

**EXH. SEF-13T
DOCKET UE-200980
2020 PSE PCORC
WITNESS: SUSAN E. FREE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent

Docket UE-200980

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY
(NONCONFIDENTIAL) OF**

SUSAN E. FREE

ON BEHALF OF PUGET SOUND ENERGY

FEBRUARY 2, 2021

PUGET SOUND ENERGY
PREFILED SUPPLEMENTAL DIRECT TESTIMONY
(NONCONFIDENTIAL) OF SUSAN E. FREE

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(NONCONFIDENTIAL) OF SUSAN E. FREE**

LIST OF EXHIBITS

Exh. SEF-14	Updated Deficiency Calculation
Exh. SEF-15	Updated Summary and Detail of Adjustments
Exh. SEF-16	Updated Exhibit A-1 Power Cost Baseline Rate
Exh. SEF-17	Updated Power Cost Baseline Rate Comparison

1 **PUGET SOUND ENERGY**

2 **PREFILED SUPPLEMENTAL DIRECT TESTIMONY**
3 **(NONCONFIDENTIAL) OF SUSAN E. FREE**

4 **I. INTRODUCTION**

5 **Q. Are you the same Susan E. Free who provided prefiled direct testimony in**
6 **this docket on behalf of Puget Sound Energy (“PSE”)?**

7 A. Yes, I filed prefiled direct testimony, Exh. SEF-1T, and eleven supporting
8 exhibits, Exh. SEF-2 through Exh. SEF-12C.

9 **Q. What topics are you covering in your prefiled supplemental direct**
10 **testimony?**

11 A. I provide the updated revenue requirement that results from incorporating the
12 updates to power costs discussed in the Prefiled Supplemental Direct Testimony
13 of Paul K. Wetherbee, Exh. PKW-25CT. I also include a small correction to the
14 calculation of the SPI Biomass Deferral adjustment made in my prefiled direct
15 testimony and exhibits.¹

16 These changes to the pro forma and restating adjustments result in a revenue
17 deficiency of \$88.0 million, as compared to the revenue deficiency of \$78.5
18 million requested in PSE’s December 9, 2020 filing. The \$88.0 million requested
19 in this supplemental filing would result in an average 4.13 percent increase, as

¹ See Exh. SEF-5 – Adjustment 12, page 16.

1 compared to rates currently in effect. Table 1, below, shows how the updated
2 revenue deficiency of \$88 million is spread to customer classes.

Table 1. Summary of Impacts of Proposed Schedule 95 Rates by Class

Rate Schedule	Revenue Impact	% Impact
Schedule 7	\$ 46,287,216	3.93%
Schedule 8/24	12,195,776	4.34%
Schedule 11/25/29	12,789,376	4.49%
Schedule 12/26	7,938,414	4.68%
Schedule 10/31/35/43	5,940,103	4.47%
Schedule 46/49	2,508,822	5.40%
Schedules 50-59	268,535	1.49%
Firm Resale	29,850	8.28%
Total	\$ 87,958,092	4.13%

3 The additional increase in this supplemental filing is comprised solely of changes
4 to the variable cost baseline rate. The fixed production cost deficiency remains
5 unchanged from the original filing.

6 **Q. Are there any witnesses other than you and Mr. Wetherbee providing**
7 **testimony in this supplemental filing?**

8 A. No. This filing represents a limited update in the same manner that has been
9 utilized in prior power cost only rate case (“PCORC”) filings. These supplemental
10 filings typically have included only testimony from the power cost witness and
11 the revenue requirement witness. However, although Mr. Birud D. Jhaveri is not
12 providing supplemental testimony, the rate spread and rate design work papers
13 provided in support of his prefiled direct testimony have been updated for the
14 changes to the revenue requirement discussed in my testimony and these updated

1 rate spread and rate design work papers are included in the supplemental work
2 papers supporting this filing.

3 **II. UPDATE TO REVENUE REQUIREMENT**

4 **Q. Please explain Exh. SEF-14.**

5 A. Exh. SEF-14 provides an update to Exh. SEF-4. This exhibit presents the revenue
6 deficiency calculation and has been updated for the revisions described later in
7 this testimony and provides support for the requested deficiency discussed above.
8 The amounts that have changed since the original filing in this exhibit and my
9 remaining exhibits have been denoted with blue, bold and italicized font.

10 **Q. Please explain Exh. SEF-15.**

11 A. Exh. SEF-15 provides an update to Exh. SEF-5. This exhibit presents a summary
12 of the adjustments made to the test year to arrive at the amounts to include in
13 PSE's Power Cost Baseline Rate and the deficiency calculation. This exhibit also
14 provides a supporting page for each of the adjustments shown in the summary.
15 Only three adjustments have been updated and they are each labeled with
16 "Updated" in the summary and supporting pages.

17 **Q. Have you prepared a reconciliation between the revenue deficiency filed in**
18 **December 2020 and the current revenue deficiency?**

19 A. Yes. The table below provides a reconciliation between the deficiency requested
20 in this supplemental filing and that included in the original filing.

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Table 2 - Comparison of Deficiency Between Original and Supplemental

Description	Variable	Fixed	Total
Revenue Deficiency included in original filing	\$ 88.4	\$ (9.9)	\$ 78.5
Updates to power costs supported by Mr. Wetherbee	9.3	-	9.3
Correction to SPI Biomass Deferral	0.2	-	0.2
Revenue Deficiency included in supplemental filing	<u>\$ 97.9</u>	<u>\$ (9.9)</u>	<u>\$ 88.0</u>

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Q. Please explain the updates to each pro forma and restating adjustment that changed in this supplemental filing.

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A. Adjustment 1, Power Costs, shown on page three of Exh. SEF-15, which is similar to Exh. SEF-5, was updated to reflect the power cost changes discussed in the Prefiled Supplemental Direct Testimony of Paul K. Wetherbee, Exh. PKW-25CT. This adjustment now increases the test year amounts by \$67.3 million.

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Adjustment 2, Montana Energy Tax, shown on page six of Exh. SEF-5, has been updated as a result of the updated power costs resulting in a minor change to the rate year generation from the Colstrip facility. This adjustment now decreases the test year amounts by \$0.3 million.

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Adjustment 12, SPI Biomass, shown on page sixteen of Exh. SEF-15, has been updated to correct for the basis used for the market power offset that was utilized in the determination of the amount of the estimated deferral. As discussed in my prefiled direct testimony, this adjustment defers the costs associated with the SPI Biomass power purchase agreement (“PPA”) that is supported in the Prefiled

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1 Direct Testimony of Cindy L. Song, Exh. CLS-1HCT. This PPA is eligible for
2 deferral under RCW 80.80.060 (“80.80 deferrals”). The deferral balance is
3 determined by deferring the contract rate less an offset for the market power that
4 is being replaced by the generation of the new PPA. In PSE’s original filing, the
5 projected Mid-C flat rates for each month were used as the basis for the market
6 power offset. PSE recently filed its letter of intent for deferral that is required
7 under the statute. While preparing the letter, PSE noticed an inconsistency
8 between the market power offset used in the original filing and that used in its
9 prior deferrals under the 80.80 deferrals. Prior 80.80 deferrals did not use
10 projected Mid-C flat rates for the month, but used the cost of the market power
11 that was currently recovered in rates.² Therefore, PSE has updated this adjustment
12 to use the cost of power being recovered in rates from its 2019 general rate case,
13 Docket UE-190529, as the basis for the market power offset. The total balance of
14 the deferral is now \$1.2 million. The proposed amortization remains at two years.
15 The \$0.9 million on line 2, net of the associated accumulated deferred income
16 taxes reflected on line 3, represents the rate year average of the monthly average
17 balance of the regulatory asset. The amortization expense of \$0.6 million is
18 reflected on line 7.

19 This completes my discussion of the changes to the adjustments.

² See Prefiled Direct Testimony of Katherine J. Barnard, Exh. KJB-1T, page 16, in Docket UE-130617.

1 **Q. Have you prepared a new exhibit that calculates the Power Cost Baseline**
2 **Rate for the Power Cost Adjustment (“PCA”) mechanism in light of the**
3 **changes described earlier?**

4 A. Yes. Exh. SEF-16, which is similar to Exh. SEF-6, provides an updated Power
5 Cost Baseline Rate. The variable baseline rate of \$41.508 per MWh is reflected
6 on line 37 of the exhibit. As previously discussed, all the changes in this
7 supplemental filing are to variable items. Therefore, the fixed baseline rate shown
8 on line 36 of the exhibit is unchanged from the original filing. Additionally, I
9 updated the Power Cost Baseline Rate comparison in Exh. SEF-17, which is
10 similar to Exh. SEF-7, and provides a more detailed determination of the revenue
11 deficiency calculated in summary on Exh. SEF-14.

12 **Q. How does the increased revenue requested in this supplemental filing impact**
13 **the earnings analysis presented in Exh. SEF-11?**

14 A. PSE projects that it will continue to under-earn even with the additional revenues
15 requested in the supplemental filing. As stated earlier, the additional \$9.5 million
16 requested in the supplemental filing relates solely to a change to the variable
17 baseline rate that is applicable to PSE’s PCA mechanism. On page 18 of Exh.
18 SEF-1T, I explained that the deficiency for variable PCA items, which was \$88.3
19 million and is now \$97.8 million,³ is subject to the PCA sharing bands. Only a

³ Exh. SEF-14, line 26.

1 portion of this variable increase would accrue to PSE when taking the sharing
2 bands into consideration.

3 **Q. Please elaborate.**

4 A. This can be best understood by reviewing Exh. SEF-11 from the initial filing.
5 Page 2 of Exh. SEF-11 shows how the variable increase portion of the requested
6 revenue increase is shared between customers and the company in the PCA
7 mechanism sharing bands. This supplemental filing increases the variable increase
8 by an additional \$9.5 million as compared to what is shown on page 2 of Exh.
9 SEF-11. Because the requested variable increase is already in the Second Band,
10 which accrues 10 percent to PSE and 90 percent to customers, only 10 percent of
11 the additional \$9.5 million variable increase—or \$1.0 million—would be added to
12 the earnings analysis.

13 **Q. What is the result of the earnings analysis taking into consideration the**
14 **updated PCORC revenues requested in this supplemental filing and the PCA**
15 **sharing bands?**

16 A. PSE estimates it will under-earn by \$1.4 million even with the incremental
17 PCORC revenues requested in this supplemental filing.
18 Page 1 of Exh. SEF-11 shows PSE's estimate that it would under-earn by \$2.4
19 million, even with the incremental PCORC revenues requested in the initial filing.
20 When the additional \$1.0 million from this supplemental filing is added to the
21 earnings analysis (line 20 on page 1 of Exh. SEF-11), this results in continued

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under-earnings, changing the amount of under-earning from \$2.4 million (line 27

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on page 1 of Exh. SEF-11) to \$1.4 million.

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III. CONCLUSION

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Q. Does that conclude your prefiled supplemental direct testimony?

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A. Yes, it does.