

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-190529 & UG-190530
Puget Sound Energy
2019 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 265

“CONFIDENTIAL” Table of Contents

DR NO.	“CONFIDENTIAL” Material
265	Shaded information is designated as CONFIDENTIAL per Protective Order in WUTC Dockets UE-190529 and UG-190530 as marked in Puget Sound Energy’s Response to Public Counsel Data Request No. 265.
265	Shaded information is designated as CONFIDENTIAL per Protective Order in WUTC Dockets UE-190529 and UG-190530 as marked in Attachment A to Puget Sound Energy’s Response to Public Counsel Data Request No. 265.

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Please refer to Catherine A. Koch's Rebuttal Testimony, Exh. CAK-6T at 10:4-6, which states "by the time PSE completes the transition, the book value of AMR assets will be a much different number than Mr. Alvarez suggests."

- a) Provide a schedule showing how the \$127 million value of AMR-related assets will be reduced by year throughout the AMI deployment, providing details which indicate both the routine depreciation of the outstanding balances by year as well as the reduction in book value due to removals from service by year.
- b) Confirm that PSE did not consider the impact to customers of paying for two sets of meters simultaneously in its AMI Business Case (Exh. CAK-4, Appendix A). If this cannot be confirmed, please explain and/or indicate where in its AMI Business Case the premature retirement of AMR-related assets was considered.

Response:

Puget Sound Energy ("PSE") provides the following response to Public Counsel Data Request No. 265.

- a) It is very difficult to predict the net book value of Automated Meter Reading ("AMR") assets at the end of the deployment period. Assumptions must be made that if not ultimately experienced, could materially impact the final balance. For instance, AMR assets are mass assets which means they are depreciated and retired by vintage year and the retirement value will differ depending on the vintage year. PSE does not forecast its retirements by vintage; therefore, there will be potentially material differences resulting from the actual vintages retired versus what is assumed. For purposes of this response, PSE used a first-in, first-out assumption to determine the order of retirements by vintage.

Please see Attachment A to PSE's Response to Public Counsel Data Request No. 146 which provides the estimated net book value of the June 30, 2018 AMR assets. In its response, PSE assumed no additions or retirements to the \$126.8 million of June 30, 2018 amounts and applied the existing depreciation expense through 2023, the end of the assumed Advanced Metering Infrastructure ("AMI") deployment period, which resulted in a net book value of \$56.5 million. PSE has

updated that response to include net additions and the additional accumulated depreciation through December 31, 2019, as well as to include assumed retirements from 2020 through 2023 as requested. The results are in Attachment A to PSE's Response to Public Counsel Data Request No. 265. The updates result in a net book value of [REDACTED] as of 2023 (cell I37). The change in the estimated balance is primarily due to the reduction in depreciation expense that occurs when assumed retirements are included. Additionally, gross plant and accumulated depreciation as of December 31, 2019, approximate the June 30, 2018 balances due to AMR additions approximating retirements over that period. In Attachment A to this response, PSE uses estimated yearly AMR asset removals to calculate the net book value of AMR assets by year (column I). The routine depreciation expense of the remaining plant balances is also calculated (column E). The beginning net book value of the AMR assets is [REDACTED] (cell I33). The ending accumulated depreciation (cell G37) is the estimated total regulatory asset, which is [REDACTED].

Actual amounts and projections for the fourth quarter of 2019 require confidential treatment until PSE's financial results are published in its Form 10-K which is expected to be February 21, 2020, at which time the confidential designation for fourth quarter amounts is no longer necessary.

- b) It is a mischaracterization to suggest that PSE did not consider what customers would pay for in the business case analysis, specifically as it relates to avoided AMR investment due to increasing maintenance costs. PSE did not add the book value of the AMR assets in the financial analysis of the AMI Business Case for reasons discussed in the Prefiled Rebuttal Testimony of Catherine A. Koch, Exh. CAK-6T, at page 11:9-11, that states adding book value of retired assets is not common practice for a host of reasons described on page 10:11-24 to page 11:1-9 and further discussed in the Prefiled Rebuttal Testimony of John J. Spanos, Exh. JJS-4T. PSE discusses this further in response to Public Counsel Data Request No. 268 and 270.

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ATTACHMENT A to PSE's Response to PUBLIC COUNSEL Data Request No. 265

This file contains confidential information

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ESTIMATED YEARLY DEPRECIATION AND RETIREMENTS

<u>Year End</u>	<u>Original Cost of AMR Assets</u> (a)	<u>Original Cost of Planned AMR Removals</u> (b)	<u>Depreciation Expense on Remaining AMR Assets</u> (c)	<u>Depreciation Expense on AMR Removals</u> (d)	<u>Accumulated Depreciation</u> (e)	<u>Net Book Value of AMR</u> (f)= (a)+(e)
<u>ELECTRIC AMR METERS</u>						
2019						
2020						
2021						
2022						
2023						
<u>GAS AMR MODULES & INSTALLATI</u>						
2019						
2020						
2021						
2022						
2023						
<u>AMR NETWORK EQUIPMENT</u>						
2019						
2020						
2021						
2022						
2023						
<u>TOTAL AMR ASSETS</u>						
2019						
2020						
2021						
2022						
2023						

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	Depr Rate	Original Cost Dec 31, 2019	Accumulated Depreciation Dec 31, 2019	2020	2021	2022	2023
<u>ELECTRIC AMR METERS</u>							
	8.34%						
Original Cost Retired per Year							
Remaining Original Cost per Year							
Depreciation Expense on Remaining Meters per Year							
Depreciation Expense on Retired Meters (1/2 Year)							
Accumulated Depreciation							
<u>GAS AMR MODULES & INSTALLATION COSTS</u>							
	7%						
Original Cost Retired per Year							
Remaining Original Cost per Year							
Depreciation Expense on Remaining Modules per Year							
Depreciation Expense on Retired Modules (1/2 Year)							
Accumulated Depreciation							
<u>AMR NETWORK EQUIPMENT</u>							
Original Cost Retired per Year							
Remaining Original Cost per Year							
Depreciation Expense on Remaining Equip per Year							
Depreciation Expense on Retired Equip (1/2 Year)							
Accumulated Depreciation							

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