

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKETS UE-190529 and
TRANSPORTATION COMMISSION)	UG-190530 (<i>consolidated</i>)
)	
Complainant,)	
)	
v.)	
)	
PUGET SOUND ENERGY,)	
)	
Respondent.)	
)	
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In the Matter of the Petition of)	DOCKETS UE-190274 and
)	UG-190530 (<i>consolidated</i>)
PUGET SOUND ENERGY)	
)	
For an Order Authorizing Deferral)	
Accounting and Ratemaking Treatment)	
For Short-life UT/Technology Investment.)	
)	
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In the Matter of the Petition of)	DOCKETS UE-171225 and
)	UG-171226 (<i>consolidated</i>)
PUGET SOUND ENERGY)	
)	
For an Order Authorizing Deferred)	
Accounting associated with Federal Tax Act)	
on Puget Sound Energy's Cost of Service.)	
)	
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In the Matter of the Petition of)	DOCKETS UE-190991 and
)	UG-190992 (<i>consolidated</i>)
PUGET SOUND ENERGY)	
)	
For an Order Authorizing the Accounting)	
treatment of Costs of Liquidated Damages.)	
)	
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REPLY BRIEF OF
ALLIANCE OF WESTERN ENERGY CONSUMERS

April 10, 2020

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I. INTRODUCTION

1 Pursuant to the Washington Utilities and Transportation Commission's
("Commission") Order 03 in the above-referenced dockets, the Alliance of Western Energy
Consumers ("AWEC") hereby files its Reply Brief.

2 As discussed below, and as outlined more fully in AWEC's Initial Brief, AWEC
continues to recommend that the Commission deny Puget Sound Energy's ("PSE" or
"Company") request for an attrition adjustment. AWEC detailed in its Initial Brief the
Company's failure to carry its burden to meet the qualifying criteria established by the
Commission. As discussed herein, the Company's Initial Brief does not, and cannot, cure this
evidentiary failure.

3 Additionally, PSE's Initial Brief fails to overcome the conflict between its
proposed treatment of unrecovered investment related to the Colstrip Generating Station
("Colstrip") and the terms of the stipulation resolving most issues in the Company's 2017
general rate case ("2017 Stipulation"). AWEC maintains its recommendation that PSE offset its
unrecovered investment in Colstrip Units 1 and 2 with production tax credits ("PTCs") that are
monetized through application to estimated tax payments through September 2019.

4 The Commission should accept PSE's cost-of-service study's improvements
regarding direct assignment and allocation of mains costs. Public Counsel's objection to these
improvements is self-serving and is grounded in a misplaced reliance on Commission history.
Further, the Commission should reject Commission Staff's ("Staff") request to condition
approval of the Company's proposed natural gas cost-of-services study on completion of an

updated economic bypass study. As discussed in AWEC's Initial Brief, Staff's proposal relitigates arguments the Commission summarily dismissed in PSE's last general rate case

5 AWEC also renews its recommendation that the Commission find the Company's original location determinations of the Bothell and Bellevue data centers imprudent, as the placements resulted in inherent operational threats that could only be mitigated through an expensive relocation of both facilities.

6 Finally, AWEC agrees with Staff that more care and diligence is required regarding the costs associated with the Green Direct program. Washington law requires that non-participants be insulated from costs associated with this voluntary program. Given the Company's request to include the Green Direct PPAs as base-line power cost resources, additional cost-tracking process and transparency is needed to ensure compliance with Washington law and to assure non-participating ratepayers that they are not subsidizing this voluntary program.

II. ARGUMENT

A. The Commission Should Reject PSE's Proposed Attrition Adjustment

1. The Company improperly conflates recent legislative activity as a modification to the Commission's standard to justify an attrition adjustment.

7 As outlined in AWEC's Initial Brief,^{1/} as well as the discussions of other parties,^{2/} the Commission should find that PSE has failed to carry its burden to satisfy the Commission's

^{1/} See AWEC Initial Brief at 3-7.

^{2/} See Initial Post-Hearing Brief of Public Counsel at 13-16; Commission Staff's Initial Brief at 9-13; Initial Post-Hearing Brief of the Federal Executive Agencies at 12-15; Initial Post-Hearing Brief of The Energy Project at 23-24.

established conditions necessary to support the approval of an attrition adjustment. Specifically, the Company has failed to demonstrate an actual history of chronic underearning and has failed to confirm that the alleged mismatch between revenue, rate base and expenses is beyond its control.^{3/} Accordingly, notwithstanding PSE’s self-serving and conclusory statements, the Commission should deny the requested attrition adjustment.

8 In its Initial Brief, PSE claims that its proposed attrition adjustment is “consistent with CETA [the Clean Energy Transformation Act] and the Commission’s prior direction on attrition adjustments.”^{4/} Indeed, the Company asserts that “[o]pposing parties partially or completely ignore the change made by CETA to the statutory landscape”, arguing that it, alone, has appropriately applied Commission precedent and Washington law.^{5/} The Company is wrong.

9 Initially, the Company conflates the modification to the “used and useful” standard for proper inclusion into rate base, as codified in RCW 80.04.250(2), with the threshold criteria required by the Commission to support an attrition adjustment: chronic under-earning.^{6/} The Company is correct that “RCW 80.04.250(2) now authorizes the Commission to determine rates based on property used and useful by or during the rate effective period...”^{7/} Furthermore, the Company is correct that this authority does not explicitly require “a specific showing of prior underearning or a likelihood of underearning in the rate year.”^{8/}

^{3/} See Dockets UE-160228 and UG-160229 (*consolidated*), Order 06 (“Order 06”), ¶¶ 66, 69 (Dec. 15, 2016).

^{4/} PSE Initial Brief at 6, ¶ 14.

^{5/} Id. at ¶ 15.

^{6/} McGuire, Exh. CRM-1T at 18:6-10.

^{7/} PSE Initial Brief at 6, ¶ 14.

^{8/} Id.

10

However, the Company’s logic fails in an unsupported over-reach when it attempts to apply this statutory standard to the Commission’s long-standing criteria to justify an attrition adjustment. The statutory changes to the “used and useful” standard merely clarify the Commission’s authority to authorize rates that include investments made during the rate-effective period. Just because the Commission now can unquestionably authorize such rates, however, does not mean that it must, or even should. Such authorization still must be “necessary or proper,”^{9/} and the Commission has recently reaffirmed that it will exercise its authority to approve investments made during the rate-effective period “consisten[tly] with longstanding ratemaking practices, principles, and standards.”^{10/} Thus, the Commission’s criteria for departing from the preferred historical test-year with pro-forma adjustments to an alternative rate-making framework, such as an attrition mechanism, remain unaffected by recent legislation.^{11/}

2. The Company has failed to carry its burden to meet the Commission’s threshold criteria for awarding an attrition adjustment.

11

Notwithstanding the Company’s conclusory statements, the Commission’s long-held threshold criteria to justify an attrition adjustment remain viable. “The Commission has established that a utility requesting an attrition allowance must demonstrate: 1) A showing of chronic under-earning; and 2) Circumstances giving rise to claimed attrition are beyond the utility’s ability to control. Both criteria must be satisfied.”^{12/}

^{9/} RCW 80.04.250(2).

^{10/} Docket No. U-190531, Policy Statement on Property That Becomes Used and Useful After Rate Effective Date ¶ 28 (Jan. 31, 2020).

^{11/} See Staff Initial Brief at 4, ¶ 9, and 7, ¶ 15.

^{12/} McGuire, Exh. CRM-1T at 18:6-11.

12 Evidence in the record shows that PSE does not have a history of chronic under-earning to present to the Commission.^{13/} The two paragraphs the Company’s Initial Brief devotes to discussing its alleged under-earnings actually emphasize the fact that the Company’s recent history demonstrates “annual rate increases”^{14/} that allowed the Company to increase its rate of return for both its electric and natural gas operations.^{15/} The Company attempts to explain away the facts related to its recent earning history, engaging in an attempt to re-create the path not taken.^{16/} As noted by Staff, and discussed by AWEC in its Initial Brief, this is nothing more than “an exercise in speculation.”^{17/} The Commission should find such speculation unconvincing and deny the Company’s attrition adjustment.

13 The Company’s speculation continues, with claims it will not earn its expected rate of return without the additional relief of an attrition adjustment.^{18/} However, as noted by Staff, PSE’s fatalistic projections are based on seeking to attain its unreasonable requested rate of return.^{19/} Indeed, it is unknown what level of earnings the Commission will authorize as a result of this Proceeding. Thus, any claim that an unknown threshold will not be met can only be a guessing game, at best. Such speculation should not be found convincing to warrant an award of the “extraordinary rate relief of an attrition allowance.”^{20/} The Commission should deny the Company’s request.

^{13/} See McGuire, Exh. CRM-1T at 22:15-23:8 (showing PSE’s 2013-2018 rate of return for electric and natural gas operations).

^{14/} PSE Initial Brief at 8, ¶ 19.

^{15/} See PSE Initial Brief at 8, ¶ 19.

^{16/} See AWEC Initial Brief at 5, ¶ 11.

^{17/} Staff Initial Brief at 10, ¶ 19.

^{18/} See PSE Initial Brief at 9, ¶ 20.

^{19/} See Staff Initial Brief at 10, ¶ 20.

^{20/} *Id.* at 11, ¶ 21.

B. Colstrip

1. PSE ignores the requirements of the 2017 Stipulation with respect to the unrecovered balance of Colstrip Units 1 and 2, and wrongly claims that PTCs can only be monetized on an annual tax return.

14 As discussed in AWEC’s Initial Post-Hearing Brief, AWEC recommends that the Commission require PSE to follow the 2017 Stipulation by offsetting the unrecovered plant balance of Colstrip Units 1 and 2 with monetized PTCs. PSE’s Initial Brief accuses AWEC of “cherry pick[ing]” when making this recommendation because AWEC “makes no similar adjustment for other plant balances or depreciation that occur after the pro forma period.”^{21/} But “cherry picking” implies that a party makes selective adjustments without any rational basis for choosing those adjustments and not others. The basis for AWEC’s adjustment is that it is *required by the 2017 Stipulation.*^{22/} The applicable provisions in that stipulation apply to Colstrip and only Colstrip. It is PSE’s proposal to include additional offsetting pro forma adjustments that are not covered by the 2017 Stipulation and are wholly unrelated to Colstrip that lacks any rational basis.^{23/}

15 PSE further claims that AWEC “wrongly asserts that PTCs estimated to be used in PSE’s quarterly tax estimates should be considered monetized.”^{24/} PSE’s position, however, directly contradicts the testimony of its own tax expert, Mr. Marcelia, who stated at the hearing that the Commission has discretion to determine when PTCs are monetized – either when used to

^{21/} PSE Initial Brief at 49, ¶ 110.

^{22/} Dockets UE-170033/UG-170034, Order 08, Appen. B ¶ 25 (“2017 Stipulation”) (“At closure of Units 1 and 2, PSE shall offset all additional unrecovered plant balances for Colstrip Units 1 and 2 with monetized [PTCs]”).

^{23/} PSE Initial Brief ¶¶ 110, 113; Free, Exh. SEF-17T at 52.

^{24/} Id. at ¶ 112.

reduce estimated tax payments or when claimed on PSE’s annual tax returns.^{25/} AWEC’s policy positions on why it is appropriate to consider PTCs to be monetized when they are used on PSE’s estimated tax provisions are fully articulated in its Initial Brief at pages 13 through 17.

2. AWEC’s adjustment to depreciation rates for Colstrip Units 3 and 4 is consistent with the 2017 Stipulation and does not conflict with Staff’s proposal for a tracking and true-up mechanism for decommissioning and remediation costs.

16 As discussed in AWEC’s Initial Brief, PSE’s objections to AWEC’s proposal to reduce depreciation expense for Colstrip Units 3 and 4, or maintain it at existing rates, are based on the Company’s misreading of AWEC’s proposal. AWEC does not propose to use PTCs, whether monetized or unmonetized, to reduce depreciation expense at all. It only proposes to use monetized PTCs to offset any unrecovered investment that exists at the end of 2025 when these units must be out of customer rates. Thus, all of PSE’s arguments against AWEC’s position are misplaced.^{26/}

17 Staff, for its part, alleges that AWEC “does not explain how [its] proposal complies with RCW 19.405.030,” which requires PSE to remove coal-fired resources from its allocation of electricity by 2025.^{27/} AWEC’s proposal, in fact, can coexist with Staff’s proposal to create a tracking and true-up mechanism for prudently incurred decommissioning and remediation costs from Units 3 and 4, and AWEC does not oppose Staff’s proposal. First, AWEC’s proposal complies with RCW 19.405.030 because it will ensure that PSE’s “allocation of electricity” from Units 3 and 4 will be eliminated by 2025 by ensuring that any unrecovered investment in these units does not exceed PTCs that will be monetized by 2025. Second,

^{25/} Marcelia, TR. 380:18-381:18.

^{26/} PSE Initial Brief at 50, ¶¶ 114-115.

^{27/} Staff Initial Brief at 60, ¶ 132.

AWEC's proposal recognizes that there is an order of priority prescribed by the 2017 Stipulation. This agreement requires PTCs first to be used to pay off unrecovered investment in Colstrip, and then any remaining PTCs to be used to pay for prudently incurred decommissioning and remediation costs.^{28/} A tracking and true-up mechanism for decommissioning and remediation costs, some or all of which may be offset by monetized PTCs, is perfectly consistent with this approach, so long as the unrecovered investment in the plant is first recovered.

18 Staff further questions whether the 2017 Stipulation can be followed now that CETA is law because that stipulation establishes a 2027 depreciable life for Colstrip Units 3 and 4. As AWEC argued in its Initial Brief, if the Commission does not want to reduce depreciation expense for these units in this case, it can maintain existing depreciation rates and offset the unrecovered balance that exists in 2025 with monetized PTCs. This proposal both complies with the requirements of CETA and maintains full adherence to the terms of the 2017 Stipulation.

19 As Staff itself notes, "it is not evident ... that the 2020-2025 ratepayers deserve to pay all of the projected D&R costs, especially considering those ratepayers are already asked to pay for the accelerated depreciation for the plant."^{29/} By maintaining existing depreciation rates the Commission has previously approved, and offsetting the remaining unrecovered investment in 2025 with monetized PTCs that were created several years ago, AWEC's proposal also helps to address this concern Staff raises. In any event, AWEC agrees with Staff that the record in this case is insufficient to determine how best to recover prudently incurred decommissioning and remediation costs in excess of amounts assumed in depreciation rates and has no objection to this

^{28/} 2017 Stipulation ¶ 117.

^{29/} Staff Initial Brief at 61, ¶ 135.

issue being resolved in PSE’s next general rate case. AWEC’s proposal with regard to the recovery of depreciation expense for Colstrip Units 3 and 4 in this case does not prevent or materially impact this option.

C. The Commission Should Reject Staff’s Proposal for an Updated Economic Bypass Study

20 In its Initial Brief, Staff presents its argument in favor of an updated economic bypass study in a single paragraph. Staff correctly cites Washington law, stating that “[a] special contract must avoid undue preference or prejudice.”^{30/} Additionally, Staff correctly states that charges related to a special contract “must...recover all costs resulting from providing the service during its term....”^{31/} However, and as discussed in AWEC’s Initial Brief, Staff has identified no evidence in the record to indicate that the special contract provides a preference or results in a prejudice, let alone evidence that shows an undue preference or prejudice, as required under Washington law.^{32/}

21 Critically, Staff asserts that “[t]he update will ensure the Commission has the data to verify compliance with these requirements *if the contract is renewed, and nothing more.*”^{33/} As noted in AWEC’s Initial Brief, the Special Contract terminates under its own terms, at present, on June 1, 2035.^{34/} Any update to the economic bypass study conducted in conjunction with PSE’s next general rate case, therefore, will be stale when applied to any possible extension of the Special Contract, presented over a decade later.

^{30/} Staff Initial Brief at 52, ¶ 115.

^{31/} Id.

^{32/} See RCW 80.28.090, .100.

^{33/} Staff Initial Brief at 52, ¶ 115. (emphasis added)

^{34/} See Initial Brief of AWEC at 26, ¶ 50. See also, Docket UG-950392, Order Approving Contract ¶ 2 (June 11, 2009).

22 To the extent the Commission desires assurance that the Special Contract is recovering all costs resulting from providing service during its new term, updated data at that time would be informative. Little, if any, relevant information related to cost recovery of an extended Special Contract beginning in 2035 would be provided by an economic bypass study conducted in the immediate future, however. Accordingly, the Commission should decline Staff’s invitation to require an updated economic bypass study prior to the presentation of a request to extend the Special Contract, should one be made.

D. Allocation of Natural Gas Mains

23 Public Counsel opposes PSE’s proposed allocation of distribution mains.^{35/} Public Counsel’s entire basis for its opposition is its reliance on a Commission order from nearly 30 years ago that it reads as prohibiting “direct assignment of distribution mains to large volume customers.”^{36/} As AWEC witness Mr. Collins testifies, Public Counsel’s position is “results-oriented” in that it is based only on the impact of PSE’s approach on residential customers, regardless of the rationale supporting this impact.^{37/} Further, there are two additional significant deficiencies in Public Counsel’s position.

24 First, the Washington Water Power Co. order Public Counsel exclusively relies on is distinguishable from PSE’s proposal to allocate distribution mains in this case. In that order, the Commission found that the utility’s decision to directly assign costs to certain customers was in part “specifically intended to respond to bypass threats” by these customers and was,

^{35/} Public Counsel Initial Brief ¶¶ 75-78.

^{36/} Id. at 29.

^{37/} Collins, Exh. BCC-1T at 7:10-15.

therefore, not cost-based.^{38/} By contrast, PSE’s direct assignment of distribution mains costs in this case is specifically intended to be cost-based – to “best reflect the cost causation characteristics of serving individual customers or groups of customers.”^{39/} Additionally, in Washington Water Power Co., the utility’s direct assignment of costs was based on the applicable customers’ distance from the pipeline and the level of depreciation of distribution plant identified as directly serving those customers.^{40/} Here, PSE’s direct assignment is based on a “special study” that relied on PSE’s Geographic Information System (“GIS”) “to research the various pipeline pathways from system regulator stations to the customers’ service addresses along with related pipeline sizes and material types.”^{41/} As PSE’s witness, Mr. Taylor, testifies, the “Special Contract class consists of one customer with nine unique service locations under a single Special Contract This is not the same as three customers in a tariff rate class getting a direct assignment of mains,”^{42/} as was the case in Washington Water Power Co.

25 Second, while Public Counsel proclaims its support for “direct assignment of costs to customers, when it can be achieved,”^{43/} its opposition to PSE’s allocation method effectively eliminates any potential for direct assignment. Public Counsel criticizes PSE for using its GIS study for direct assignment only for a subset of its customers, and not for all of its customer classes. But as Mr. Taylor testifies, such an approach would be impractical, if not impossible:

^{38/} WUTC v. Washington Water Power Co., Docket No. UG-901459, 3d Supp. Order at 7 (Mar. 9, 1992).

^{39/} Taylor, Exh. JDT-1T at 7:7-8.

^{40/} Docket No. UG-901459, 3d Supp. Order at 7.

^{41/} Taylor, Exh. JDT-1T at 12:17-13:3.

^{42/} Taylor, Exh. JDT-9T at 7:12-18.

^{43/} Public Counsel Initial Brief ¶ 76.

The nature of utility operations is characterized by the existence of common or joint use facilities Out of necessity, then, to the extent a utility's plant and expense cannot be directly assigned to customer groups, common allocation methods must be derived to assign or allocate the remaining costs to the customer classes.^{44/}

Public Counsel's "all or nothing" approach would prevent any direct assignment of costs, which all parties agree is the preferred method when feasible.

26 For these reasons, the Commission should adopt PSE's gas cost of service study, including its allocation of mains costs in this case. However, for the reasons discussed in AWEC's Initial Brief, if the Commission agrees with Public Counsel, then it should continue the rate spread and rate design in effect from PSE's last general rate case, pending adoption of new cost of service rules. This would result in an allocation of the approved natural gas rate increase on an equal percent of margin basis.^{45/}

E. The Commission Should Deny PSE Recovery of Costs Related to Relocating the Bothell and Bellevue Data Centers

27 As outlined in AWEC's Initial Brief and in the Testimony of Mr. Mullins, the Commission should find that PSE's decision to locate the Bothell and Bellevue data centers on the same seismic fault was imprudent. Further, the Commission should find that the Company's decision to locate the Bothell center in a known floodplain was imprudent. Accordingly, the Commission should deny recovery of costs related to relocating these data centers.

28 The Company asserts that AWEC "claims that customers are effectively paying twice for a data center."^{46/} This mischaracterization is not supported by a review of Mr. Mullins'

^{44/} Taylor, Exh. JDT-1T at 8:13-17.

^{45/} AWEC Initial Brief at 24, ¶ 46.

^{46/} PSE Initial Brief at 22, ¶ 45, citing Mullins, Exh. BGM-1T at 41:1-14. See also, PSE Initial Brief at 24, ¶ 48.

testimony, is an improper attempt to replace AWEC’s testimony with hyperbole, and should be ignored by the Commission. What AWEC did in fact recommend is that the Commission find the Company’s decision to move forward with placement of the Bothell and Bellevue data centers, notwithstanding the known seismic and flooding risks, was imprudent. This recommendation is based on the record evidence that PSE knew of the flooding risk at the Bothell location and proceeded forward nonetheless.^{47/} Likewise, PSE admits that it sited the data centers on the same, known seismic fault, “creating a significant business continuity risk to PSE in the event of a localized disaster or a single seismic event.”^{48/} As a consequence of these unwise decisions, made unilaterally by the Company despite these known risks, the data centers cannot be merely upgraded, but must first be relocated.^{49/}

29 “Regulated companies bear the burden of proving their decisions were prudent.”^{50/} The record in the present matter is wholly devoid of evidence demonstrating the prudence of the Company’s determination to subject both of its prior data centers to the same seismic risk, as well as further exposing the Bothell location to a known flood risk. Rather, the evidence demonstrates, as PSE admits, that these decisions resulted in “substandard”^{51/} facilities that necessitated complete relocation.

30 Contrary to the Company’s mischaracterizations of Mr. Mullins’ testimony, AWEC does not contest the evolution of data center technology and equipment. However,

^{47/} See Hopkins, Exh. MFH-1T at 20:10; Hopkins, Exh. MFH-9X (Attachment A to PSE Response to AWEC Data Request No. 001).

^{48/} Hopkins, Exh. MFH-1T at 20:5-7.

^{49/} See *id.* at 22:15-18.

^{50/} Docket UE-190882, Final Order 05, ¶ 43 (March 20, 2020).

^{51/} Hopkins, Exh. MFH-1T at 20:3.

Company witness Hopkins testified that site selection and facility construction of the new Snoqualmie Technology Center and the Cle Elum location were completed at a cost of \$33.2 million.^{52/} The remainder of the data center relocation project expense totaled \$46.1 million.^{53/} It is unknown what portion of the \$46.1 million – composed, in part, of labor and hardware purchases – could have been avoided if the Data Center and Disaster Recovery Program did not include relocation from, and decommissioning of, the Bothell and Bellevue locations. What is known, however, is that the site selection of these two original locations, resulting in substandard^{54/} facilities bearing “a significant business continuity risk,”^{55/} required the Company to spend \$33.2 million to re-site and re-construct data center facilities away from the known seismic and flood risks. The financial consequences of these imprudent decisions should be borne by the Company, not ratepayers. Accordingly, AWEC renews its recommendation that the Commission deny recovery of, at a minimum, the \$33.2 million expense related to the re-siting and re-construction of the data centers, as well as a portion of the \$31.2 million related to the labor associated with re-location.

F. Green Direct

31 In its Initial Brief, PSE requests a determination from the Commission “that PSE’s Schedule 139 Green Direct PPAs are [a] prudent power resource for all PSE customers.”^{56/} The impetus behind this request is the Company’s desire to apply “[a]ny generation in excess of program customers’ usage...to non-participating customers – which is

^{52/} Id. at 26:3.

^{53/} Id. at 26:9 and :13. (\$31.2 million + \$14.9 million = \$46.1 million).

^{54/} Id. at 20:7.

^{55/} Id. at 20:6.

^{56/} PSE Initial Brief at 60, ¶ 140.

appropriate provided the PPAs have received a determination of prudence for use to satisfy all customers...not just Green Direct Program customers.”^{57/} This request creates a bit of tension with RCW 19.29A.090(5), which requires “[a]ll costs and benefits associated with [an optional program such as Green Direct] must be allocated to the customers who voluntarily choose that option and may not be shifted to any customers who have not chosen such option.”

32 PSE’s request “to incorporate the costs of two power purchase agreements...that will supply alternative energy to its [Green Direct] program customers into its power cost baseline”^{58/} will result in recovery of costs associated with the Green Direct program from all ratepayers, not just those who elect to participate in the voluntary program.^{59/} Specifically, these Green Direct-related costs are part of “the underlying portfolio used to determine PSE’s rate year power costs for this proceeding....”^{60/} Given this inherent conflict with RCW 19.29A.090(5), AWEC supports Staff’s request for additional process and collaboration “to track [Green Direct] program costs and benefits to ensure their lawful allocation.”^{61/} While AWEC is sensitive to “the amount of post filing work”^{62/} that may become necessary, any such efforts are worthwhile to ensure that costs related to the Green Direct program are not charged to non-participants when PSE’s rates are viewed holistically. AWEC agrees with Staff that issues related to these costs “require further process” to ensure statutory compliance.

^{57/} Free, Exh. SEF-17T, 88:19-89:2.

^{58/} Staff Initial Brief at 62, ¶ 136.

^{59/} See Wetherbee, Exh. PKW-1CT at 52:5-53:3.

^{60/} Id. at 52:6-7.

^{61/} Staff Initial Brief at 62, ¶ 137.

^{62/} Free, Exh. SEF-17T, 88:5-6.

III. CONCLUSION

33 For the reasons discussed above, AWEC renews its recommendation that the Commission: (1) deny PSE's requested attrition adjustment; (2) require PSE to offset the unrecovered balance of Colstrip Units 1 and 2 with production tax credits monetized on its estimated taxes through September 2019; (3) either reduce depreciation expense to Colstrip Units 3 and 4, or reject the Company's proposed increase to depreciation expense for these units with the expectation of offsetting a future unrecovered investment with monetized production tax credits; (4) reject Staff's request for an immediate update to the economic bypass study of special contracts; (5) accept PSE's modifications to its natural gas cost of service study, or in the alternative apply the natural gas revenue requirement on an equal percent of margin basis; (6) accept the uncontested update to the allocation of the Tacoma LNG infrastructure costs as presented in PSE's rebuttal testimony; (7) disallow the costs of relocating the Bothell and Bellevue data centers; and (8) require additional reporting and transparency to ensure that costs associated with the Green Direct program are assigned in accordance with Washington law.

Dated this 10th day of April, 2020.

Respectfully submitted,

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