

**EXH. CGP-3C
DOCKET UE-24____
2023 PCA COMPLIANCE FILING
WITNESS: CARA G. PETERMAN**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of the Petition of
PUGET SOUND ENERGY
For Approval of its 2023 Power Cost
Adjustment Mechanism Report**

Docket UE-24____

**SECOND EXHIBIT (CONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF**

CARA G. PETERMAN

ON BEHALF OF PUGET SOUND ENERGY

**SHADED INFORMATION IS DESIGNATED AS
CONFIDENTIAL PER WAC 480-07-160**

**REDACTED
VERSION**

APRIL 30, 2024

**EXH. DAD-1CT
DOCKETS UE-240004/UG-240005
2024 PSE GENERAL RATE CASE
WITNESS: DANIEL A. DOYLE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-240004
Docket UG-240005**

PREFILED DIRECT TESTIMONY (CONFIDENTIAL) OF

DANIEL A. DOYLE

ON BEHALF OF PUGET SOUND ENERGY

REDACTED VERSION

FEBRUARY 15, 2024

PUGET SOUND ENERGY

**PREFILED DIRECT TESTIMONY (CONFIDENTIAL) OF
DANIEL A. DOYLE**

CONTENTS

I.	INTRODUCTION	1
II.	PSE’S PROPOSED RATE PLAN PROVIDES THE NECESSARY FINANCIAL STRENGTH TO ALLOW PSE TO PARTNER WITH THE STATE OF WASHINGTON TO ACHIEVE AGGRESSIVE CLIMATE STANDARDS.....	5
III.	PSE FACES SIGNIFICANT FINANCIAL AND OPERATIONAL CHALLENGES	16
	A. Prior Rate Case Order and Recent Financial Performance	16
	B. Challenges Associated with PSE’s Authorized ROE and Equity Ratio.....	24
IV.	PSE’S BUSINESS AND FINANCIAL RISK PROFILE FACE CHALLENGES AS PSE MOVES DEEPER INTO THE CLEAN ENERGY TRANSITION	26
V.	PSE’S REQUESTED RETURN ON EQUITY AND EQUITY RATIO ARE FAIRLY BALANCED AND APPROPRIATE IN LIGHT OF PSE’S UNPRECEDENTED NEED TO INVEST IN CLEAN ENERGY	36
	A. Overview	36
	B. PSE Requests an Authorized Return on Equity of 10.5 Percent.....	38
	C. PSE Requests the Ability to Maintain a Capital Structure with an Equity Ratio of 50.0 Percent in Year One and 51.0 Percent in Year Two of the Two-Year Rate Plan.....	43
	D. PSE’s Request Adequately Balances Safety and Economy.....	51

VI.	PSE’S PROPOSED INCLUSION OF CERTAIN CETA QUALIFYING CWIP IN RATE BASE IS BALANCED, CONSISTENT WITH LAW, AND APPROPRIATE IN THIS CASE.....	60
VII.	THE COMMISSION SHOULD GRANT PSE’S REQUEST TO INCLUDE A RATE OF RETURN ON POWER PURCHASE AGREEMENTS.....	90
VIII.	MAINTAINING FINANCIAL STRENGTH UNDER THE DUAL MANDATE.....	97
	A. Overview of the Two-Year Rate Plan.....	97
	B. Financial Benefits and Effects of the Two-Year Rate Plan	100
IX.	WILDFIRE INSURANCE.....	107
X.	CONCLUSION.....	112

PUGET SOUND ENERGY

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DANIEL A. DOYLE**

LIST OF EXHIBITS

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| Exh. DAD-2 | Professional Qualifications of Daniel A. Doyle |
| Exh. DAD-3 | Mizuho Securities USA LLC, Energy Research Utilities Industry Flash for December 13, 2023, titled “Ebenezer Moody, Takeaways from Our Call with Moody’s.” |
| Exh. DAD-4 | Peer Group Analysis Based on the Proxy Group Selected in the Prefiled Direct Testimony of Ann E. Bulkley, Exh. AEB-1T, to Analyze and Recommend an Authorized ROE or Cost of Equity for PSE in This Proceeding |
| Exh. DAD-5 | Industry Peer Group Analysis of Decisions of Regulatory Jurisdictions for Authorized ROE, Authorized Equity Ratios, and Authorized Weighted Equity Returns for Electric and Gas Utilities During and After the Test Year for This Proceeding |
| Exh. DAD-6 | Explanatory Memorandum from PSE’s Insurance Broker Regarding Increasing Liability Premiums |
| Exh. DAD-7 | McKinsey & Company publication titled “Why, and how, utilities should start to manage climate-change risk,” written by Sarah Broday, Matt Rogers and Giulia Siccardo |

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1 invest in its core utility services and maintain its focus on providing safe, reliable,
2 and affordable energy service to customers. The expectations introduced by
3 passage of the CETA and the CCA have resulted in a monumental sea-change in
4 the financial and operational challenges and risks facing PSE today. These
5 financial and operational challenges and risks will continue throughout the
6 requested two-year rate plan and for the foreseeable future thereafter.

7 **Q. What level of capital investment will be required of PSE in the upcoming**
8 **years, and how does PSE project that it will finance such investments?**

9 A. PSE projects over the next five years (calendar years 2024-2028) that it will
10 invest approximately [REDACTED] To finance this
11 unprecedented level of capital spending, PSE projects that, over the next five
12 year, it would

- 13 (i) issue approximately [REDACTED] of debt securities,
- 14 (ii) attract approximately [REDACTED]
15 and
- 16 (iii) retain approximately [REDACTED] of net income in retained
17 earnings and related cash flow from operations.

18 To place this in perspective, as of December 31, 2023, PSE projects that

- 19 (i) its end-of-period rate base for electric and gas operations is
20 approximately [REDACTED]
- 21 (ii) its outstanding long-term debt is approximately
22 [REDACTED] and
- 23 (iii) its outstanding common equity reserve is approximately
24 [REDACTED]

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1 More simply stated, the [REDACTED] of capital investment that PSE projects to
2 make over the next five years would increase PSE's balance sheet from
3 \$15.4 billion to \$21.5 billion, or approximately 39 percent. Further, the financing
4 plans set forth above would cause PSE's outstanding debt to increase to
5 \$8.3 billion (an increase of about 52 percent) and PSE's outstanding common
6 equity to grow to \$8.1 billion (an increase of about 61 percent) over the next five
7 years. Clearly, the operational and financial risks faced by PSE are unprecedented
8 and not reminiscent of any operational or financial risks faced in many decades, if
9 ever.

10 **Q. How has the role of utilities changed in achieving broader policy objectives?**

11 A. Traditional utility regulation has evolved in many jurisdictions to a model which
12 seeks to incentivize and facilitate the achievement of broader policy objectives,
13 such as grid modernization, clean energy goals, equity, and enhanced operational
14 efficiency. In Washington, the role of public utilities has shifted from one which
15 focuses primarily on providing safe, reliable, and affordable public utility services
16 to one in which the utility is an essential partner in facilitating and implementing
17 governmental policy objectives. In many ways, jurisdictions are asking utilities to
18 act as an extension of the state to promote the public interest more broadly. This is
19 evident in the CETA, which contains not only environmental and equity policy
20 objectives, but also constructive regulatory mechanisms to achieve such goals,

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