

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET NOS. UE-190529 and
UG-190530 (*Consolidated*)

In the Matter of the Petition of

PUGET SOUND ENERGY

For an Order Authorizing Deferral
Accounting and Ratemaking Treatment for
Short-life UT/Technology Investment

DOCKET NOS. UE-190274 and
UG-190275 (*Consolidated*)

In the Matter of the Petition of

PUGET SOUND ENERGY

For an Order Authorizing Deferred
Accounting associated with Federal Tax Act
on Puget Sound Energy's Cost of Service

DOCKET NOS. UE-171225 and
UG-171226 (*Consolidated*)

In the Matter of the Petition of

PUGET SOUND ENERGY

For an Order Authorizing the Accounting
treatment of Costs of Liquidated Damages

DOCKET NOS. UE-190991, and
UG-190992 (*Consolidated*)

PUBLIC COUNSEL REPLY TO BENCH REQUEST NO. 15 RESPONSES

May 8, 2020

1. Pursuant to the Utilities and Transportation Commission’s (“Commission”) Bench Request No. 15, the Public Counsel Unit of the Attorney General’s Office (“Public Counsel”) submits this reply to responses filed on May 1, 2020. In particular, Public Counsel replies to the responses filed by Puget Sound Energy (PSE) and Commission Staff (“Staff”). To avoid unneeded repetition, Public Counsel incorporates by this reference the ideas and proposals from our May 1, 2020, Response to Bench Request No. 15.
2. Both Staff and PSE present proposals to extend amortization on certain regulatory assets. One key difference between the proposals is that PSE ties its approach to the return of protected Excess Deferred Income Tax (EDIT) under the Average Rate Assumption Method (ARAM). Staff’s proposal does not link the extended amortizations to the ARAM reversals. As discussed below, Public Counsel views Staff’s approach as being more favorable than PSE’s approach.
3. In its response to Bench Request No. 15, PSE states that matching the amortization for the regulatory assets with the ARAM reversals opens the possibility, “with IRS approval, of removing these items completely from PSE’s regulated balance sheet.” PSE characterizes this possibility as “greatly simplifying” review of rate base in future rate cases.¹ Public Counsel respectfully disagrees.
4. Removing such regulatory assets and EDIT liabilities from PSE’s regulatory balance sheet would make their books less transparent. Under Internal Revenue Service requirements, ARAM reversals carry forward for decades, and less transparency over that length of time is not warranted or in the public interest. Moreover, PSE’s approach is not necessary. The Commission

¹ PSE Response to Bench Request No. 15 at 2 (May 1, 2020).

can extend the amortization periods for regulatory asset balances without tying those amortizations to EDIT reversals and without removing the regulatory asset and EDIT liability balances from the regulatory balance sheet.

5. Additionally, PSE states that any mitigation measure the Commission takes should not exceed the revenue increases approved in this case.² Public Counsel does not believe that the goal of evaluating potential rate mitigation should be limited to merely rate stabilization. Rather, rate mitigation could provide actual rate relief for customers during this public health and economic crisis. In other words, mitigation is what the Commission defines it to be in this case and under these circumstances while being guided by the public interest.
6. In Staff's Response to Bench Request No. 15, Staff identifies various regulatory assets that might be used to mitigate the rate increases. Unlike PSE's approach, Staff's approach does not match the extended amortization with the protected EDIT ARAM reversals. Staff's approach is preferred because it does not limit the regulatory asset amortization savings to the EDIT reversals. Staff's approach also does not remove important asset and liability balances from the regulated balance sheet where they would effectively be beyond scrutiny in future rate case review.
7. However, Staff does include the acceleration of unprotected EDIT amortization in its list of potential rate mitigation opportunities. The effect of accelerating amortization of unprotected EDIT would be to create a large rate increase in the near future once the amortization concludes. This effect may not be beneficial to ratepayers, who collectively face an uncertain economic

² PSE Response to Bench Request No. 15 at 6 (May 1, 2020).

future. Staff aptly acknowledges this potential rate burden in its Response to Bench Request No. 15.³ Because there are sufficient regulatory asset balances available to effectively eliminate the impact of any rate increase in this case (if there is one), and even potentially provide actual rate mitigation, it seems unnecessary to accelerate the amortization of unprotected EDIT.

8. In considering how to mitigate the impact of this rate case on ratepayers, the Commission must be mindful of current circumstances. Residential usage will be higher than normal because people are staying home, and as a result, residential bills will be higher than normal even without a rate increase. While commercial and industrial usage will be lower than normal, those customers may be paying demand charges that do not reflect actual usage. Additionally, PSE has the ability to acquire very low interest or no interest short-term loans,⁴ should PSE need assistance with cash flow during this time.

9. To the extent that lengthening amortization periods uses money from later periods to offset current rate increases, the Commission should consider intergenerational equities and whether such measures are necessary. Governor Inslee's Proclamation 20-23.2 has been extended through May 31, 2020, which suspended the requirements under RCW 80.04.130. As Public Counsel noted in its May 1, 2020, Response to Bench Request No. 15, the Commission may delay implementation of any rate increase it orders in this case, if it determines that a rate increase is necessary.⁵ Indeed, Nucor Steel requests a delay in implementation in its Response to Bench Request No. 15, noting that customers will be better positioned to absorb a rate increase

³ Staff Response to Bench Request No. 15 at 4 (May 1, 2020).

⁴ See Response Testimony of J. R. Woolridge, Exh. JRW-1T at 17:13-18:3.

⁵ Public Counsel Response to Bench Request No. 15 at 5-6 (May 1, 2020). Public Counsel also noted that a steep rate increase on an essential service at this time is not fair and does not comply with the fair, just, reasonable, and sufficient standard. *Id.* at 3.

that is gradually phased in when economic conditions have improved.⁶ The idea raised by Nucor applies to all of PSE's customers, including residential and small business customers.

10. A phased-in approach, as also suggested by The Energy Project, may provide adequate mitigation.⁷ The Commission considered similar phased-in approaches recently in rate requests from Wildwood Water Company (Docket UW-200277) and Harold Lemay Enterprises, Inc. (Docket TG-200044). The Commission raised concerns about company financial viability and the impact on customers of higher increases later. PSE is a much larger company with more robust resources than the water and solid waste companies in those dockets, and PSE's customer base is also much larger. While the rate impact will need to be evaluated, the concerns raised in Docket UW-200277 and Docket TG-200044 either may not apply, or may not apply to the same magnitude.

11. In conclusion, customer protections are critically important to keep people connected and safe during the COVID-19 pandemic and the related economic crisis. It is also critically important to ensure that the rates customers pay for essential services are only as high as they need to be. To the extent the Commission decides rate increases are appropriate in this case, the Commission should also consider extending asset amortization, if such extension can be done without harming ratepayers. The Commission should not tie extended amortization to PSE's ARAM reversals, and PSE should not remove assets and liabilities from its regulatory balance sheet. The Commission should also consider whether rates may be delayed and/or phased in, either as mitigation or in addition to other mitigation opportunities.

⁶ Nucor Steel Response to Bench Request No. 15 (May 1, 2020).

⁷ The Energy Project Response to Bench Request No. 15 (May 1, 2020).

12. Although the extent, scope, and severity of the impact COVID-19 will ultimately have on customers is currently unknown, this is a particularly poor time to impose rate increases on customers. Public Counsel continues to appreciate the inquiry the Commission is making under Bench Request No. 15 and appreciates the invitation to provide input on these important questions.

DATED this 8th day of May, 2020.

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