

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

<p>WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, Respondent.</p>	<p>DOCKETS UE-190529 and UG-190530 <i>(consolidated)</i> ORDER 12</p>
<p>In the Matter of the Petition of PUGET SOUND ENERGY For an Order Authorizing Deferral Accounting and Ratemaking Treatment for Short-life IT/Technology Investment</p>	<p>DOCKETS UE-190274 and UG-190275 <i>(consolidated)</i> ORDER 09</p>
<p>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</p>	<p>DOCKETS UE-171225 and UG-171226 <i>(consolidated)</i> ORDER 07</p>
<p>In the Matter of the Petition of PUGET SOUND ENERGY For an Order Authorizing the Accounting treatment of Costs of Liquidated Damages</p>	<p>DOCKETS UE-190991 and UG-190992 <i>(consolidated)</i> ORDER 07 ACCEPTING ELECTRIC COMPLIANCE FILING; AMENDING ORDER 10/07/05</p>

BACKGROUND

- 1 On July 8, 2020, the Washington Utilities and Transportation Commission (Commission) entered its Final Order in the above-captioned dockets. The Final Order resolved all the contested issues in Puget Sound Energy's (PSE or Company) general rate case and required PSE to file revised tariff pages consistent with the Commission's decisions contained therein.
- 2 On July 20, 2020, PSE filed a Motion to Extend Compliance Filing Deadline and a Motion for Clarification. The Commission subsequently entered Order 09, which extended PSE's compliance filing deadline until 10 business days after the Commission entered its order resolving the Company's Motion for Clarification.
- 3 On July 31, 2020, the Commission entered Order 10 Granting Motion for Clarification (Order 10). Order 10 clarified several of the Commission's decisions, denied PSE's requests to make certain updates, modified language in the Final Order for clarity, and modified the final revenue requirement to correct protected plus excess deferred income tax reversal amounts reflected in the Company's electric and natural gas federal income tax adjustments.
- 4 On August 6, 2020, PSE filed a Petition for Judicial Review of the Commission's Final Orders in King County Superior Court, which was accompanied by a Motion to Stay portions of the Final Orders.
- 5 On August 7, 2020, PSE filed with the Commission a second Motion to Extend Compliance Filing Deadline requesting the Commission extend the time for the Company to submit its compliance filing pending resolution of its Motion to Stay.
- 6 On August 10, 2020, the Commission entered Order 11 Granting Motion for Extension, which required PSE to submit its compliance filing within 10 business days of the date that King County Superior Court issued its final ruling on PSE's Motion to Stay.
- 7 On September 14, 2020, a King County Superior Court judge denied PSE's Motion to Stay.
- 8 On September 23, 2020, PSE made its electric and natural gas compliance filing in these consolidated dockets.
- 9 On September 30, 2020, Commission staff (Staff) filed a letter recommending the Commission approve PSE's natural gas compliance filing and reject the Company's

proposed power cost baseline in its electric compliance filing. Staff explains that PSE's power cost baseline reflected in its compliance filing makes two adjustments to the power costs identified in Appendix A to Order 10. First, PSE normalizes test year load using a production factor that incorporates the temperature normalization adjustment approved in the Final Order, which results in a \$1.2 million increase to the power cost baseline. Second, PSE applies a missing production factor calculation to other power cost changes in the Final Order, which increases the power cost baseline by approximately \$900,000. Staff provides the following evaluation of these adjustments:

[W]hile Staff believes there is merit to using the production factor PSE used for calculating the power cost baseline, PSE's use of that production factor is inconsistent with the Commission's decision on the matter, as clarified in paragraph 37 of Order 10. In Order 10, the Commission stated: "To clarify, the Commission did not include in its calculation PSE's unsolicited update to its production factor..." The production factor PSE uses in its filing affects PSE's proposed power cost baseline, Exhibit A-1, filed with the compliance tariff sheets.¹

- 10 Accordingly, Staff recommended the Commission reject PSE's proposed power costs baseline and require the Company to revise its compliance filing consistent with the Commission's decision in Order 10.
- 11 On September 30, 2020, the Commission issued a Notice Accepting Natural Gas Compliance Filing and Notice of Opportunity to Respond to Commission Staff's Dispute Related to Electric Compliance Filing.
- 12 On October 5, 2020, PSE filed a response to Staff's dispute (Compliance Response). PSE acknowledges that its compliance filing does not technically comply with Order 10 but argues that using the ordered production factor will result in "inconsistent ancillary impacts."² In order for the production factor to function appropriately, PSE argues that it must use the same normalized test year load used in rate spread and rate design. The Commission's decision to change the temperature normalization adjustment resulted in an update to the normalized test year load, which, PSE contends, necessarily changes the production factor. PSE argues that the production factor will not have the appropriate

¹ Staff Letter, p. 5 (internal citations omitted).

² PSE Compliance Response, p. 2.

impact if it uses a different normalized test year load than is used in rate spread and rate design.

- 13 PSE explains that it produced an updated production factor in response to Bench Request No. 11, Section A.i.3, as reflected in the workpapers PSE provided with its response. PSE offered the following explanation related to the updated production factor:

PSE was not able to recalculate the Commission's determination of power costs in Final Order No. 08 and requested clarification of how it was calculated. Because PSE was unable to determine how the power costs in Order No. 08 were calculated and the change to the production factor was not referenced in Order 08, PSE was unaware that the Commission had used a production factor that had not been updated for the temperature normalization change in Bench Request No. 11. Therefore, PSE did not raise its concerns with using different normalized test year loads for the production factor than used to develop rates in its Motion for Clarification. It was not until the Commission issued [Order 10] that PSE understood this to be part of the unreconciled difference. While PSE initially tried to work with these different normalized test year loads in its compliance filing, it became apparent that doing so would have unintended negative impacts....³

- 14 PSE argues that, absent the ability to update the production factor, the Company's authorized rates will not be sufficient to recover the allowed rate year power costs. PSE also contends that using an inconsistent normalized load to develop the Company's Power Cost Adjustment Mechanism baseline rate would result in an artificial overcollection of power costs, an inaccurate surplus/deficiency in the Company's next Power Cost Only Rate Case, and an artificially high energy charge credit for Schedule 139 customers.
- 15 Finally, PSE requests the Commission confirm that the Company has complied with the requirement in the Final Orders to file a report containing the Colstrip 1 and 2 regulatory asset balance (Colstrip Report).

³ *Id.*, p. 4 (internal citations omitted).

DISCUSSION AND DECISION

- 16 We approve PSE's electric compliance filing and supplement the guidance we provided in Order 10 to further clarify the Commission's expectations going forward.
- 17 Section A of Bench Request No. 11 (BR-11) required PSE to file updated revenue requirement exhibits to incorporate PSE's adoption of Staff's recommended Temperature Normalization Adjustment. BR-11 further instructed PSE to provide supporting exhibits or work papers referenced in the revenue requirement exhibits. BR-11 was issued concurrently with Bench Request Nos. 12, 13, and 14 (BRs 11-14).
- 18 PSE's response to BRs 11-14 included less than three pages of narrative explanation and 171 electronic files. PSE's narrative response to BR-11, Section A, consisted of only a chart listing the impacts of the requested changes on the Company's proposed revenue requirement. The dollar amounts in line 5 are described as the "Impact on power costs for change in production factor for Line 4." Line 4 identifies the revenue impacts of adopting Staff's "Revenue & Expense" and "Temperature Normalization" adjustments. Absent any explanation establishing a relationship between the unsolicited update to power costs and Staff's adjustments, PSE's update to the production factor appeared, on its face, to exceed the scope of BR-11. Accordingly, the Commission disregarded it.
- 19 PSE's response to BR-11 also failed to identify both the updated production factor and the locations of the various inputs required to calculate it. As noted in its Compliance Response, calculating the production factor based on the voluminous information produced in response to BR-11 would have required locating the revised test year load in an updated exhibit, calculating the Temperature Normalization adjustment by subtracting one cell from another, then using those numbers to calculate an updated production factor. It is neither reasonable nor appropriate for PSE to expect the Commission to distill this information from 171 electronic files with no instructions to locate the necessary inputs, to perform the calculation for the Company, and then to relate that result back to the Temperature Normalization adjustment. As we discussed in Order 10, PSE alone bears the burden of proving that a requested rate increase is just and reasonable. It is thus PSE's responsibility to provide clear, complete and thorough responses to any bench requests the Commission issues if the Company expects the Commission to rely on those responses when making its decisions.
- 20 By way of guidance, we note that PSE's explanation regarding the production factor update provided in its Compliance Response is an excellent example of what PSE should have provided in response to BR-11. If the Company had given such an explanation at

that juncture, the Commission would have accepted and incorporated the updated production factor into its power costs calculation, saving the Commission, Staff, and the Company significant time and resources. The Commission is adamant that in the future, PSE must ensure its narrative responses to bench requests are thorough and concise, and that they clearly explain the justification for any associated and necessary updates that may otherwise appear to be unsolicited or unresponsive.

21 Despite our dissatisfaction with the Company's actions, we approve its electric compliance filing. We agree with Staff that PSE's update to its production factor has merit. PSE demonstrated in its Compliance Response that rejecting the update would produce insufficient revenues resulting from the use of inconsistent loads in the production factor and rate spread/rate design, and would artificially inflate power costs. PSE correctly observes that using the same load for its production factor and rate spread/rate design is consistent with its past practice and produces the most reasonable outcome for the Company and its ratepayers.

22 To effect this change, we modify paragraph 37 of Order 10 as follows:

PSE requests the Commission clarify how it derived the net change to the NOI for the contested pro forma power costs adjustment 7.01 between Appendix A to the Final Order and PSE's response to BR-11. PSE is correct that pro forma adjustment 7.01 in Appendix A contains a calculation error that did not flow the change through tax expense. Revised Appendix A, attached to this Order, corrects this adjustment. ~~To clarify, the Commission did not include in its calculation PSE's unsolicited update to its production factor because it was not responsive to BR-11. The Commission only sought to update PSE's proposed pro forma capital addition adjustments through December 31, 2019, to address regulatory lag.~~

23 We are, however, concerned with footnote 6 in PSE's Compliance Response, which states: "In the future, when such an issue arises, if the time for seeking further clarification has passed, PSE will explain the adjustment more thoroughly in the compliance filing cover letter as PSE did in this case with the removal of test year AMI rate base." As we held in Order 10, PSE may not perfect its filing after the record is closed. We view the changes to the Final Order made in Order 10 and this Order as an unfortunate but necessary outcome caused by insufficiencies in the record that PSE created. We expect not to see this situation repeated. The Company must ensure that, going forward, it produces accurate, precise, and thorough information at the appropriate stages of any proceeding.

24 Finally, we find that PSE's Colstrip Report complies with the requirements in the Final Order and Order 10.

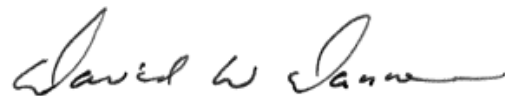
ORDER

THE COMMISSION ORDERS THAT:

- (1) The Commission approves Puget Sound Energy's compliance filing for electric service.
- (2) The tariff revisions Puget Sound Energy filed in these consolidated dockets on September 23, 2020, will become effective on October 15, 2020.
- (3) Order 10/07/05 is modified as described in paragraph 22 of this Order.
- (4) The Commission retains jurisdiction over the subject matters and parties to this proceeding to effectuate the terms of this Order.

DATED at Lacey, Washington, and effective October 14, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



DAVID W. DANNER, Chairman



ANN E. RENDAHL, Commissioner



JAY M. BALASBAS, Commissioner