

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, Respondent.	DOCKETS UE-190529 and UG-190530 (<i>consolidated</i>) ORDER 05
In the Matter of the Petition of PUGET SOUND ENERGY For an Order Authorizing Deferral Accounting and Ratemaking Treatment for Short-life UT/Technology Investment	DOCKETS UE-190274 and UG-190275 (<i>consolidated</i>) ORDER 02 DENYING STAFF’S MOTION FOR LEAVE TO FILE SUPPLEMENTAL TESTIMONY

BACKGROUND

- 1 On April 9, 2019, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition for an order authorizing deferral of certain expenses related to the Company’s investments in short-lived technology assets as part of its Get to Zero (GTZ) program. PSE requested that the Commission approve the deferred accounting and ratemaking treatment for the depreciation expense associated with GTZ program investments, asking for recovery of the deferred costs in future regulatory proceedings.
- 2 On June 20, 2019, PSE filed with the Commission revisions to its currently effective Tariff WN U-60, Tariff G, Electric Service, and Tariff WN U-2, Natural Gas and testimony supporting the same. The effect of this filing is to increase rates and charges for electric and natural gas service provided to customers in the state of Washington. On July 3, 2019, the Commission suspended the tariff revisions and consolidated Dockets UE-190529 and UG-190530, in which the tariff revisions were filed, initiating PSE’s general rate case. On October 25, 2019, the Commission granted Commission staff’s

(Staff's) motion to consolidate Dockets UE-190529 and UG-190530 with Dockets UE-190274 and UG-190275.

- 3 In accordance with the procedural schedule, PSE filed limited supplemental testimony on September 17, 2019. Staff, the Public Counsel Unit of the Attorney General's Office (Public Counsel), and intervenors, including the Alliance of Western Energy Consumers (AWEC), filed response testimony and exhibits on November 22, 2019. The Company's rebuttal testimony and the other parties' cross-answering testimony and exhibits are due to be filed on January 15, 2020, which is also when PSE will file its power cost update. Under the procedural schedule incorporated into the prehearing conference order in this proceeding (Order 03), PSE's January 15, 2020, power cost update will only comprise the following: (1) forward market data, (2) short-term fixed-price power contracts that are an AURORA input, (3) fixed-price gas for power contracts, (4) index-based power and gas for power contracts, and (5) costs that are themselves dependent on the updated AURORA output.¹
- 4 On November 27, 2019, Staff filed a motion for leave to file supplemental testimony (Motion), requesting leave to file testimony on increased fuel costs associated with a new coal contract for Colstrip Generating Station Units 3 and 4. Staff states that the existing coal supply agreement at Units 3 and 4 will expire at the end of 2019. Staff's proposed supplemental testimony would address whether the baseline in PSE's Power Cost Adjustment should be reset in this proceeding to reflect the cost of fuel set forth in the replacement contract, which Staff states would be increased under the new contract.² Arguing that Commission precedent supports setting the power cost baseline to reflect an accurate estimate of actual near and short-term power costs,³ Staff maintains that not doing so may create rate instability among PSE's ratepayers by triggering large coal fuel surcharges at the end of the 2020-2021 deferral years.⁴ Staff thus requests a filing deadline for its supplemental testimony within three weeks of the issuance of a Commission order granting the Motion.
- 5 On December 3, 2019, PSE filed a response to the Motion (PSE Response). PSE states that it does not oppose Staff filing supplemental testimony in this proceeding regarding a new coal supply agreement for Colstrip Units 3 and 4 and resetting the power baseline

¹ Order 03 at 11, Appendix B.

² *Id.* at ¶ 3.

³ Motion at ¶ 5.

⁴ *Id.* at ¶ 9.

rate, as long as such testimony is filed by December 24, 2019.⁵ PSE also argues that the January 15, 2020, power cost update should include, in addition to the items set forth in Appendix B in Order 03, the new coal supply agreement for Colstrip Units 3 and 4, and all other updated contracts and power cost inputs.⁶

6 On December 4, 2019, AWEC filed a response opposing the Motion (AWEC Response) and also opposing PSE's offer to include the costs of the new contract in the January 15, 2020, power cost update and to seek a prudence review of the contract in this proceeding. AWEC explains that the scope of PSE's January 15, 2020, power cost update was a point of significant discussion and contention during the prehearing conference in this proceeding, and that all parties agreed to the limited scope established in Order 03. AWEC argues that it is prejudicial and improper to make the proposed changes to the case schedule after parties have submitted their pre-filed testimony and that, with the proposed changes, the parties would have no meaningful time to review the prudence of the new coal supply contract. Therefore, prudence would need to be determined in a subsequent power cost adjustment proceeding, and an imprudence finding could result in the rate instability with which Staff is concerned.⁷

7 Public Counsel's December 5, 2019, response opposing the Motion (Public Counsel Response) incorporates by reference the arguments made by AWEC. Public Counsel explains that adjustment deferral balances will be affected by the net variances from the baseline caused by multiple factors, which may increase or decrease power costs,⁸ and that the power cost adjustment mechanism is designed for risk sharing between PSE and ratepayers.⁹ Public Counsel also asserts that the Motion is unwarranted because the new coal contract has not been executed.

DISCUSSION

8 We deny the Motion. While parties may move to add to the evidentiary record in a proceeding under WAC 480-07-375(d), Staff's proposed testimony would be a late addition to a proceeding in which the issues raised by the testimony could not be resolved. We agree with AWEC and Public Counsel that making changes to the case

⁵ PSE Response at ¶ 1.

⁶ *Id.* at ¶ 3.

⁷ AWEC Response at ¶ 3.

⁸ Public Counsel Response at ¶ 3.

⁹ *Id.* at ¶ 4 (discussing dead bands and sharing bands).

schedule on this issue at this time would deny parties meaningful opportunity to review the prudence of the new coal contract, and thus would be improper.

- 9 Staff testimony filed on December 24, 2019, would introduce a new, complex issue a mere six weeks prior to the February 6 and 7, 2020, hearing dates in this proceeding, which began on June 20, 2019. The Commission appreciates Staff's efforts to adhere to the Commission's preference for accurate power cost updates in general rate proceedings; however, we do not find it appropriate here to disturb the parties' previous unanimous agreement to limit the scope of the January 15, 2020, power cost update—and by extension, testimony thereon—at this late stage.
- 10 The coal contract, which will become effective January 1, 2020, and its prudence may be addressed in the context of a later proceeding. We thus find good cause to deny the Motion.

ORDER

- 11 **THE COMMISSION ORDERS THAT** Commission staff's November 27, 2019, Motion for Leave to File Supplemental Testimony is DENIED.

Dated at Lacey, Washington, and effective December 10, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

/s/ Nelli Doroshkin
NELLI DOROSHKIN
Administrative Law Judge