

**EXH. CAK-9  
DOCKETS UE-22 \_\_\_/UG-22 \_\_\_  
2022 PSE GENERAL RATE CASE  
WITNESS: CATHERINE A. KOCH**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket UE-22 \_\_\_  
Docket UG-22 \_\_\_**

**EIGHTH EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF**

**CATHERINE A. KOCH**

**ON BEHALF OF PUGET SOUND ENERGY**

**JANUARY 31, 2022**

**Operations Training Facility**  
**Seeking Initiation Funding**  
**Corporate Spending Authorization (CSA)**

**Before starting:** Contact the Capital Budget team ([CSA-TeamMail@pse.com](mailto:CSA-TeamMail@pse.com)) for any clarification needed and review the [CSA Standard](#) when completing this template.

The sections provided expand / are not limited to one row. **Ensure you provide adequate information and back-up documentation to support your business case.** If a section or item is not applicable, enter N/A; if unknown, enter TBD. The **gray** fields are provided as prompts; do not leave these fields with instructions visible.

<b>Date Submitted:</b>	10/13/2021
<b>Officer Sponsor:</b>	Dan Koch & Harry Shapiro
<b>Project Director:</b>	Shapiro
<b>Responsible Cost Center:</b>	TBD

**I. Project Overview**

*Update each section with high level information as applicable, noting any changes from the previous request/Gate.*

**Business Need:** In March of 2016 the American Gas Association (AGA) conducted a peer review of Puget Sound Energy. One of the key elements assessed was around Operator Qualification and Training. The review indicated one of the significant areas for improvement was “the lack of appropriate resources to train employees other than for OQ and entry-level gas workers.” Additional assessment by General Physics in 2018 pointed to a lack of training support facilities and technology for effective role based OJT and scenario based training in support of operational training needs.

Retirement of employees in electric, generation and gas operations coupled with the time it takes to currently train employees to competence has created a risk that operations will not have an adequately trained and competent workforce to meet the operational needs of PSE in the next 3-5 years.

Grid modernization and the effects of clean energy transition will put additional pressure on the training of existing and future employees as we transition to a clean energy workforce requiring flexible training facilities and technology to maintain an effective workforce.

Meeting the requirements of API-1173 RP—Pipeline Safety Management Systems (PSMS) would not be supported with the current training facilities and programs.

In addition, in support of our communities, we do not have the facilities necessary to train our constituent first responders for emergencies and abnormal conditions on our electric, gas and generation facilities.

<b>Proposed Solution:</b>	Acquire land and facility to meet the requirements of training PSE’s operational workforce to meet its business needs, respond to emergency and abnormal conditions in order to ensure sustained continuity of safe and
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reliable gas and electric system operations. During the initiation phase, the team evaluated both the Design-Bid-Build and Lease-to-Own delivery models, providing a delivery model recommendation to Project Sponsors as part of the Initiation Phase.. Both cost schedules are provided as part of this CSA.

Land acquisition and ownership is recommended under both models in order to ensure long-term control of the facility and to minimize future relocation risk and cost exposure.

Other alternatives considered, evaluated and rejected are covered in the



Alternatives to building a PSE Oper



Training Center Business Needs and

embedded documents:

Project Outcome/Results:

An operations training facility, staff and a program that will enhance the speed to competency through structured on the job training, scenario based training, role specific technical training with simulation labs and an outdoor scenario facility to train PSE, Service Provider and Emergency First Responders in electric and gas incident response, response management and abnormal operating conditions. Provide adequate land for expansion to meet future needs and potential co-location with a future substation site to leverage for a substation training facility.

People/Organization Impact:

This will impact less than 500 employees; no external customer impacts and will affect 2-5 departments within PSE

Primary ISP Alignment:

Processes & Tools [ISP strategy descriptions](#)

ISP Strategy Description:

Process & Tools - System reliability and integrity

Portfolio Description:

Strategic [Insert link to Capital Allocation Definitions and other considerations that is attached to this review](#)

Project Complexity:

Straightforward and well understood       Complex and well understood       Complex and not well articulated

**II. Key Schedule and Financial Information**

Expected Start Date If Funded:	10/2021
Expected In-Service Date:	12/30/2022

**High-Level Schedule** *Enter Expected # of Years and Months*

Duration				
Planning	Design	Execution	Total Project	Anticipated Closeout date
3 months	4 months	12 months	17 months	12/2022

## **FINANCIAL ANALYSIS**

PSE continues to evaluate and refine the Design-bid-Build cost estimate and Lease-to-Own pricing through Trammell Crow. Preliminary PV Revenue Requirement results are provided below and attached in **Section V**.

<b>Scenario</b>	<b>PV Revenue Requirement</b>
Design-bid-Build	\$83,797,847
Lease-to-Own	\$53,342,705
<b>Variance</b>	<b>\$30,455,142</b>

Land acquisition by PSE is recommended in either delivery model scenario and aligns with the Company's long-term risk management objectives associated with operating facilities. PSE Real Estate performed a comprehensive alternatives assessment and has recommended acquisition of a property located in North Bend, WA. A copy of Real Estate's assessment is also attached in **Section V**. Prior to acquiring the property, and subject to the requisite approval processes, the project team will work with the current land owner on the following conditions precedent to close or sufficiency of progress to warrant close:

- Assignable Development Agreement between the current property owner and City of North Bend.
- Approved septic system design and issuance of King County septic permit. Note that septic is expected to be an interim solution until such time as North Bend provides sewer utility services to the property. PSE will be obligated to convert from septic to sewer at time of availability, which will need to be contemplated during design and construction.
- State Environmental Policy Act ("SEPA") Determination of Non-Significance ("DNS") issued by City of North Bend, which will allow PSE's proposed development of the property aligned with the aforementioned Development Agreement.
- Receipt of property appraisal and negotiation of purchase price.

During the Initiation Phase, Real Estate will work with the current property owner to negotiate a Real Estate Purchase and Sale Agreement ("REP&SA") and secure the requisite internal approvals per Corporate Policy No.23 – Real Estate.

## **DESIGN-BID-BUILD COST ESTIMATE**

**Initial Estimated Funding by Phase as of 05/11/2020:** *Enter values in the cells below for percentage of funding to be used in each phase of the project.)*

<b>Initiation</b>	<b>Planning</b>	<b>Design</b>	<b>Execution</b>	<b>Closeout</b>	<b>Total</b>
<b>8%</b>	<b>15</b>	<b>15%</b>	<b>60%</b>	<b>2%</b>	<b>\$64.1M</b>

<b>Initial Grand Total Estimate (contingency included):</b> <a href="#"><u>Contingency Standard</u></a>	<b>Capital: \$64,100,000</b>	<b>OMRC/Project O&amp;M: \$800K</b>
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**Estimated Five Year Allocation:** *Enter values in the cells below for years anticipated, up to five years, plus any expected future years. Change "Year 1, Year 2, etc. to the relevant years for this project. Ongoing O&M begins after project close-out.*

<b>Category:</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Total</b>
Capital (contingency included)	<b>\$64.1M</b>					<b>\$64.1M</b>
OMRC / Project O&M	<b>\$206K</b>	<b>\$412K</b>	<b>\$424K</b>	<b>\$437K</b>	<b>\$450K</b>	<b>\$1.9M</b>

## LEASE-TO-OWN COST ESTIMATE

Initial Estimated Funding by Phase as of 05/11/2020: Enter values in the cells below for percentage of funding to be used in each phase of the project.)

Initiation	Planning	Design	Execution	Closeout	Total
8%	15	15%	60%	2%	\$57.4MM

Initial Grand Total Estimate (contingency included): <a href="#">Contingency Standard</a>	Capital: \$6,700,000 <sup>1</sup> ST/Equip: \$1,200,00	OMRC/Project O&M: \$800K
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**Estimated Five Year Allocation:** Enter values in the cells below for years anticipated, up to five years, plus any expected future years. Change "Year 1, Year 2, etc. to the relevant years for this project. Ongoing O&M begins after project close-out.

Category: <sup>2</sup>	2022	2023	2024	2025	2026	Total
Construction Support	\$ 2.5M	\$ 2.1M	\$2.1M	\$	\$	\$6.7MM
O&M	\$206K	\$412K	\$424K	\$437K	\$450K	\$1.9M

### III. Ongoing Benefits:

Summary Benefits (see Benefits realization plan for details):	The primary benefits of this project are related to the increased efficacy of a facility designed with the needs of the workforce to improve speed to competency; provide for emergency and abnormal response training; provide real-life simulation for PSE and first responders of emergencies and abnormal operating conditions and other training opportunities.
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**Note: Ongoing cost data is based on CC 4501 Only. Will need to assess Gas Ops Impacts.**

Category:	2022	2023	2024	2025	2026	Total
Ongoing O&M (to be funded by business) CC:4501 Ops Training	\$1.649M	1.849M	\$1.904M	\$1.962M	\$2.021M	\$9.385M
Ongoing Facility O&M (requesting \$'s) (Applies to both Design-bid-Build and Lease-to Own scenarios)	\$206K	\$412K	\$424K	\$437K	\$450K	\$1.9M
Ongoing Lease O&M (requesting \$'s) (Applies to Lease-to-Own scenario only)	-	\$2.665M	\$2.718M	\$2.773M	\$2.828M	\$10.984M
Ongoing Capital (Capital Tail) (Applies to Lease-to-Own scenario only – COH)	\$2.300M	\$842K	\$859K	\$875K	\$893K	\$5.796M
Benefits	\$	\$	\$	\$	\$	\$
Net impact (= Benefits – O&M)	\$	\$	\$	\$	\$	\$
*Return on investment (ROI)	Years = Total Costs / Annual Cash Benefits					

\* Payback in Years, enter positive amount or Not Applicable

### IV. Risk Management Summary

Identify high level risk categories expected for the project. Consider Project Dependency, Project Timing and Resourcing, as well as Regulatory Risk.

<sup>1</sup> Comprises land acquisition, reimbursement of pre-close project development costs, and PSE-furnished IT, security and FFE.

<sup>2</sup> Under the Lease-to-Own model, lease expenditures are allocated to O&M and Construction Overhead at the current Operations Training organization allocation rates (82%/18%) respectively.

<b>Summary of high level risks sentence:</b>	Risk is impacts of the Covid-19 event to timing of the project. The property acquisition is the most pressing need of approval at this time. Funding to initiate a land purchase agreement with contingencies and actions around Development Agreement as outlined in the land estimate is the key piece in 2020
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**V. Supporting Documentation**

<b>Cost Estimating and Budget:</b>  20770-D-SITE-2020-05-15-North Bend.p	
<b>Benefits Realization Plan:</b>	  Benefits Statement 4-15-2020.docx    Initiation_Benefits Realization Plan_Op

**VI. Phase Gate Change Summary**

Use this section for changes from: **Planning to Design, Design to Execution or Execution to Closeout** phases. To have a history of the changes at each phase gate change, **copy/paste the table below above the previous table.**

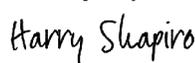
<b>Phase:</b>	Choose an item
<b>Scope:</b>	Describe the Scope changes since last submission/Phase Gate.
<b>Budget:</b>	Describe the Budget changes since last submission/Phase Gate.
<b>Schedule:</b>	Describe the Schedule changes since last submission/Phase Gate.
<b>Benefits:</b>	Describe the Benefits changes since last submission/Phase Gate.

<b>Prepared by:</b>	Troy W. Nutter
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**VII. CSA Approvals**

Add/remove rows as needed in the table below. Email approval is acceptable. To maintain a history of the changes at each phase gate change, **copy/paste the table below above the previous table.** Send to the Capital Budget team at [CSA-TeamMail@pse.com](mailto:CSA-TeamMail@pse.com). For a project in the Strategic Project Portfolio (SPP) review the [Escalation Criteria](#) for appropriate escalation and approvals.

For guidance on approval authority levels, follow [CTM-07 Invoice Payment Approval Exhibit I Invoice/Payment Approval Chart](#)

Project Phase	Initiation Funding			
Approved By	Title	Role	Date	
Harry Shapiro	Director, Gas Operations	*Director Sponsor	11/01/2021	DocuSigned by:  C450380B6676401...
Dan Koch	VP, Operations	Executive Sponsor	10/30/2021	

7E7434ECBF5B4C0...

<b>Dawn Reyes</b>	Director, Shared Services	Other Key Director	10/19/2021	DocuSigned by: <i>Dawn Reyes</i>
<b>Margaret Hopkins</b>	Sr. VP and Chief Information Officer	Executive Sponsor	10/19/2021	DocuSigned by: <i>Margaret Hopkins</i>
				6CC0AA49A2B84E8...

\*Director Sponsor attests that all considered documentation has been approved.

Please direct any questions to either:

1. The Capital Budget team at [CSA-TeamMail@pse.com](mailto:CSA-TeamMail@pse.com), or
2. The Enterprise Project and Performance Project Practices team at [EPP-ProjectPracticesTeam@pse.com](mailto:EPP-ProjectPracticesTeam@pse.com)

Revision History	Revision Version	Reason
June 11, 2020	Version 2.10	Added updated IT costs and building costs due to updated overheads and actual facility location. Two PDF's updated: Budget estimate 6-10-20 and Ops Training Facility Cost Report 6-11-20
October 13, 2020	Version 3.0	Updated with the most current information, updated land and site analysis and updated prudency review and documentation. Request for sponsor signatures for updated version
November 13, 2020	Version 3.01	Updated Signature panel to remove signatures.
September 7, 2021	Version 3.02	Updated with most current financial information