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1   Commission's transition to performance based rates. The
2   order in this case should act as a reminder that tracking
3   mechanisms are a privilege, not a right, and the
4   Commission can and will ensure that these mechanisms, if
5   approved, are creating the proper incentives for
6   utilities. Thank you.
7   JUDGE BONFRISCO: Thank you, Mr.
8   Callaghan. Public Counsel, if you could proceed with
9   your opening statement.
10   MR. O'NEILL: Thank you, Your Honor.
11 When the legislature passed the Climate Commitment Act it
12 included in its findings sections, which is now codified
13 as 70A.65.005(2), that the legislature with the Act --
14 the legislature updated the State's greenhouse gas
15 emissions limits that are set to be achieved by 2030,
16 2040, and 2050, based on current science and emission
17 trends to support local and global efforts to avoid the
18 most significant impacts from climate change.
19   Meeting these limits will require a coordinated,
20 comprehensive, and multi sectorial implementation of
21 policies, programs, and laws as other enacted policies
22 are insufficient to meet the limits.
23   The legislature, through this statutory language,
24 clearly indicated that the CCA was intended to be a part
25 of a suite of regulatory and statutory efforts to address

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1   climate change.
2   In the context of this proceeding, this means that
3   the Utility Commission has its full panoply of regulatory
4   tools, and it should direct them to accomplish the goals
5   the legislature set out, which is to reduce greenhouse
6   gas emissions to meet the limits set in various statutes
7   that have passed since.
8   Puget Sound Energy is incorrect, and in the
9   testimony you will hear they do have control over how
10 they purchase allowances, which allowances they purchase,
11 when they purchase them, on what market they purchase,
12 and how they plan for purchasing them. That is what the
13 incentive mechanism must be aimed at, incentivizing Puget
14 Sound Energy to be prudent, and making it pure
15 passthrough costs removes that incentive and is against
16 the public interest. Thank you.
17   JUDGE BONFRISCO: Thank you. I would
18 like to turn now to Joint Environmental Advocates, and
19 Ms. Gravotta, if you could just pronounce your name for
20 the record.
21   MS. GRAVOTTA: Noelia Gravotta. You
22 were saying it perfectly.
23   JUDGE BONFRISCO: Perfect. Thank you.
24 Please continue.
25   MS. GRAVOTTA: Thank you, Your Honor,

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1   and thank you Commissioners. The legislature passed the
2   Climate Commitment Act or CCA to make sure the State
3   plays its role in addressing the climate crisis. The CCA
4   sets the state's emissions cap that decreases over time
5   and uses financial incentives for regulated entities,
6   including gas utilities, to reduce their emissions.
7   Despite this, PSE's 2023 IRP indicates that it does
8   not plan to meaningfully reduce emissions. Its planned
9   carbon emission trajectory shows that PSE's natural gas
10 operations will only account for 82 percent of Washington
11 state's total carbon emission target by 2050.
12   The company will primarily seek to comply with the CCA
13 by buying emissions allowances until at least mid
14 century. PSE 2023 IRP reproduced in Exhibit 5 of Mr.
15 Gehrke's cross answering testimony shows that PSE's net
16 allowance purchases will more than double by 2030 and
17 continue ballooning through 2050.
18   PSE wants to treat the cost of those purchases as a
19 passthrough directly to customers, even though these
20 ongoing purchases are the result of the company's choice
21 not to reduce emissions. PSE says that customers are
22 ultimately responsible for their emissions, but that
23 ignores the fact that it is the regulated entity, that it
24 has an arsenal of resources to meaningfully work towards
25 reducing emissions.

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1   It is a dual fuel utility with multimillion dollar
2   operating budget, and capable technical staff and
3   strategists, and it can add or remove generation and
4   transmission infrastructure, and it can structure rates and
5   customer incentive to promote or discourage the adoption of
6   efficiency and electrification measures.
7   Customers do not have even a remotely similar
8   ability to modify their energy system to reduce
9   emissions. In the order to PSE in docket UG-230470 the
10 Commission stated, quote, The CCA is meant to serve as a
11 price signal to both utilities and their customers
12 encouraging both to modify their behavior to reduce
13 carbon emissions. Their mechanism should share risks
14 such that all parties are encouraged to reduce their
15 emissions and in turn the costs required for CCA
16 compliance, unquote.
17   JEA's proposed risk sharing mechanism does just
18 that. The mechanism disincentivizes the purchase of
19 allowances priced near or at the price ceiling and is the
20 highest cost form CCA compliance. This forces PSE to
21 consider alternate pathways and to consider not just
22 short term compliance costs, but costs that accrue over
23 the medium and long term if it chooses to continue
24 growing its emissions as opposed to decarbonizing its
25 operations. This means the company can be incentivized

1 to, quote, modify its behavior to reduce carbon
2 emissions, unquote, by investing in the future of its
3 business and the wellbeing of its customers in a climate
4 change world.
5   So what does the evidence in the docket show so far?
6 I want to highlight three key points. First, it's clear
7 that the Commission is correct that PSE must experience
8 price signals from the CCA to encourage it to reduce
9 emissions. JEA's witness Ms. McCloy provided testimony
10 about the intent and structure of the CCA. To further
11 support the fact that PSE must partake in CCA compliance
12 risks and cannot treat these costs as a passthrough. PSE
13 continues to resist the Commission's order by insisting
14 that it should bear no risk of compliance under the CCA.
15   Second, it's evident that both PSE and Staff's
16 risk-sharing mechanisms fail to achieve the objectives
17 put forth in the Commission's order. PSE's witness Mr.
18 Mickelson laid out a proposal that establishes sharing
19 bands, wherein PSE would share ten percent in the first
20 band, twenty percent in the second band, but notably only
21 where the company earned ~~about~~ *above* its authorized rates of
22 return.
23   PSE's mechanism appears designed to passthrough all
24 costs as Staff's witness Mr. McGuire noted. Our witness,
25 Mr. Gehrke, explained why PSE's mechanism is unlikely to

1 be triggered, including the use of average and local
2 compliance price compared to prices on the secondary
3 market, PSE's regulatory expertise, and PSE's ability to
4 access ~~new~~ *no* cost allowances and price ceiling reserve
5 ~~options.~~ *auctions .*
6   PSE's witnesses did not refute that PSE's model is
7 unlikely to result in risk sharing but rather focused on
8 why the company should not bear risks.
9   Staff witness Mr. McConnell proposed a risk-sharing
10 mechanism that adopts PSE sharing bands but modifies the
11 earning test to become a sharing cap.
12   Mr. Gehrke critiqued ~~his~~ *the office of* focus on ~~various~~ *variance* risks.
13 And ~~also the~~ Public Counsel's witness Mr. Earle explained
14 how Staff's proposal would virtually never be triggered,
15 making it a risk-sharing mechanism in name only.
16   Given the evidence in front of this Commission, it
17 is clear that PSE and Staff approaches do not achieve the
18 goals set out in this docket.
19   And now to my third point. The Commission has in
20 front of it a workable risk-sharing mechanism that does
21 set out to meet the goals of this docket and of the CCA,
22 and it is our proposal. Mr. Gehrke has outlined a
23 risk-sharing proposal that focuses on dissuading high
24 cost allowance purchases and drives PSE to consider
25 alternatives.

1   We proposed *a* relatively conservative model that seeks
2 to balance customer interest with company concerns about
3 investments and financial performance. PSE can reduce
4 its risk exposure by decarbonizing its system and not
5 relying on additional purchases as its central compliance
6 method in the ~~median~~ *medium* and long term.
7   Our model has been critiqued by Public Counsel's
8 witness as insufficient ~~and~~ *to* incentivizes PSE. We
9 certainly have no objection to modifying our proposal to
10 be a strong incentive to decarbonize.
11   In the interest of helping the Commission find
12 points of agreement between parties focused on consumer
13 advocacy and environmental advocacy, we agree that our
14 model can be modified to incorporate some of Public
15 Counsel's concerns. One option is removing the earnings
16 test. Another is to adjust the statistical analysis to
17 better represent the distribution of allowance prices.
18   That said, there are key points of difference
19 between our model and Public Counsel's proposal. As you
20 will have an opportunity to hear today, Public Counsel's
21 approach is optimized to push PSE towards a lower cost
22 option in the short term. We agree that this is one
23 important consideration, but it should not be the primary
24 driver. Our proposal focuses on longer term abatement
25 risks so that PSE is incentivized to reduce emissions to

1 meet the goals of the CCA. We think that investing in
2 decarbonization is a more prudent, and ultimately more
3 equitable use of PSE funds than* using customer money for
4 the next 30 years. It's important to start making
5 decisions and begin applying incentives to PSE. Waiting
6 for further development in this policy docket simply
7 delays what is sorely needed, a price signal from PSE to
8 act rather than to offload responsibility onto customers.
9   In summary, the evidence before the Commission
10 highlights the need for clear direction to PSE. You have
11 already told them that they share the responsibility for
12 reducing climate forcing emissions. It doesn't seem like
13 they heard that message. We think it's time for you to
14 impose clear direction on their responsibilities under
15 the CCA, and we urge you to give our proposal careful
16 consideration. Thank you, very much.
17   JUDGE BONFRISCO: Thank you, Ms.
18 Gravotta. I just want to check, does AWEC have -- I
19 don't believe they are presenting any testimony, correct?
20   MS. MOSER: That is correct, Your
21 Honor.
22   JUDGE BONFRISCO: Ms. Barnett, it's my
23 understanding PSE doesn't plan to conduct any cross; is
24 that correct?
25   MS. BARNETT: That's correct.

* potentially missing
"than paying to pollute"

1   be surprised.
2   And as an analogy, if you consider fuel costs, we
3   look at fuel costs to go out one or two years and we know
4   they are going to be off. Sometimes we are surprised
5   about how much they are off. This is why the utilities
6   when it comes to power forecasts say we will look at
7   going two years forward, but the year before as late as
8   we can we want to update, and still those forecasts are
9   off.
10   Well, here we are talking about things that are
11 natural gas prices and we are talking about looking out
12 five to six years, which nobody with a straight face
13 would suggest we do that with fuel costs.
14 Q So I want to -- in terms of what is possible today, is it
15   your opinion -- what is your opinion about whether it is
16   possible to forecast costs that are accurately enough for
17   it to be productive to put them into rates?
18 A I don't think it's possible at all.
19   MR. O'NEILL: Nothing further.
20   JUDGE BONFRISCO: I just want to take
21 a quick poll. I know that Joint Environmental Advocates
22 also reserved 20 minutes to examine Mr. Earle, and it
23 looks like we do have two other witnesses after that, so
24 do we want to proceed or -- I kind of want to get a pulse
25 from the room as far as where we are for time.

1   COMMISSIONER RENDAHL: I would
2   appreciate a short break, if possible.
3   JUDGE BONFRISCO: Okay. So we will
4   take like a quick five-minute break and then we will
5   start back up and have Joint Environmental Advocates
6   continue with this witness and then we will proceed from
7   there. Thank you.
8   (Recess 11:50 a.m. to
9   11:57 a.m.)
10
11   JUDGE BONFRISCO: We are back on the
12 record. Mr. Earle, thank you. You may proceed with your
13 examination of Mr. Earle.
14
15   CROSS-EXAMINATION
16 BY MS. GRAVOTTA:
17 Q Good morning, Dr. Earle.
18 A Good morning, Ms. Gravotta.
19 Q I have some questions for you about your testimony on
20   risk-sharing models. The first topic is your analysis
21   using a Monte Carlo simulation. Could you turn to your
22   testimony at Page 17?
23 A I'm there.
24 Q So you say the Staff's proposed risk-sharing mechanism
25   does not provide reasonable incentives to the company for

1   prudent purchase and sale of allowances. Could you
2   please briefly summarize your response to that question?
3   A Sure. So the issue with that proposed RSM in their
4   interim primary or in their secondary recommendation,
5   which is an adaptation of PSE's own proposal, the problem
6   is that if you take average prices over time it would
7   take incredibly almost unbelievably egregious behavior
8   for the proposed limits of 75 percent and 97.5 percent to
9   have an effect.
10   And to show this, I did the Monte Carlo simulation
11 where basically for just the year 2003, picked a number
12 of random trading days with some equal to PSE and said
13 okay, this is a blindfolded moneys throwing a dart at a
14 dart board, and in this instance you would expect some of
15 the outcomes to be very bad, well above the price, the
16 average market price, and you would expect other of the
17 options to be much lower than market price, and the
18 distribution of that follows along distribution. *a normal(?)*
19   It turns out that while given the market prices and
20 given the number of times they are trading on random
21 days, only .3 percent of the time is the 75 percentile
22 exceeded, and none of the time is it exceeded -- does it
23 exceed the 97.5 percent.
24   So in other words, they only kick in if PSE's
25 purchase of allowances is worse than 99.7 percent of

1   blindfolded monkeys. And I think a reasonable standard
2   would say, you know, they should be better than a lot of
3   the monkeys rather than better than almost none of them.
4   So that's the point, if that answers your question.
5   Q Thank you. Just one quick clarification. I think you
6   said in the year 2003, did you mean the year 2023?
7   A Yes. Thank you.
8   Q So you mentioned a Monte Carlo analysis. Can you explain
9   what a Monte Carlo simulation is?
10 A Sure. The idea is very simple. You have a hypothesis
11 and you test it by choosing random cases. And this
12 technique is widely used, and the hypothesis being tested
13 here is well, are the 75th and 97.5 percentiles of the
14 market an effective incentive for PSE?
15   Well, I don't know how PSE is going to trade, but I
16 say if we trade at random, how much of the time do we
17 violate the 75 percent and 97.5 percent? Presumably, PSE
18 is not going to trade at random, but if we do something
19 worse than PSE would ever do, how would it turn out?
20 Well it turns out that basically we wouldn't expect PSE
21 to violate the 75 percent or 97.5 percent at all.
22 Q So do you know whether PSE's proposed risk-sharing model
23   uses the same percentile threshold to trigger risk
24   sharing as that proposal?
25 A My understanding is that that proposal -- that Staff

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1 basically adopt PSE's proposal with a new earnings cap.
2 And in the case of the primary proposal they say let's
3 use PSE's theme just for two years to the next rate case.
4 Q Does that mean you can apply the same Monte Carlo
5   analysis to PSE's risk-sharing mechanism?
6 A Absolutely. Absolutely. And the fact is that as you --
7   if you look at what's likely to happen in a whole
8   compliance period, so the compliance period plus the ten
9   months of true up, you are going to have more trading.
10   And so the percentages go down even more than in this one
11   year 2023 calculation I did.
12 Q So based on your analysis using the Monte Carlo
13   simulation for 2023, and now based on what you said about
14   the average over the four-year compliance period, do you
15   expect PSE to bear risk under Staff's or PSE's sharing
16   mechanism?
17 A I don't expect they would bear any risk at all.
18 Q Okay. Thank you. So I move on to our second topic,
19   which is how you distribute allowance price data to
20   establish sharing bands. If you could please refer to
21   your technical note on the use of normal distribution,
22   and I believe it's RLE-4C.
23 A Yes, I'm there.
24 Q If you could turn to Page 2. Actually, before you turn
25   to Page 2, could you just summarize your testimony

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1   contained in this exhibit?
2 A Sure. It's a technical point, but PSE's proposed, Staff
3   adopted this as well, to use the model allowance prices
4   within normal distribution. And basically this is
5   given allowance prices so far and it appears to be in
6   error, and given the way allowance prices are likely to
7   evolve given what we know about commodity prices, that's
8   also an error.
9   And so the point of the this is to say well, if you
10   adopt one of these themes they need to corrected from use
11   of the normal distribution to model the allowance prices,
12   instead what they need to do is -- a better approach is
13   to use the actual empirical percentiles from what
14   actually happened in the market.
15   And I think that maybe the easiest way to get this,
16   and I did other statistical tests as well, is you --
17   confidential figure on Page 2, but it turns out that if
18   you calculate the bands using the empirical percentile
19   you get something very different from if you assume a
20   normal distribution, which I think in one case I think it
21   was a 97.5 percent, if you use the -- if it exceeds any
22   of the prices that actually occurred in the market, so
23   it's a technical error.
24   If one of the proposals is adopted then -- against
25   my recommendation, then it needs to be corrected.

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1 Q Thank you. So on Page 2, Footnote 3, you referenced the
2   Shapiro Wealth and D'Agostino Pearson test for normality,
3   can you give a brief description of these tests?
4 A Sure. So the normal distribution is basically and I
5   think I described it in Footnote 4, is completely
6   determined by its mean or average and variance. Then you
7   plug those into the formula.
8   So the Shapiro Wealth says well, if it's a normal
9   distribution then the skew of the distribution should be
10   zero. That is, if you look at the graph on Page 1 it's
11   completely symmetrical. Skew just means something to the
12   left or right.
13   So what the Shapiro Wealth test does is it looks at
14   the skew units of it and it says is it reasonable that
15   from the samples we have a skew of this amount and it
16   still be normal distribution. And conclusion in this
17   case is no, you reject the hypothesis that it's a normal
18   distribution.
19   The D'Agostino Pearson test for normality is a
20   little bit different. Rather than looking at skewness it
21   looks at the fatness of the tail. So the tails on normal
22   distribution are not really fat and they are not really
23   thin, just right. And the pretiosus of a normal
24   distribution is three, and so essentially you go through
25   a similar procedure with D'Agostino Pearson, and you say

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1   okay, what is the pretiosus of the normal distribution,
2   and it's three, and you say well, what is the pretiosus
3   of this other sample and is it reasonably different from
4   thee to get the hypothesis for normal. In this case, it
5   fails the test. Again, Figure 2 on Page 2 you can
6   eyeball it and see that it doesn't, but I did the formal
7   test as well.
8 Q Okay. Thank you. So just to clarify, you are saying you
9   ran the Shapiro test and the D'Agostino Pearson test and
10   a visual test on the distribution of allowance price
11   data, correct?
12 A That's correct. And all of that is in my work papers.
13 Q So based on the analysis you conducted in this testimony
14   did you find evidence, any evidence that the allowance
15   data was normally distributed?
16 A I did not.
17 Q So should normal be used if there is insufficient
18   evidence that the distribution of the underlying data is
19   normal?
20 A No, because that will result in a distortion of the
21   calculation of whatever percentile levels you want to
22   use.
23 Q So now I will turn your attention to Public Counsel's --
24   or rather your responses to JEA's data requests. And I
25   will direct you first to the response of data request

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1   number two.
2   A I'm there.
3   Q So if allowance data has an --
4   JUDGE BONFRISCO: What exhibit number
5   is this?
6   MS. GRAVOTTA: Sorry about that. The
7   way I see it titled is PCDR-23.
8   MR. O'NEILL: I believe it's RLE-9X.
9   MS. GRAVOTTA: Oh, I apologize.
10 Q (By Ms. Gravotta) So did you prepare the responses to
11   that data request?
12 A I did.
13 Q So I was asking if allowance data has a nonnormal
14   distribution, would it be more accurate to use the direct
15   calculation of percentiles embedded in normal $\neq$ scores to
16   calculate the percentiles of its nonnormal distribution?
17 A Yes.
18 Q And then if I can return you to your response to data
19   request three, which is contained in the same exhibit.
20 A I'm there.
21 Q I'm sorry. It's not the same exhibit, it's RLE-9X, my
22   apologies. And I apologize if you hear background noise
23   there's sirens going off.
24   So you were asked about replacing the 95.6 **97.5**
25   percentile calculation in JEA's Exhibit WD-3 with the

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1   calculations that you used. Given the evidence of the
2   record on the nonnormal distribution of allowance data
3   would that approach be more appropriate?
4   A It would.
5   Q And why is that?
6   A For the same reasons I have stated. The data shows a
7   very nonnormal distribution. Using the empirical
8   percentiles has a different result from using the normal
9   $\neq$ D scores. And this is important because you will end up
10 having cutoffs that are inaccurate in the sense of you
11 won't actually be matching.
12   Another way to think about this is the normal -- if
13 the allowance prices were normally distributed the
14 percentiles that you took empirically should be close to
15 normal $\neq$ scores, but they are not. So that's sort of
16 another piece of evidence we are not really dealing with
17 with normally distributed data.
18   MS. GRAVOTTA: Thank you very much.
19 Before I proceed with the last topic of questioning, I
20 have a procedural question for the ALJ.
21   JUDGE BONFRISCO: Yes.
22   MS. GRAVOTTA: I referenced the
23 cross-examination exhibits, do I need to formally admit
24 these into the record or are they already admitted?
25   JUDGE BONFRISCO: They are already

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1   admitted. That was partially why I did the follow-up to
2   file that from a prior correspondence yesterday.
3   MS. GRAVOTTA: Thank you, very much.
4   Q (By Ms. Gravotta) So, Dr. Earle, turning to our third
5   and final topic on the role of a risk-sharing mechanism
6   in this docket, so I will ask you to turn back to your
7   testimony to Page 6.
8   A I'm there.
9   Q So please tell me the purpose of Public Counsel's
10   suggested approach to a risk-sharing mechanism.
11 A The purpose of Public Counsel's approach is to protect
12   consumers, or to put it another way, to gave PSE the
13   ability to -- to give Puget Sound Energy the incentive to
14   purchase in trade allowances in a prudent manner, one
15   that is beneficial to the consumers.   **price**
16 Q Would preventing PSE from acquiring high ceiling units
17   affect how much PSE spends overall in purchasing
18   allowances?
19 A It might. It's an interesting question. I mean, I'm an
20   economist on the one hand, on the other hand, on the
21   third hand. If all things being equal and they acquired
22   allowances more cheaply than ~~pricing~~ ceiling units that
23   would be beneficial.   **price**
24   There may be a larger question here. And as I tried
25   to frame it with Mr. Callaghan, there's a P issue, a

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1   price issue, and a Q issue, a quantity issue. And what
2   Public Counsel is focused on is price. What we would
3   like to see in the average price paying for allowances to
4   be within the zone of reasonableness, where above that
5   zone there would be penalties and below that zone PSE
6   would get some incentives.
7   And this is something that I believe Mr. Kuzma
8   agrees that is under the control of PSE. PSE can't
9   control what market prices will be, but PSE can control
10 its trading, what it's average price looks like compared
11 to the market.
12   The true question on the other hand, I think, is a
13 difference issue, and that is how much -- how many
14 allowances are they actually out buying.
15 Q Can you elaborate on how PSE would purchase these
16   different quantities of allowances depending on whether
17   it was purchasing them at a price ceiling unit or at a
18   lower that price ceiling unit?
19 A So the quantity they need is going to depend on
20   consumption. And, you know, that's going to depend on a
21   number of factors, including weather, and including what
22   they do to address the consumption itself.
23 Q So just to recap, the way that Q would be affected in
24   this scenario is based on PSE's consumption of natural
25   gas, correct?

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1　and you find that they are the highest short term cost
2　method of complying with the CCA, if you use a price -- a
3　unit cost approach you can specifically target those
4　allowances costs.
5　　　If you use an average cost, the price ceiling units
6　are averaged out in the calculation when assessing risks
7　in the models.
8　Q　When is PSE projected to be having to purchase ceiling
9　　units?
10　A　That wasn't -- the exact time wasn't detailed in the
11　　analysis. I think there's a lot of factors in there.
12　　The time that PSE would have to acquire price ceiling
13　　units basically depends on economy wide conditions.
14　　PSE's natural gas operations is not the only covered
15　　entity, and there's at a lot of dynamics on that exact
16　　point.
17　Q　How many ceiling units has PSE purchased so far?
18　A　They haven't purchased any ceiling units, to my
19　　knowledge.
20　Q　I guess, do you know when the price control proposal that
21　　you proposed -- like, when you would expect it to begin
22　　to kick in?
23　A　It's a forward looking approach. Price ceiling unit
24　　purchases can only be conducted after the compliance
25　　period is over, so it's impossible for PSE to have

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1　purchased price ceiling units at this time. You have to
2　have the compliance period be finished. PSE would have
3　to demonstrate that they cannot comply. They don't have
4　enough allowances to meet their obligations, so to answer
5　the question on when, I haven't seen an exact time when
6　they are going to do it.
7　　　I think one of the core things that the utility
8　regulatory frame was, is you provide incentives to the
9　utility ahead of time, and you give them notice on what
10　they are going to do in the future. And I think putting
11　it on now early in the compliance period while they are
12　being subject to CCAs sends a clear signal to PSE that if
13　they rely on price ceiling units there's going to be
14　risk-sharing consequences for shareholders on that.
15　Q　But the first compliance period ends in 2027, correct?
16　A　Yes.
17　Q　So the first time you can purchase ceiling units is going
18　　to be in 2027?
19　A　Yes.
20　Q　In the interim between then and now, does your proposal
21　　create any incentive for PSE to keep its allowance
22　　purchase prices low?
23　A　No.
24　　　　MR. O'NEILL: All right. Thank you.
25　That's all the questions I have.

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1　　　　JUDGE BONFRISCO: Thank you, Mr.
2　Gehrke. Does the Staff have any redirect?
3　　　　MR. CALLAGHAN: No, this is Joint
4　Environmental Advocates' witness.
5　　　　JUDGE BONFRISCO: I'm sorry. I'm
6　sorry. Does Joint Environmental Advocates have any
7　redirect? My apologies.
8　　　　MS. GRAVOTTA: Yes, just one question.
9
10　　　　REDIRECT EXAMINATION
11　BY MS. GRAVOTTA:　*price ceiling*
12　Q　You spoke about how pricing units, the first opportunity
13　　to purchase them would occur in 2027. And you also spoke
14　　about the importance of providing incentives ahead of
15　　time. So given these two pieces of your testimony, do
16　　you think -- is it your opinion that by providing notice
17　　to PSE ahead of time that it cannot -- it should not be
18　　relying on price ceiling units but begin providing
19　　incentives now?　*would*
20　A　Yes. I think what it does is it provides PSE an
21　　incentive to address the quantity of emissions that it
22　　has. I think my model addresses primarily the quantity
23　　of allowances that PSE plans on purchasing in the future,
24　　and how they are going to address the Climate Commitment
25　　Act.

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1　　　I think other models have expressed the price and
2　how that interacts and what is the cost customers pay.
3　Q　And one more thing. You noted that the price of
4　　allowances depends on a variety of factors, including
5　　economy wide conditions. Does PSE's purchasing behavior
6　　and need for certain amounts of allowances depend solely
7　　on economy wide factors?
8　A　No. It also depends on the quantity of emissions that
9　　PSE has, and it also -- I would add that as another
10　　factor besides just the economy wide factors. And it
11　　also -- and I think the extension of that is what
12　　decarbonization measures PSE takes in response to the
13　　CCA, and how that -- the quantity of allowances that PSE
14　　will need in the future.
15　　　　MS. GRAVOTTA: Thank you. I have not
16　further redirect.
17　　　　JUDGE BONFRISCO: Thank you. And
18　questions from any of the other parties? Okay.
19　Questions from the bench?
20　　　　CHAIR DANNER: I have a question. I
21　just want to make sure I understand. What happens if the
22　company buys allowances above the option ceiling price on　*auction*
23　the secondary market? Under your proposal, it looks like
24　there wouldn't be a penalty.
25　　　Wouldn't this incentivize the company to buy more