹⁵

20 As is described in Mr. Brosch's Response Testimony, the Company has not provided
21 evidence as to why it needs an ERF.¹⁶ Additionally, the terms in the Settlement
22 regarding ERFs are ambiguous and unclear at best.¹⁷ It also inappropriately allows PSE
23 to employ certain tools that are generally used to reduce regulatory lag without any
24 demonstration that PSE needs such relief. One example is application of end of period

¹³ Response Testimony of Barbara R. Alexander, Exh. BRA-1T.

¹⁴ Alexander, Exh. BRA-1T through Exh. BRA-25.

¹⁵ Multiparty Settlement Stipulation and Agreement ¶ 115.

¹⁶ Response Testimony of Michael L. Brosch, Exh. MLB-1T at 69.

¹⁷ Multiparty Settlement Stipulation and Agreement ¶ 115, Exhibit I.

1 rate base. Please see the Response Testimony and testimony in response to the
2 Settlement of Mr. Brosch for further discussion of Public Counsel's position on ERF.

3 **Q: What is Public Counsel's alternative viewpoint on ERFs?**

4 A: As stated in Mr. Brosch's Response Testimony, PSE should not be allowed to file an
5 ERF because (1) PSE has not demonstrated a need for an ERF, (2) the ERF proposal
6 mistakenly assumes intervener parties have unlimited resources for participating in ERFs,
7 and (3) the Settlement contains inappropriate parameters for the proposed ERF filing.¹⁸

8 **II. REVENUE REQUIREMENT**

9 **Q: Please explain your concerns with the Settlement's treatment of Revenue, Expense,**
10 **and Rate Base Restating and Pro Forma Adjustments.**

11 A: The Settlement proposes an overall electric revenue increase of \$20 million.¹⁹ To arrive
12 at the increase, the Settlement incorporates a 'black box' electric adjustment of a
13 decreased \$1 million for adjustments not subject to specific agreement.²⁰ For natural gas,
14 the Settlement proposes a revenue requirement decrease of \$35 million. To arrive at the
15 decrease, the Settlement incorporates a 'black box' adjustment of \$1.5 million.²¹ The
16 amount reached for both utility services is too generous, especially with respect to the
17 positive electric revenue requirement. The positive revenue requirement is especially
18 troubling considering parties filed cases with proposed net electric revenue requirement
19 *decreases*. For example, Commission Staff proposed an electric revenue requirement
20 decrease of \$34.6 million.²²

¹⁸ Brosch, Exh. MLB-1T through Exh. MLB-10

¹⁹ Multiparty Settlement Stipulation and Agreement ¶ 11.

²⁰ Multiparty Settlement Stipulation and Agreement ¶ 68.

²¹ Multiparty Settlement Stipulation and Agreement at ¶ 5 and ¶ 69.

²² Revised Testimony of Melissa C. Cheesman, Exh. MCC-1Tr at 4 (Table 1).

1 Similar to the electric revenue requirement, parties presenting natural gas revenue
2 requirement proposed amounts relatively lower than the stipulated amount. Commission
3 Staff recommended a decrease of revenue requirement by \$48.2 million.²³

4 **Q: What is Public Counsel’s alternative viewpoint for revenue requirement in this**
5 **proceeding?**

6 A: Public Counsel’s alternative proposal is presented in the Response Testimony and
7 Exhibits of Mr. Ralph Smith.²⁴ Public Counsel’s alternative perspective is also in line
8 with other parties filings in this case, with a net electric revenue requirement decrease of
9 \$5,403,000²⁵ and an increase in base rates of \$70,326,088.²⁶ Public Counsel’s net natural
10 gas revenue requirement recommendation is a decrease of \$65,635,000²⁷ and a base rate
11 decrease of \$13,533,604.²⁸

12 **Q: Please describe the adjustments where the proposed Settlement and Public**
13 **Counsel’s alternative perspective differ.**

14 A: Public Counsel presented the following adjustments in Mr. Smith’s testimony:

- 15 • Depreciation Study and Adjustment (Adjustment 6.06): Based on the analysis of
16 the depreciation study completed by Public Counsel witness, Ms. McCullar,
17 Public Counsel’s electric adjustment is a decrease of net operating income of
18 \$16,971,166 and decrease to rate base by \$8,485,583.²⁹ The depreciation
19 adjustment for natural gas results in an increase in net operating income of

²³ Cheesman, Exh. MCC-1Tr at 4 (Table 1).

²⁴ Confidential Response Testimony of Ralph C. Smith, Exh. RCS-1CT through Exh. RCS-12C.

²⁵ Public Counsel Response to BR 1C at Bench 1-C Electric at Cell D15.

²⁶ Public Counsel Response to BR 1A-Exh RCS-3r at Sheet A at Cell I19.

²⁷ Public Counsel Response to BR 1C at Sheet Bench 1-C Gas at Cell D13.

²⁸ Public Counsel Response to BR 1A Exh RCS 4r at Sheet A at Cell I17.

²⁹ Public Counsel Response to BR 1B Exh RCS-3 Supplemental at Cells R18 and T18.

1 \$24,114,311 and an increase in rate base by \$12,057,156.³⁰ For further detail on
2 this adjustment, please see Exhibit RCS-1CT at 15 and 40.

- 3 • Pension Plan (Adjustment 6.15): Mr. Smith recommends a “pension expense
4 allowance of \$18.4 million based on a four-year average of net periodic costs for
5 years 2013 through 2016 and has also taken into consideration the Company’s
6 projections.”³¹ This adjustment results in a decrease of net operating income by
7 \$436,483³² and decreases natural gas net operating income by \$211,000.³³ Please
8 see RCS-1CT at 41 to 59 for more details.

- 9 • Environmental remediation (Adjustment 6.19): Mr. Smith recommends “100% of
10 the proceeds received from insurance carriers and third parties through the test
11 year be used to offset the actual deferred environmental remediation as of
12 September 30, 2016.”³⁴ This adjustment decreases electric net operating income
13 by \$552,786³⁵ and decreases natural gas net operating income by \$2,850,219.³⁶
14 For further details, please see Exhibit RCS-1CT at 59 to 65.

- 15 • Plant Held for Future Use (PHFFU) (Public Counsel Proposed Adjustment B-5):
16 Mr. Smith recommends the removal of two portions of Kitsap Naval land,
17 considering the Commission’s Eleventh Supplemental Order in Dockets No UE-
18 920433, UE-920499, and UE-92162, as they have been held in PHFFU for longer
19 than 20 years.³⁷ This adjustment decreases electric rate base by \$436,566.³⁸ The

³⁰ Public Counsel Response to BR 1B Exh RCS-4 Supplemental at Cells R19 and T19.

³¹ Smith, Exh. RCS-1CT at 59:9-11.

³² Public Counsel Response to BR 1B Exh RCS-3 Supplemental at Cell R27.

³³ Public Counsel Response to BR 1B Exh RCS-4 Supplemental Revised at Cell R28.

³⁴ Smith, Exh. RCS-1CT at 65: 5-7.

³⁵ Public Counsel Response to BR 1B Exh RCS-3 Supplemental at Cell R31.

³⁶ Public Counsel Response to BR 1B Exh RCS-4 Supplemental Revised at Cell R32.

³⁷ Smith, Exh. RCS-1CT at 17.

1 Settlement does not address this adjustment. Please refer to Exhibit RCS-1CT at
2 17.

3 • Storm Damage (Adjustment 7.05): Public Counsel’s alternative viewpoint
4 recommends an amortization period of 10 years for the January 2012 catastrophic
5 “Snowmageddon” events, in order to alleviate rate impacts from this costly,
6 infrequent event. This adjustment creates a decrease in electric net operating
7 income by \$5,776,213.³⁹ Please see Exhibit RCS-1CT at 33 to 38.

8 • Tax Benefit of Pro Forma Interest (Adjustment 6.05): This adjustment applies the
9 weighted cost of debt to the adjusted rate base to calculate the deductible interest.
10 Because Public Counsel’s rate base recommendation differed from the
11 Company’s, Public Counsel’s Adjustment 6.05 also differed.⁴⁰

12 **Q: Did the Settlement Stipulation accept any adjustments proposed by Public Counsel?**

13 A: Yes. The Settlement accepted Public Counsel’s Payment Processing Costs for electric
14 and natural gas or Adjustments No. 13.20 and Adjustment 11.20.⁴¹

15 **Q: Did Public Counsel either remain neutral or accept any revenue requirement**
16 **adjustments that were included in the Settlement?**

17 A: Yes. As stated in Exhibit RCS-1T, the following items are either neutral or accepted by
18 Public Counsel with respect to the Company’s original filing.

- 19 • Revenues and Expenses (neutral)
20 • Temperature Normalization (accepted)
21 • Pass-through Revenue and Expense (neutral)
22 • Federal Income Tax (neutral)

³⁸ Public Counsel Response to BR 1B Exh RCS-3 Supplemental at Cell T35.

³⁹ Public Counsel Response to BR 1B Exh RCS-3 Supplemental at Cell R44.

⁴⁰ Smith, Exh. RCS-1CT at 41;10-18; Public Counsel Response to BR 1B Exh RCS-3 Supplemental at Row 6; Public Counsel Response to BR 1B Exh RCS-4 Supplemental Revised at Row 6.

⁴¹ Multiparty Settlement Stipulation and Agreement ¶¶ 58-59.

- 1 • Injuries and Damages (neutral)
- 2 • Bad Debt (accepted)
- 3 • Incentive Pay (accepted)
- 4 • Directors and Officers (D&O) Insurance (neutral)
- 5 • Interest on Customer Deposits (accepted)
- 6 • Rate Case Expenses (neutral)
- 7 • Deferred Gains/Losses on Property Sales (neutral)
- 8 • Property and Liability Insurance (neutral)
- 9 • Wage Increase (accepted)
- 10 • Investment Plan (accepted)
- 11 • Employee Insurance (neutral)
- 12 • South King Service Center (neutral)
- 13 • Excise Tax and Filing Fee (neutral)
- 14 • Power Costs (accepted)
- 15 • Montana Electric Tax (accepted)
- 16 • Wild Horse Solar (neutral)
- 17 • ASC 815 (neutral)
- 18 • Regulatory Assets and Liabilities (neutral)
- 19 • Glacier Battery Storage (neutral)
- 20 • Goldendale Capacity Upgrade (neutral)
- 21 • Mint Farm Capacity Upgrade (neutral)
- 22 • White River (accepted)
- 23 • Reclassification of Hydro Treasury Grants (neutral)
- 24 • Gas Cost Recovery Mechanism (neutral)⁴²

25 **Q: Is the proposed Settlement correct in stating adjustments are “contested” or**
26 **“uncontested” regarding revenue requirement adjustments?**

27 A: No. Public Counsel contested the natural gas depreciation study or Adjustment
28 No. 11.06, although the Settlement has the item listed as “uncontested.”⁴³ Please see
29 Ms. McCullar’s Response Testimony and testimony in response to the Settlement for
30 Public Counsel’s recommendation on this adjustment.

⁴² Public Counsel Response to BR 1B Exh RCS-3 Supplemental; PC Response to BR 1B Exh RCS-4 Supplemental Revised; Exh. RCS-1T.

⁴³ Multiparty Settlement Stipulation and Agreement ¶ 9.

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III. OTHER SETTLEMENT STIPULATION ISSUES

Q: Are there any terms in the Settlement Stipulation that Public Counsel generally supports?

A: Yes. Public Counsel supports the (1) Low-Income Issues,⁴⁴ (2) Decoupling,⁴⁵ and (3) the Colstrip Reporting Requirements, Operational Study, and Workshop,⁴⁶ as described in the proposed Settlement.

Q: Are there any other areas of the proposed Settlement, which you wish to address?

A: Yes. Public Counsel has additional concerns with the prioritization of Production Tax Credits and the Water Heater Rental Program.

Q: Please describe your concerns regarding the use of monetized PTCs.

A: Under paragraph 117 of the Settlement,
PSE shall use the monetized PTCs in the second account in accordance with the following priority for use: (i) to fund community transition planning funds of \$5 million, as identified in paragraph 118; (ii) to recover unrecovered plant balances for Colstrip Units 1 through 4; and (iii) to fund and recover prudently incurred decommissioning and remediation costs for Colstrip Units 1 through 4.

Public Counsel does not oppose the use of PTCs for Colstrip expenses, but we disagree with the order in which the Settlement proposes to use the monetized PTCs. While Public Counsel acknowledges that community transition and planning will be a key issue for the community of Colstrip, Montana, that obligation is primarily a shareholder and company obligation, not a regulatory, Washington utility ratepayer obligation. The PTCs are tax credits designed to benefit PSE’s Washington ratepayers. Community transition

⁴⁴ Multiparty Settlement Stipulation and Agreement ¶¶ 102-111.
⁴⁵ Multiparty Settlement Stipulation and Agreement ¶¶ 113-114.
⁴⁶ Multiparty Settlement Stipulation and Agreement ¶¶ 119-121.

1 should not receive the highest prioritization of funds designed to benefit Washington
2 ratepayers. The first priority of those benefits should flow to PSE's ratepayers.

3 **Q: What is Public Counsel's recommendation for prioritizing the PTCs?**

4 A: The correct order of priority should be:

5 (i) to pay prudently incurred decommissioning and remediation costs for Colstrip

6 Units 1 through 4,

7 (ii) to offset unrecovered plant balances for Colstrip Units 1 through 4, and

8 (iii) to provide community transition planning funds of \$5 million.

9 **Q: Please explain why Public Counsel deems this the correct order.**

10 A: While the balance of the PTCs appears to be sufficient to allow them to be used for some
11 modest community transition planning, Public Counsel would urge the Commission to
12 place the risk of monetization on the Company. Should the balance ultimately prove to
13 be insufficient, PSE's shareholders should reimburse the \$5 million in PTCs so those
14 funds can be used to either offset plant balances or pay for cleanup costs.⁴⁷

15 Additionally, the same risk should be placed on PSE shareholders with respect to
16 offsetting any unrecovered depreciation for Units 3 and 4. If PSE is unable to monetize
17 the PTCs, PSE should bear the risk, just as they do under the agreement with Units 1 and
18 2.

19 **Q: Describe your concerns with the Water Heater Rental Program.**

20 A: According to the Settlement Stipulation: "PSE will participate in a collaborative with
21 Commission Staff and other interested stakeholders to discuss the future of the water

⁴⁷ Realistically, the transition planning will occur first in time. Thus, PSE would likely be in a scenario of reimbursing the funds so that future clean up costs can be paid or unrecovered plant can be offset.

1 heater rental programs in PSE’s natural gas Schedules 71, 72, and 74.”⁴⁸ In response
2 testimony, Commission Staff recommended that the Commission order the water heater
3 rental program be discontinued. Specifically, Staff stated, “There is no longer a legitimate
4 policy reason for the program to exist.”⁴⁹ Public Counsel believes that it would be most
5 efficient to follow Staff’s recommendation in its response testimony rather than commence a
6 collaborative. If there is truly no legitimate policy reason for the program to exist, no amount
7 of collaboration will cure this defect.

8 **Q: What is your alternative view on the Water Heater Rental Program?**

9 A: The Commission should order the discontinuance of Schedules 71, 72, and 74.

10 **Q: What is Public Counsel’s recommendation regarding the Multiparty Settlement**
11 **Stipulation and Agreement?**

12 A: The Commission ought to reject the Settlement as it is not in the public interest, consider
13 the full record, and set PSE’s rates based on the evidence before the Commission.

14 **Q: Does this conclude your testimony?**

15 A: Yes.

⁴⁸ Multiparty Settlement Stipulation and Agreement ¶ 123.

⁴⁹ Confidential Testimony of Elizabeth C. O’Connell, Exh. ECO-1CT at 29:2.