

Docket No. UE-200980 - Vol. III

WUTC v. Puget Sound Energy

April 22, 2021



206.287.9066 | 800.846.6989

1325 Fourth Avenue, Suite 1840, Seattle, Washington 98101

www.buellrealtime.com

email: info@buellrealtime.com



BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of:)
)
Washington Utilities and)
Transportation)
Commission) No. UE-200980
)
 Plaintiff,)
)
vs.)
)
Puget Sound Energy,)
)
 Defendant.)

SETTLEMENT HEARING
MICHAEL HOWARD, ADMINISTRATIVE LAW JUDGE
VOLUME III

April 22, 2021
Pages 51 through 108
Held at:

Washington Utilities and Transportation Commission

621 Woodland Square Loop Southeast

Lacey, Washington

REPORTED BY: Charae Kent, CCR, RPR
 License No. 2408

1 APPEARANCES BY VIDEOCONFERENCE

2 ADMINISTRATIVE LAW JUDGE:

3 MICHAEL HOWARD
4 Utilities & Transportation Commission
5 621 Woodland Square Loop S.E.
6 Lacey, WA 98503
7 360.664.1160
8 Michael.Howard@utc.wa.gov

9 FOR COMMISSION STAFF:

10 Joe Dallas
11 Assistant Attorney General
12 P.O. Box 47250
13 Olympia, WA 98504
14 360.664.1192

15 FOR THE COMPANY:

16 Sheree Strom Carson
17 Perkins Coie, LLP
18 10885 N.E. Fourth Street, Suite 700
19 Bellevue, WA 98004-5579
20 425.635.1400
21 SCarson@PerkinsCoie.com

22 FOR PUGET SOUND ENERGY:

23 Jon Piliaris
24 Puget Sound Energy (EO12)
25 PO Box 97034 PSE-08N
Bellevue, WA 98009-9734
425.456.2142
Jon.Piliaris@pse.com

FOR THE INTERVENOR/THE ENERGY PROJECT:

Simon Ffitch
Simon Ffitch Attorney at Law
321 High School Road, NE, Suite D3 #383
Bainbridge Island, WA 98110
206.669.8197
Simon@ffitchlaw.com

24
25

1 APPEARANCES BY VIDEOCONFERENCE CONTINUED:

2 FOR THE PETITIONER/ALLIANCE OF WESTERN ENERGY CONSUMERS:

3 Brent Coleman
4 Alliance of Western Energy Consumers
5 1750 SW Harbor Way, Suite 450
6 Portland, OR 97201
7 503.241.7242
8 Blc@dvclaw.com

9 FOR PUBLIC COUNSEL:

10 Lisa Gafken
11 Office of the Attorney General
12 800 Fifth Avenue, Suite 2000
13 Seattle, WA 98104-3188
14 206.464.6595
15 Lisa.Gafken@atg.wa.gov

16 ALSO PRESENT:

17 Chairman Dave Danner
18 Commissioner Ann Randall
19 Commissioner Jay Balasbas
20
21 Susan Free (By telephone)
22 Jing Liu
23 William Einstein
24 Lance Kaufman
25 Jon Piliaris
Stephanie Chase

1 I N D E X
2 Washington Utilities and Transportation Commission vs.
3 Puget Sound Energy
4 No. UE-200980 Volume III
5 April 22, 2021

6 E X H I B I T S

7 PUGET SOUND ENERGY

8 KSJ-1T Direct Testimony of Kenneth S. Johnson (15 pgs)
9 KSJ-2 Professional Qualifications of
10 Kenneth S. Johnson

11 CROSS-EXAMINATION EXHIBITS

12 SEF-1T Direct Testimony of Susan E. Free (43 pages)
13 SEF-2 Professional Qualifications
14 SEF-3 Order 11 in UE-130617 Adopting and Attaching
15 The 2015 PCA Settlement
16 SEF-4 Deficiency Calculation
17 SEF-5 Summary and Detail of Adjustments
18 SEF-6 Exhibit A-1 Power Cost Baseline Rate
19 SEF-7 Power Cost Baseline Rate Comparison
20 SEF-8 Overview of the Use of a Production Factor
21 SEF-9 Accounting & Reporting for the Voluntary Long
22 Term Renewable Energy Purchase
23 SEF-10 CAISO Energy Unbalance Market Costs to Include
24 in PSE's PCA Mechanism
25 SEF-11 Earnings Analysis
26 SEF-12C PSE Response to Informal Discovery Regarding
27 Financial Metrics and Expected PCA
28 Under-Recoveries
29 SEF-13T Supplemental Direct Testimony (8 pages)

1 EXHIBITS CONTINUED

- 2 SEF-14 Updated Revenue (Surplus) Deficiency 2020
PCORC Compared to 2019 GRC
- 3
- 4 SEF-15 Updated Summary & Detail of Adjustments
- 5
- 6 SEF-16 Updated Exhibit A-1 Power Cost Baseline Rate
2020 PCORC
- 7
- 8 SEF-17 Updated Power Cost Baseline Rate Comparison
2020 Power cost-only rate Case Original
Filing vs. 2019 GRC
- 9
- 10 PSE-1JT Joint Testimony in support of Settlement
Agreement (17 pages)

11 CROSS-EXAMINATION EXHIBITS

- 12 BDJ-1T Direct Testimony (14 pages)
- 13
- 14 BDJ-2 Professional Qualifications of Birud D. Jhaveri
- 15
- 16 BDJ-3 Temperature Adjustment
- 17
- 18 BDJ-4 Production Factor
- 19
- 20 BDJ-5 Schedule 139 Green Direct Demand Portion of
Power Costs in PCA Baseline Rate
- 21
- 22 BDJ-6 Calculation of Schedule 95 Rates
- 23
- 24 BDJ-7 Schedule 142 Decoupling Mechanism Fixed Power
Cost Allowed Revenue & Revenue per Unit Rates
- 25
- 26 BDJ-8 Rate Impacts

27 CROSS-EXAMINATION EXHIBITS

- 28 WTE-1CT Direct Testimony (17 pages)
- 29
- 30 WTE-2 Professional Qualifications of William Einstein
- 31
- 32 WTE-3C Skookumchuck Amended & Restated
Power Purchase Agreement
- 33
- 34 WTE-4C Lund Hill Amended Power Purchase Agreement
- 35
- 36 WTE-5 2017 Request for Proposal for Renewable Energy

1 EXHIBITS CONTINUED

2 WTE-6 2015 Request for Information for Renewable
Energy

3 WTE-7HC RFI Submission Results

4 WTE-8HC RFP Submission Results

5 WTE-9HC Green Direct EMC Presentations

6 WTE-10C Power Purchase Agreement Approval Memoranda

7 CROSS-EXAMINATION EXHIBITS

8 CLS-1HCT Direct Testimony of Cindy L. Song (81 pages)

9 CLS-2 Professional Qualifications of Cindy Song

10 CLS-3 2017 IRP Document

11 CLS-4 2018 All Resources RFP Document

12 CLS-5HC 2018 All Resources RFP Eval. Process Document

13 CLS-6HC Presentations made to PSE's Energy Management
14 Committee Subsequent to Phase 2 of the 2018
All Resources RFP

15 CLS-7HC Presentations Made to PSE's Board of Directors
16 Subsequent to Phase 2 of the 2018 All
Resources RFP

17 CLS-8 PSE'S Revised 2019 IRP Progress Report

18 CLS-9C SPI Biomass PPA (Project ID#18100)

19 CLS-10C BPA Peak Capacity Product (Project ID#18161)

20 CLS-11 WSPP Master Agreement

21 CLS-12C MSCG System PPA (Project ID#UP006)

22 CLS-13C Golden Hills Shaped Wind PPA

23 CLS-14C Golden Hills Interim Capacity PPA

24
25

1	CROSS-EXAMINATION EXHIBITS
2	PKW-1CT Direct Testimony of Paul K. Wetherbee
3	PKW-2 Professional Qualifications of Paul Wetherbee
4	PKW-3C Summary of PSE's Proposed Power Costs in Comparison with Power Costs in the 2019 GRC Final Order
5	
6	PKW-4C Memo Summarizing Analysis & Decision to Enter Energy Keepers Power Purchase Agreement
7	
8	PKW-5C EMC Slides Presenting Energy Keepers Proposal and Recommendation to Submit Offer
9	PKW-6 EMC Slides for Renewal of 23 MW BPA Transmission Contract from Mid-C
10	
11	PKW-7C C Slides for Renewal of 100 MW BPA Transmission, Contract from Centralia & 94 MW BPA Transmission, Contract from Garrison, MT
12	
13	PKW-8C Memo Summarizing Analysis and Decision to Acquire 50 MW BPA Contract for Transmission From Garrison, MT
14	
15	PKW-9C EMC Slids for New 50 MW BPA Transmission Contract from Garrison, MT
16	PKW-10 EMC Slids for new 75 MW BPA Transmission Contract from Lower Snake River Beginning in 2024
17	
18	PKW-11C Summary to Rate-Year Power Costs by Resource
19	PKW-12C Monthly Detail of Costs & Energy Produced by Aurora
20	
21	PKW-13C Summary of the Rate Year Costs Not in Aurora
22	PKW-14C Rate Year Resources Input Summary
23	PKW-15C Gas Mark-to-Model and Open Transport Value
24	PKW-16C Monthly Market Gas & Power Prices
25	PKW-17C Fixed Gas-for-Power Transportation Costs

1	EXHIBITS CONTINUED
2	PKW-18C Calculation of Rte Year Day-Ahead Wind Integration Costs
3	
4	PKW-19C Transmission Contract Costs
5	PKW-20C Contract Costs of Mid-C Hydro Resources
6	PKW-21C Distillate Fuel Incremental Costs
7	PKW-22C Adjustment to Remove None-Fuel Costs that are Included in Aurora's Peaker Start Costs
8	PKW-23C Colstrip Units 3&4 Fixed Fuel Costs
9	PKW-24 Other Power Costs Chargeable to FERC Acct. 557
10	PKW-25CT Supplemental Direct Testimony (9 pages)
11	PKW-26C Rate Year Power Costs - Supplemental Filing
12	PKW-27C Rate Year Power Costs by Resource - Supplemental Filing
13	
14	PKW-28C Aurora Costs and Energy Outputs - Supplemental
15	PKW-29C Power Costs Not in Aurora - Supplemental Filing
16	PKW-30C Market Energy Proces - Supplemental Filing
17	PKW-31C Gas Mark to Model & Open Transport Value - Supplemental Filing
18	PKW-32C Rate Year Transmission Costs - Supplemental
19	PKW-33C Mid Columbia Contracts Costs - Supplemental
20	PKW-34C Fixed Gas for Power Transportation Costs - Supplemental Filing
21	
22	PKW-35C Day Ahead Wind Integration Costs - Supplemental
23	PKW-36C Distallate Fuel Incremental Costs - Supplemental Filing
24	PKW-37C Adjustment for Non-Fuel Costs Included in Peaker Start Costs - Supplemental Filing
25	

1 EXHIBITS CONTINUED

2 CROSS-EXAMINATION EXHIBITS

3 RJR-1CT Direct Testimony of Robert J. Roberts (27 pgs.)

4 RJR-2 Professional Qualifications

5 RJR-3 Colstrip Units 3 and 4, Ownership & Operations
Agreement

6 RJR-4C Coal Supply Agreement dated as of 12/5/2019

7 RJR-5C Presentation to the PSE Energy Management
8 Committee, 7/23/2019 re: Development of Coal
Supply Contract Negotiations

9 RJR-6C Presentation to the PSE Energy Management
10 Committee, 8/29/2019, regarding the Coal Supply
Agreement

11 RJR-7C Summary of PSE's Analysis of the Alternate
12 Agreement Between Westmoreland & Talen, MT

13 RJR-8 Summary of Test Year Production O&M Expense

14 RJR-9 Summary of Rate Year Production O&M Expenses

15 RJR-10 Summary of the Adjustments to Test Year
16 Production O&M Expense in Calculating the Rate
Year Production O&M Expense

17 RJR-11C Comparison of Major Maintenance of O&M Expense

18 RJR-12 Comparison of Hydroelectric Production

19 RJR-13C Comparison of Wind Production O&M Expense

20

21

22

23

24

25

1 CROSS-EXAMINATION EXHIBITS

2 COMMISSION REGULATORY STAFF

JL-1T Testimony of Jing Liu (27 pages)

3

PUBLIC COUNSEL

4 SKC-1T Testimony of Stephanie K. Chase (5 pages)

5 ALLIANCE OF WESTERN ENERGY CONSUMERS

LDK-1T Testimony of Lance D. Kaufman (5 pages)

6 LDK-2 Curriculum Vitae

7

THE ENERGY PROJECT

8 SMC-1T Testimony of Shawn M. Collins (6 pages)

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 BE IT REMEMBERED that on Thursday, April 22, 2021,
2 at 12:00 p.m. the videoconference Zoom settlement hearing
3 was taken before ChaRae Kent, Certified Court Reporter and
4 Registered Professional Reporter. The following
5 proceedings took place:

6

7 P R O C E E D I N G S

8 JUDGE HOWARD: Today is Thursday, April 22nd at 12
9 noon. We're here today for a settlement hearing in Docket
10 UE-200980 which is captioned: Washington Utilities and
11 Transportation Commission versus Puget Sound Energy. My
12 name is Michael Howard. I'm an administrative law judge
13 with the commission. I'm joined today by Chair Dave
14 Danner, Commissioner Ann Randall, and Commissioner Jay
15 Balasbas.

16 Let's start by taking short appearances beginning
17 with the company.

18 MS. CARSON: Good morning, Your Honor. I'm Sheree
19 Strom Carson with Perkins Coie, representing Puget Sound
20 Energy.

21 JUDGE HOWARD: Thank you. Could we have an
22 appearance for staff.

23 MR. DALLAS: Good morning, Your Honor. This is Joe
24 Dallas, Assistant Attorney General on behalf of commission
25 staff.

1 JUDGE HOWARD: And public counsel.

2 MS. GAFKEN: Good afternoon. This is Lisa Gafken,
3 Assistant Attorney General appearing on behalf of public
4 counsel.

5 JUDGE HOWARD: And could we have an appearance for
6 the Energy Project.

7 MR. FFITCH: Good afternoon, Your Honor. Simon
8 Ffitch appearing on behalf of the Energy Project.

9 JUDGE HOWARD: Thank you.

10 So on the issue of the evidence and testimony
11 submitted so far, are the parties willing to stipulate to
12 the admission of all the pre-filed exhibits and testimony
13 up to and including the settlement testimony and exhibits?

14 MR. COLEMAN: Your Honor, I apologize, if I may.
15 Brent Coleman here, I would like to make an appearance on
16 behalf of the Alliance of Western Energy Consumers. I was
17 a little late joining in on the pre-meeting discussion,
18 so.

19 JUDGE HOWARD: I'm sorry, Mr. Coleman. Did I skip
20 you in my run down there? I apologize. Thank you for
21 bringing that up.

22 MR. COLEMAN: Thank you, Your Honor.

23 JUDGE HOWARD: All right. So on the issue of the
24 evidence, are the parties willing to stipulate to the
25 admission of all the pre-filed exhibits and testimony

1 including the settlement and testimony and exhibits? I
2 would turn first to the company.

3 MS. CARSON: PSE has no objection and would like to
4 see those exhibits and testimony stipulated into the
5 record.

6 JUDGE HOWARD: And staff.

7 MR. DALLAS: Staff has no objection.

8 JUDGE HOWARD: Public council.

9 MS. GAFKEN: Public counsel has no objection and
10 would also stipulate to the admission of all the testimony
11 and exhibits.

12 JUDGE HOWARD: All right. And AWEC.

13 MR. COLEMAN: AWEC has no objection and would
14 stipulate. Thank you, Your Honor.

15 JUDGE HOWARD: And could we get The Energy Project's
16 position.

17 MR. FFITCH: Energy Project has no objection and
18 agrees to stipulation of the exhibits.

19 JUDGE HOWARD: Thank you, all. Then all the
20 pre-filed exhibits and testimony are admitted and I'll
21 provide a copy of the exhibit list to the court reporter
22 so it can be made part of the record.

23 (All pre-filed exhibits and testimony are admitted.)

24 JUDGE HOWARD: Next we will turn to opening
25 statements and we will be allowing the parties an

1 opportunity to make an opening statement in support of the
2 settlement. I would turn first to Puget Sound Energy.

3 MS. CARSON: Thank you, Judge Howard, Chair Danner,
4 Commissioner Randall, and Commissioner Balasbas.

5 Thank you for the opportunity to present this
6 settlement agreement for PSE's power cost only-rate case.

7 This settlement is a full multi-party settlement. It
8 is not opposed by any party, although public counsel has
9 not joined in the settlement and the settlement is a
10 carefully negotiated package. It reflects give and take
11 from all parties and we ask that the commission approve
12 the settlement without conditions.

13 PSE filed this power cost-only rate case back in
14 December in a manner consistent with past PCORCs. In
15 recognition of the fact that PCORCs are to be expedited
16 rate proceedings with the decision issued in six months,
17 PSE held a technical conference in January. The technical
18 conference parties had the opportunity to ask questions
19 and PSE walked through its testimony, exhibits, and work
20 papers. The parties engaged in discovery and in March,
21 the parties participated in a settlement conference.
22 Shortly before responsive testimony was due, the settling
23 parties reached a settlement in principal. That's not
24 been formalized and that's now what we present to the
25 commission today.

1 The commission has said that it favors settlements if
2 they are lawful and consistent with the public interest.
3 That is the case here and I'm going to point to a few
4 aspects of the settlement that demonstrate that.

5 First, this settlement, like all power cost-only rate
6 cases, allows for the power cost baseline rate to be reset
7 to more accurately reflect the power cost and load that
8 will be in affect during the rate year. This is important
9 because it mitigates the risk of surcharges in the future.

10 Second and relatedly, this PCORC, like all other
11 PCORCs, allows new resources, PPAs, transmission
12 contracts, to go into rates and be determined to be
13 prudent. No party objects to the prudence of the
14 resources that PSE has presented in the case and PSE has
15 provided substantial testimony and evidence supporting the
16 prudence. We respectfully ask that the commission approve
17 the prudence of these resources.

18 These power purchase agreements and transmission
19 contracts are important because they address the capacity
20 shortfall that's resulted from the closure of cold strip
21 units 1 and 2 and they also bring in new renewable energy
22 into PSE's portfolio consistent with statutory mandates.

23 Third, the settlement is in the public interest
24 because it increases the low-income assistance. It
25 increases it to double the base rate of the residential

1 customer increase in this case.

2 Fourth, this settlement addresses some issues that
3 the parties have grappled with for quite a while and one
4 of these is the green direct program. The settlement
5 provides for a compromise in this case on the energy
6 credit for green direct customers. But parties also
7 recognize that there's more work to do on this and so it
8 allows for a collaborative process to set up a durable
9 consistent method for calculating the green direct credit
10 in the future; and all stakeholders will be able to
11 participate in this.

12 And finally, it's important to recognize that this
13 settlement represents a significant compromise for PSE on
14 the revenue request that it made in its filing. The
15 settlement is approximately \$23 million less than the
16 revenue that PSE filed for and projected that would be
17 needed to serve customers with the power in the rate year.

18 For these reasons, we respectfully request that the
19 commission approve the settlement as filed, without
20 conditions. Again, it's carefully negotiated, it
21 represents the interests of PSE, its residential
22 customers, its low-income customers, its commercial and
23 industrial customers.

24 We thank you for the opportunity to present the
25 settlement. PSE has made available three witnesses for

1 the commission's questioning; Susan Free, Jon Piliaris,
2 and William Einstein. Thank you.

3 JUDGE HOWARD: Thank you, Ms. Carson. I would now
4 turn to staff for their opening statement.

5 MR. DALLAS: Good afternoon, commissioners. As you
6 know, a full multi-party settlement was filed for this
7 docket on April 2nd. No party to this proceeding has
8 stated any opposition to the settlement, although public
9 counsel did not join the settlement. Pursuant to WAC
10 480-07-740, staff believes that this settlement is
11 consistent with law and the public interest and therefore
12 requests that the commission approve the settlement.

13 I will briefly discuss some of the terms within the
14 settlement that are important to staff, but try not to
15 reiterate the points PSE just made.

16 First, this settlement recognizes that PSE has
17 incurred increases to its power cost in the form of new
18 and renewed PPAs, increased transmission cost, increased
19 gas pipeline cost, and increased variable fuel cost.
20 However, this settlement significantly reduces PSE's
21 requested revenue deficiency from \$87 million to
22 \$65.3 million, subject to a power cost update.

23 Nevertheless this rate increase will be mitigated to
24 PSE's most vulnerable rate payers as the help program will
25 be receiving twice the percentage increase as the increase

1 to residential customers base rates. Staff believes the
2 proposed revenue deficiency in this settlement will result
3 in just, fair, reasonable, and sufficient rates given
4 PSE's increased power cost since its last GRC.

5 Second, this settlement provides that for the first
6 time, PSE rate payers will receive the direct net benefit
7 of PSE's participation in the EIM. Rate payers will no
8 longer receive these benefits indirectly from the PCA
9 mechanism and which these benefits must run through the
10 dead and sharing bands. This results in a direct
11 \$4.4 million benefit to PSE's rate payers. This
12 settlement further provides for a collaborative where
13 interested parties may come up with an agreed to
14 methodology to quantify the net benefits of EIM for future
15 proceedings and this is important so PSE rate payers can
16 continue to receive these direct benefits in the future.

17 Third, this settlement also eliminates any cost it's
18 shifting, while helps eliminate any cost shifting between
19 green direct customers and PSE's rate payers pursuant to
20 the requirements of RCW 19.29.090 and Order 8 and Docket
21 UE-190530. This is accomplished by doing two things:
22 First, for the purpose of rate calculation, this
23 settlement includes green direct load, but not the cost of
24 the green direct PPAs. Because fixed costs are spread
25 across load, this ensures that green direct customers are

1 paying their proportional share of PSE's fixed cost.

2 Second, the energy credit is adjusted from 75 percent
3 of the total power cost rate to a 100 percent of the
4 variable cost rate. Staff believe that this adjustment
5 closely reflects the actual avoided cost of green direct
6 customers having their own dedicated PPAs. However, this
7 settlement provides that after this proceeding, there will
8 be a collaborative where all interested parties are
9 invited to determine if this adjustment needs to be
10 changed again to reduce all cost shifting to comply with
11 this rate-making principal.

12 Lastly, this settlement also provides for reasonable
13 outcomes on the colstrip O&M expenses, increase to BPA
14 transmission rate, and also establishes another
15 collaborative directed at PSE's intracompany gas
16 transactions.

17 In conclusion, staff believe that this settlement
18 meets the applicable legal standards within WAC 480-07-740
19 because it results in fair rates given PSE's increased
20 cost, effectuates the commission's guidance on green
21 direct within PSE's last GRC, and sets up three separate
22 collaboratives to tackle complicated and important issues
23 that the commission will have to address in future
24 proceedings. Therefore, staff recommends that the
25 commission approve the settlement. And today we do have

1 Jing Liu available as a witness for any questions from the
2 bench. Thank you.

3 JUDGE HOWARD: Thank you. I will now turn to
4 Ms. Gafken if public counsel would like to provide an
5 opening statement.

6 MS. GAFKEN: Yes, thank you, Judge Howard, Chair
7 Danner, Commissioner Randall, and Commissioner Balasbas.

8 Public counsel is not a settling party in this case.
9 We are neutral on the settlement under consideration
10 today. We will not be providing a recommendation to the
11 commission regarding whether to accept or reject the
12 settlement. This means that public counsel is not
13 actively supporting the settlement. However, in this
14 case, we are also expressly not opposing the settlement.
15 The adjustments made in the settlement, from my
16 perspective, correct the filing and fairly reflect Puget
17 Sound Energy's power costs. The increased power cost
18 though will have a significant impact on customer bills.
19 As we heard this week -- heard earlier this week at the
20 public comment hearing, customers are sensitive to rate
21 increases, especially during the pandemic. There are
22 settlement terms that we view as particularly reasonable,
23 which public counsel witness, Stephanie Chase, highlights
24 in her testimony. Very briefly, those terms include the
25 green direct terms, inclusion of the energy and balance

1 market benefits, exclusion of the smart berm costs, and
2 increasing low income assistance funding in the event that
3 this case results in higher rates.

4 Additionally, the settlement calls for two work
5 groups, one on hedging and one on the EIM cost and
6 benefits. If those work groups take place, public counsel
7 will participate because the issues contemplated by each
8 of those groups are very important.

9 I want to take a moment to express my gratitude. I
10 want to commend the parties in the discussions and
11 engagement in this case. Collectively, we worked really
12 hard during the negotiation process. I want to also
13 extend any compliments, specifically to Mr. Dallas, for
14 commission staff who took an active role in effectively
15 managing the process.

16 To wrap up my comments here, Ms. Chase is here this
17 afternoon as public counsel's witness addressing the
18 settlement and will be available for any of your
19 questions. Thank you.

20 JUDGE HOWARD: All right. With that, I would turn to
21 Mr. Coleman for any opening statement from AWEC.

22 MR. COLEMAN: Thank you, Your Honor, and good
23 afternoon, Mr. Chairman and commissioners.

24 On behalf of the AWEC, I won't reiterate the legal
25 and regulatory standards addressed by PSE and staff, but

1 AWEC agrees that this settlement is in the public
2 interest. There were four main areas of focus for AWEC in
3 its participation in this matter and we believe that the
4 terms of the settlement agreement address and resolve
5 those concerns in the manner that is -- that supports
6 public interest. Specifically, we feel like there is a --
7 the settlement has arrived at a fair balance of the cost
8 associated with the transmission services provided by
9 Bonneville Power Administration.

10 We also believe that given the maturity of the energy
11 imbalance market, the costs and benefits are more
12 appropriately addressed and we appreciate the efforts that
13 were gone over were put forward by the parties to reflect
14 the benefits and the cost associated with the
15 participation in the EIM.

16 We also agree, as mentioned by Ms. Gafken, with
17 respect to the treatment of the smart berm costs in its
18 consistency with the commission's prior decisions; and
19 finally, as mentioned in AWEC's settlement testimony and
20 referenced in the settlement agreement, AWEC submits that
21 there is an ongoing question regarding the continued
22 necessity of the PCORC framework and its application by
23 Puget Energy and we appreciate the efforts and support the
24 compromise and the resolution that's presented in this
25 matter to be able to address the needs and potential --

1 PCORC moving forward.

2 JUDGE HOWARD: Sorry, Mr. Coleman, the court reporter
3 is indicating there is an issue.

4 MR. COLEMAN: I'll do my best to maybe start a new
5 sentence.

6 We appreciate the efforts of all the parties, and the
7 company in particular, to address and evaluate the need of
8 the PCORC on a going forward basis in the future
9 proceeding. Accordingly, we do recommend to the
10 commission that the settlement agreement be adopted
11 without further modification. I apologize, if you can
12 bear with me for just one moment. I missed one point on
13 my thoughts.

14 As mentioned in the settlement agreement, AWEC takes
15 no position with respect to the prudence of the PPAs and
16 other investments that are discussed -- that were
17 discussed by counsel for the company. Thank you.

18 JUDGE HOWARD: MR. FFITCH, would you like to provide
19 an opening statement for the Energy Project?

20 MR. FFITCH: Yes. Thank you, Your Honor. Good
21 morning Chairman Danner, Commissioners Randall and
22 Balasbas. I'm Simon Ffitch appearing on behalf of the
23 Energy Project. The Energy Project appreciates the
24 commission's accommodation in excusing Energy Project
25 Director, Shawn Collins, from the hearing today.

1 For the reasons stated in Mr. Collins' testimony,
2 Energy Project supports the settlement stipulation. The
3 settlement specifically addresses the significant level of
4 need for bill assistance among Puget Sound Energy's low
5 income customers. This level of need is based on both the
6 economic consequences of COVID-19 and the ongoing need to
7 broaden the reach of assistance to more of PSE's low
8 income customers. The Energy Project particularly
9 appreciates Puget's recognition of this by their inclusion
10 in their initial filing of a proposal for increased
11 funding for their home energy lifeline program, the help
12 program.

13 In negotiation, the parties were able to develop an
14 agreed formula for the increase consistent with the
15 formula that was used in the last Puget Sound Energy
16 general rate case; and this results in a settlement
17 specifically providing for an increase of approximately
18 \$1.2 million in help funding for electrical customers --
19 electricity customers and that would take affect for the
20 heating season that begins this coming October.

21 The Energy Project also supports the fact that the
22 settlement has been able to reduce the overall revenue
23 impact of the initial filing and that it allows for future
24 review of the PCORC mechanism. The energy project
25 therefore believes the settlement is in the public

1 interest and recommends approval by the commission.

2 Thank you. That concludes my statement.

3 JUDGE HOWARD: Thank you, all. Do we have any
4 questions from the bench for the attorneys before we bring
5 the witnesses up for questioning?

6 CHAIR DANNER: Hi, this is Dave Danner. I have a
7 question. Ms. Carson, in your comments, it appears that
8 you are saying that this settlement actually would result
9 in a prudence determination; is that what I heard you say?

10 MS. CARSON: Yes, Chair Danner, that is correct. We
11 are asking -- PSE is asking for a prudence determination
12 in this case. The PCA settlement that goes back to 2002
13 and as it was revised in 2015 and approved by the
14 commission, allows for and provides the commission will
15 make a prudence determination on the new resources and the
16 commission has done that in every PCORC prior to this, so
17 we think that's important. It takes away any uncertainty
18 going forward. So, yes, we are asking for a prudence
19 determination. The other parties take no position and do
20 not contest the prudence of these resources.

21 CHAIR DANNER: All right. So because others --
22 parties have said that, I mean, specifically, I mean, I
23 can turn to Jing Liu's testimony for staff. She said,
24 "There's no inquiries and other than PSE take no position
25 and therefore do not contest or support -- affirmatively

1 support the prudence of PSE's proposed and renewed
2 resources presented in PSE's filing." So I guess my
3 question then is: Is it your view that the settlement
4 actually does state that the settlement itself makes a
5 prudency determination or are you asking us to make that
6 in addition to what the settlement says and, in fact, if
7 that is the case, would we, you know, are we amending the
8 settlement?

9 MS. CARSON: I don't believe that you're amending the
10 settlement. No party contests the prudence of the
11 settlement. Other parties can speak for themselves, but I
12 know some parties feel that very fact that resources are
13 in rates means that they're prudent. We're not
14 necessarily comfortable with that. We think sometimes the
15 commission has said something different from that so we
16 think it's important to have the prudence determination as
17 has been made in every other power cost-only rate case and
18 which the PCORC documents provide will happen.

19 I don't think anybody's saying there shouldn't be a
20 prudence determination. I think parties just didn't --
21 didn't agree that it would be, but they also did not
22 contest it. They just took no position on it.

23 CHAIR DANNER: Right. But it's not in the
24 settlement. With that, maybe I could ask the other
25 counsel to clarify their positions with regard to prudency

1 and if we would take a position if we were to make a
2 prudency determination in the order in this case. Maybe
3 start with Mr. Dallas.

4 MR. DALLAS: Thank you, Commissioner Danner. This is
5 a topic that Ms. Carson and I have talked about quite a
6 bit. Staff's position on this is staff is not contesting
7 the prudence of any resources within PSE's filing;
8 therefore, our position is because no one is contesting
9 prudence, the commission doesn't need to make an explicit
10 prudence determination. Typically, the commission will
11 make an exclusive prudence determination when someone is
12 contesting the prudence of that resource; and there is an
13 argument that, you know, the commission, including a
14 resource and rates; therefore, making an implicit prudence
15 determination. So Ms. Carson is correct, that no party is
16 contesting prudence, but staff's position is that the
17 commission does not need to make an explicit prudence
18 determination when deciding -- if the commission decides
19 to approve the settlement.

20 CHAIR DANNER: All right, thank you very much.
21 Ms. Gafken, is that your position as well?

22 MS. GAFKEN: I don't know that is exactly my
23 position, you know, in looking at the settlement terms.
24 Of course, we're neutral on it, but no party is
25 contesting -- Puget has to have for the prudence

1 determination. So they've provided evidence and whatnot
2 supporting their position, but no party is affirmatively
3 saying that they agree, you know, they're not taking that
4 specific step forward saying that they also agree that
5 they're prudent, but there is no opposition. I don't -- I
6 do not believe that making a determination explicitly in
7 the order will change the settlement term. I -- I have to
8 admit, I have not given a lot of thought about whether the
9 commission has to make that determination, so I don't know
10 if I agree specifically with Mr. Dallas's position as he
11 just stated; but I think the company does have to ask for
12 it and they've provided evidence supporting their
13 position.

14 CHAIR DANNER: Well, yeah. So I don't know where we
15 have, you know, tacitly given -- made a prudency
16 determination or not expressly done so. I certainly don't
17 know what benefit there would be in, you know, making a
18 prudency determination in a later GRC or something. It
19 seems to me that we have to make some kind of
20 determination here, but it sounds like you're not
21 objecting to the expenditures that are at issue in this
22 case; is that correct?

23 MS. GAFKEN: That's correct. I guess I can take it
24 one step further. We have a consultant from the case who
25 looked at the different resources being proposed and we,

1 in that review, you know, I can't represent that we looked
2 at it with a fine tooth comb top to bottom, but we also
3 didn't find anything objectionable. There were things
4 that raised questions. We asked questions and at THE end
5 of the day, we were satisfied that there wasn't, you know,
6 anything that was amiss with the resources being provided.

7 CHAIR DANNER: All right. Thank you. Mr. Ffitch and
8 then Mr. Coleman, your thoughts as well.

9 MR. FFITCH: Thank you, Your Honor. On behalf of The
10 Energy Project, I don't really have anything to add to
11 elaborate the statement we agreed to in the settlement
12 which is that we don't take a position on prudence and we
13 don't contest the prudence of these particular resources;
14 so I don't feel that I have anything to add to those two
15 statements that we've agreed to.

16 CHAIR DANNER: All right, thank you. And
17 Mr. Coleman.

18 MR. COLEMAN: I apologize for the delay. A little
19 struggle getting things to click.

20 You know, I think that AWEC's position will be
21 similar to that of Mr. Ffitch. This was something that we
22 did think through significantly with respect to some of
23 this language and do not take a position with respect to
24 the prudence or -- and that -- I agree.

25 CHAIR DANNER: Okay. So I guess I'm not hearing any

1 party recommend that we postpone a prudence decision to
2 some other proceeding later. It's just that they're not
3 taking position on prudence and then leaving open the
4 question of whether we can move ahead without actually
5 making an explicit prudence determination.

6 So, all right. I will leave it at that and if there
7 is any other questions on prudence, I would just leave it
8 to the other commissioners to clarify my question. Thank
9 you, Judge.

10 COMMISSIONER BALASBAS: So just to follow-up on
11 Chair Danner's question about prudence, I'd like to maybe
12 pose this question first to Mr. Dallas. So why or what is
13 the advantage of not making a prudence determination here?
14 Why would we wait if there is no one who opposes the
15 prudence of any of the resources that Puget is asking for
16 here?

17 MR. DALLAS: Thank you, Commissioner Danner (sic). I
18 think there is no law requiring the commission to make an
19 explicit prudence determination if no one is contesting
20 it. The commission allows resources in all the time
21 without making an explicit prudence determination. I
22 think by including the resources in rates, the commission
23 is making an implicit prudence determination and the time
24 to contest prudence is before resource enters rates. And
25 I would argue perhaps the commission shouldn't make such a

1 prudence determination because doing so will imply that
2 the commission has complete information, to say with
3 certainty that something is prudent or isn't prudent. So
4 I think by including the resource into rates, it
5 implicitly states that it's prudent and there is no need
6 to make such an explicit finding.

7 COMMISSIONER BALASBAS: So, I guess I would like to
8 pose the same question to the other attorneys of the
9 settling party, as well as to Ms. Gafken to respond to
10 that question. You know, what is the advantage of not
11 doing that here or waiting on prudence?

12 MS. GAFKEN: I understand what Mr. Dallas was
13 expressing is that the commission wouldn't necessarily
14 need to explicitly make a prudence determination, but that
15 it wouldn't also be held over until later. I guess I
16 would note that in past settlements, in other cases
17 parties have expressly held that prudence determination
18 until a later time. I was just sitting here trying to
19 think of a specific example that I could offer and I'm
20 coming up short, but I've been, you know, party to a case
21 several times before the commission where we have held
22 that prudency determination for a later case. That's not
23 what this settlement has expressed. You know, in this
24 settlement, the settling parties are not opposing the
25 prudency determination, they are also not asking for that

1 prudency determination to be postponed. Puget, on the
2 other hand, needs to ask for that specific prudency
3 determination and they want that. You know, and again,
4 I'll just reiterate that I don't believe that making a
5 prudency determination would alter the settlement
6 agreement because there isn't opposition. So then I think
7 it's a question of whether the commission wants to be
8 silent on the issue and just approve the rates as they're
9 set out in the settlement or if the commission feels that
10 it has enough to make that prudency determination.

11 COMMISSIONER BALASBAS: Go ahead, Chair Danner.

12 CHAIR DANNER: I just want to clarify. So if we were
13 to make that prudency determination right now, I'm not
14 hearing that you would object or that staff would object
15 or that Mr. Ffitch or Mr. Coleman would object. So with
16 regard to yourself --

17 MS. GAFKEN: That's where I was going to go. So
18 speaking just for public counsel; no, we would not object
19 to that ruling.

20 COMMISSIONER BALASBAS: Mr. Coleman or Mr. Ffitch,
21 anything to add?

22 MR. FFITCH: Thank you for the question,
23 Commissioner Balasbas. We, being the Energy Project, did
24 not specifically review prudence questions about specific
25 resources as several of the other parties have done. So

1 that did give us comfort with the particular language in
2 the settlement agreement. You know, stating that we take
3 no position and that we don't contest prudence. With
4 regard to the specific question here about, you know,
5 where does that leave the commission, I would agree with
6 Ms. Gafken's statement that the commission could then do
7 what it feels is appropriate with regard to the prudence
8 issue and the Energy Project would not object if the
9 commission chose or felt it was important to make a
10 specific, explicit prudence determination here. I hope
11 that is helpful.

12 MR. COLEMAN: From AWEC's position, we would also
13 support and agree with the discussion from Ms. Gafken and
14 would not, to the extent the commission feels that the
15 information and the record is sufficient to make the
16 decision, we would not -- we would not contest such a
17 decision in line with the agreed upon language hereof
18 taking no position.

19 CHAIR DANNER: Mr. Dallas, you too?

20 MR. DALLAS: Yes. Staff wouldn't object to the
21 commission making such a determination. I think staff's
22 point is that such determination isn't necessary. You
23 know, in this proceeding, the commission is approving this
24 settlement and in this settlement, we didn't agree to an
25 explicit finding of prudence and the commission doesn't

1 need to make this additional finding. You know, they
2 certainly can, they have the discretion to do it, but the
3 commission can simply include these resources and rates
4 and there's an understanding that we're not going to
5 contest these resources in the future. So staff certainly
6 wouldn't object to the commission doing this. Our point
7 is that it's just not necessary.

8 COMMISSIONER RANDALL: Okay. So Mr. Dallas, you just
9 said that you can't agree to the prudence in this case,
10 you just don't contest it. But -- so you would -- would
11 you -- I think Chair Danner asked you earlier, this
12 wouldn't create a condition on the settlement if the
13 commission were to determine prudence, would it?

14 MR. DALLAS: I don't believe so. I think, you know,
15 what we're trying to do here is just let the commission
16 know that the settlement doesn't call for an explicit
17 prudence finding by the commission. And to clarify that,
18 staff doesn't believe -- we're not taking the position
19 that anything is prudent, but the wording of the language
20 in the settlement is that no party -- the parties take no
21 position and do not contest.

22 COMMISSIONER RANDALL: Okay. I think as you can tell
23 from our questions, we're just trying to clarify where all
24 of the parties are in terms of this prudence question.
25 And Ms. Carson, if the commission were to not determine

1 prudence in this case, are there risks in the future?

2 MS. CARSON: Thank you, Commissioner Randall. We
3 think there are potentially risks in the future if you
4 don't have the certainty of a prudence determination and
5 that's why the PCA settlement provides for that and I
6 think that's why the commission has provided for that each
7 time in a PCORC. But I mean, you know, if the commission
8 believes that there's an implicit prudence finding when
9 these resources go into rates, PSE is not opposed to that
10 position either, but I think it, you know, there's a --
11 this is, as you said, the potential for uncertainty with
12 without a prudence determination.

13 COMMISSIONER RANDALL: Thank you.

14 COMMISSIONER BALASBAS: I'd just like to go back to
15 Mr. Dallas for another -- I just want to put this question
16 very directly to you. You've stated in responses to
17 questions from all three of us here that you both don't --
18 you don't -- you seem to not find the resources prudent,
19 but you're also not contesting it. You seem to be saying
20 two different things here. So which one is it? Are you
21 saying that the resources are not prudent or are in
22 prudence or are you saying they're prudent? And, again,
23 I'd like a direct answer to the question. Would staff
24 object if the commission did make a prudence determination
25 as part of its order in this case?

1 MR. DALLAS: Thank you, Commissioner Balasbas. So
2 our position is that we take no position, but we also do
3 not contest. And that's slightly different than saying,
4 you know, staff affirmatively supports the prudence of
5 each item. You know, we've looked at it and we don't
6 believe that the resources are imprudent, but that is
7 different than saying that we affirmatively support that
8 they are prudent.

9 And as to your second question, staff would not
10 object if the commission did want to make an affirmative
11 prudence finding. The only point staff is trying to make
12 here is that if the commission doesn't want to make such
13 affirmative prudence finding, it doesn't have to
14 incidentally include these resources in the rates.

15 COMMISSIONER BALASBAS: Okay. Thank you.

16 CHAIR DANNER: Thank you. That was my question as
17 well, so I'm glad we have clarity on that. Thank you.

18 JUDGE HOWARD: Did we have any further questions for
19 the attorneys before we call the witnesses?

20 Hearing none, we will continue on and call the
21 witnesses. Because this is a virtual hearing, let's first
22 have the witnesses identify themselves and the party that
23 they are appearing for beginning with the settlement
24 witnesses for Puget Sound Energy, which would include
25 William Einstein. Then I'll swear in the witnesses at

1 same time and we will hear testimony from the witnesses
2 together as a panel. So could we first have the witnesses
3 from the company identify themselves.

4 MS. FREE: Good afternoon, Chairman Danner,
5 Commissioners Randall and Balasbas. This is Susan Free.
6 I'm the director of revenue requirements and regulatory
7 compliance for Puget Sound Energy.

8 MR. EINSTEIN: Good afternoon, commissioners. Will
9 Einstein, I'm the director of product development for PSE.

10 MR. PILIARIS: Good afternoon, Chair Danner,
11 Commissioners Balasbas and Randall. My name is Jon
12 Piliaris. I'm director of regulatory affairs for Puget
13 Sound Energy.

14 JUDGE HOWARD: Thank you all. Could we have staff's
15 witness identify herself. Jing Liu, can you hear me?

16 MS. LIU: Sorry, I forgot to unmute. My apologies.
17 Good afternoon, Judge Howard and good afternoon Chairman
18 Danner and commissioners. My name is Jing Liu, the deputy
19 assistant director for energy section of regulatory
20 services.

21 JUDGE HOWARD: Thank you. And could we have public
22 counsel's witness identify themselves.

23 MS. CHASE: Good afternoon, Judge Howard and
24 commissioners. My name is Stephanie Chase and I'm a
25 regulatory analyst with public housing.

1 JUDGE HOWARD: Thank you. And could we have AWEC's
2 witness identify themselves.

3 MR. KAUFMAN: Good afternoon, Chair Danner and
4 commissioners, my name is Lance Kaufman. I'm an economist
5 with Aegis Insight and I'm here on behalf of the Alliance
6 for Western Energy Consumers.

7 JUDGE HOWARD: Thank you. And as we've noted, The
8 Energy Project's witness is excused from the hearing. So
9 I will swear in each of you here at the same time. Please
10 raise your right hands.

11 Do you swear or affirm that the testimony you give
12 today is the truth, the whole truth, and nothing but the
13 truth?

14 THE WITNESSES: I do. I do. I do. I do.

15 JUDGE HOWARD: Thank you. At this point, we'll open
16 it up to questions from the commissioners.

17 COMMISSIONER RANDALL: This is Commissioner Randall
18 and I'll begin with some questions about green direct and
19 the program costs; and these initial questions are for
20 PSE, either Mr. Einstein or Mr. Piliaris, I assume.

21 So in the tariff that PSE filed in December 2020
22 accompanying its green direct tariff filing, PSE stated
23 that notice to individual customers under provisions of
24 WAC 480-100-194 will be provided within 30 days of the
25 January 1st effective date. And so I guess the question,

1 and I'm sure you all are aware we heard public comment
2 about -- from green direct customers, have received two
3 letters from green direct customers in the last day or so.
4 What notice did PSE provide directly or indirectly to
5 green direct customers to inform them of the proposed
6 tariff change?

7 MR. EINSTEIN: Well, I don't have -- do you want to
8 go, Jon?

9 MR. PILIARIS: Yes. I can take that one. I was just
10 pulling it up. We filed, apparently, on December 17th --
11 no, that is a notice of appearance. Apologize. That
12 is -- that is the wrong notice. That is under public
13 notice. I don't have that -- the date of the actual
14 notice, but my understanding was a notice was provided
15 broadly. Not -- to my knowledge, there was no specific
16 announcement or communication that was made directly,
17 unless this was handled through Mr. Einstein's group, but
18 there was not a direct communication to green direct
19 customers specifically. It was a more broad announcement
20 that went to all customers -- electric customers.

21 COMMISSIONER RANDALL: Is that your understanding,
22 Mr. Einstein?

23 MR. EINSTEIN: It is and I guess if that is different
24 from the question you're asking -- I'm trying to
25 understand what you are asking about a particular notice

1 related to this power cost-only rate case or you're asking
2 relating to a notice we would have provided to customers
3 relative to tariff changes associated with the actual
4 tariff that the customers are on.

5 COMMISSIONER RANDALL: It would be about the tariff
6 changes, to the tariff that the customers are on.

7 MR. EINSTEIN: Right. So in that particular
8 situation, while I don't have that particular notice of
9 provision in front of me at the moment, my understanding
10 would be that that would be just in relation to the last
11 set of adjustments we made to the tariffs, which I believe
12 implemented pricing adjustments for the charge the
13 customers receive as part of their participation in the
14 green direct program. You may recall we made several
15 adjustments over the course of the fall as the resources
16 were coming online, and that was not -- would not be the
17 same as notice for issues related to the power cost-only
18 rate case.

19 COMMISSIONER RANDALL: Correct. Okay. So for that
20 filing, that put into affect the changes to the green
21 direct program, I believe that the tariff also provided as
22 Item 8, that the energy charge credit will be updated with
23 each general rate case, power cost-only rate case, or
24 other power-related filings; is that your understanding?

25 MR. EINSTEIN: Yes, it is.

1 COMMISSIONER RANDALL: Okay. So the company in its
2 testimony -- your testimony, Mr. Einstein, the
3 Exhibit 9-HC, referenced several interactions with
4 potential green direct customers, both historic and
5 perspective in its slide presentation to the management
6 committee. And so as the company prepared this filing,
7 and now we're talking about this file in particular, what
8 communications did the company have with its green direct
9 customers?

10 MR. EINSTEIN: So the company is in regular
11 communication, particularly given the complexity of this
12 particular program and Schedule 139, is in regular
13 communication with the customers on the program about
14 various changes and elements in it. We did not
15 specifically provide any notice to -- we didn't provide
16 any specific outreach at the beginning of the power
17 cost-only rate case to these customers because at that
18 point, we did not anticipate any changes to the energy
19 credit that these customers received at the time of the
20 filing.

21 COMMISSIONER RANDALL: Okay. So after the filing
22 though, did the company communicate to green direct
23 customers about the potential changes to the rates?

24 MR. EINSTEIN: We have started communications with
25 these customers about the changes to the rates associated

1 with the settlement, but not prior to the settlement
2 conversation.

3 COMMISSIONER RANDALL: Okay. All right. Well, I
4 have some questions for other parties, but I'll see if my
5 colleagues have any additional questions just for the
6 company on this topic.

7 Okay. So for the other parties, when the company
8 filed this PCORC or when you were aware that the company
9 would file a PCORC, did you contact green direct customers
10 or after the filing contact green direct customers about
11 the possibility that there would be issues related to them
12 in this matter? And that is for any of the witnesses,
13 non-company witnesses. I guess I'll start with Ms. Liu.

14 MS. LIU: I don't believe commission staff reached
15 out to specific individual green direct customers to
16 inform them of any changes, because in our perception, the
17 energy credit would be -- would be a fall-through from
18 this power cost rate that we are determining in this
19 proceeding.

20 COMMISSIONER RANDALL: Did you say a pass through?

21 MS. LIU: It would be -- it is tied to the power cost
22 rate that we determined in this proceeding, so without the
23 conclusion of this proceeding, it will be hard to pin down
24 the exact energy credit.

25 COMMISSIONER RANDALL: Okay.

1 MS. LIU: So I don't believe we did any
2 communication.

3 COMMISSIONER RANDALL: Okay. Does any other party
4 have a response to that question?

5 MS. GAFKEN: Public counsel did not reach out to any
6 green direct customers.

7 COMMISSIONER RANDALL: Okay. So in the settlement,
8 the settling parties have reserved the right to reevaluate
9 the method of determining the green direct customer's
10 costs and have agreed to work toward a path forward on a
11 durable method for calculating the energy credit for green
12 direct customers. Is this -- now there are two other
13 collaboratives in this settlement, but is this a
14 collaborative or just -- what exactly is this working
15 forward, working on a path forward?

16 MR. PILIARIS: I -- this is Jon Piliaris. I guess
17 I'll start. I don't honestly profess to know if there is
18 a defined term around collaborative if that's outlined
19 anywhere specifically. But the intent anyway was to
20 again -- we recognize in the settlement discussions that
21 there was a wide array of opinions and that we will not
22 have enough time to really fully flush those out in the
23 time allowed for the settlement itself. And so we tried
24 to land on a reasonable middle ground for purposes of
25 settlement and then park the rest of the discussion for

1 later consideration in what we're calling the
2 collaborative. The intent of the collaborative is to have
3 a more fully drawn-out discussion with far more detail,
4 far more analysis, far more sharing, far more sharing of
5 data to see if we can, under the best of cases, come to an
6 agreement as to what a durable and consistent methodology
7 could be for calculating this credit going forward, if we
8 can reach consensus. If not, then at least we have
9 clarity around what's the primary points of contention or
10 differences are and those could be brought forward in a
11 future rate case before the commission for adjudication
12 and the commission's determination to the extent
13 necessary. That will be -- go ahead.

14 COMMISSIONER RANDALL: Would this collaborative
15 include those green direct customers?

16 MR. PILIARIS: The company's intention would be that
17 yes, they would definitely be encouraged to attend and to
18 participate.

19 COMMISSIONER RANDALL: Chair Danner, you had your
20 hand up.

21 CHAIR DANNER: I just wanted to clarify. The term
22 "collaborative" is used with regard to the hedging and
23 with the EIM, but this one just says a path forward, but
24 Mr. Piliaris was defining it as a collaborative. So I'm
25 assuming it's because there aren't defined terms that

1 those are interchangeable, whether it's a path forward or
2 a collaborative, this is going to be an inclusive process
3 for the green direct customers and will be encouraged to
4 attend and participate; is that right?

5 MR. PILIARIS: That's correct.

6 CHAIR DANNER: All right. Thank you very much.

7 MR. PILIARIS: Thank you, commissioner.

8 COMMISSIONER RANDALL: And do any of the other
9 settling parties have any additional comments they want to
10 make on this question?

11 I'm not seeing anything. That is all I had at this
12 point, Chair Danner.

13 Commissioner Balasbas, if you have any questions,
14 please go ahead.

15 COMMISSIONER BALASBAS: I do have an additional
16 question. I believe this is probably best answered by
17 Ms. Free; and in your Exhibit SEF-9, this -- and the
18 settlement discusses tracking the generation surplus and
19 the deficiency of the green direct generation with respect
20 to the green direct load and so I have two questions here:
21 The first is in tracking the differences. Is the
22 settlement creating a deferral that would then be later
23 amortized into the future rates of green direct tariff
24 customers?

25 MS. FREE: No. That is not the intention of the

1 tracking that I lay out in my Exhibit SEF-9. The purpose
2 of SEF-9 is to address the commission's order from the
3 2019 GRC, I think it is Paragraph 296 in Order 8, to
4 ensure that there is no profitization associated with the
5 over or under generation of the green direct PPA. And so
6 it really is just presenting that we've developed a
7 methodology with commission staff that allows us to
8 essentially strip those costs out of our PCA mechanism.
9 And the reporting of that is included in SEF-9 to ensure
10 that there are no impacts of the over or under generation
11 of the PPAs within our PPA mechanism. But there is no
12 established deferral that's going to be dealt with at any
13 time, it's just strictly reporting.

14 COMMISSIONER BALASBAS: So what would, I guess then
15 as a follow-up, what -- is this really just informational
16 and nothing further happens with it or would the company
17 propose something to be done with, you know, especially if
18 there's maybe a significant amount of under or over
19 generation?

20 MS. FREE: The intention is not to track it for
21 recovery. The theory is that the green direct product
22 itself is priced at appropriate levels so there will not
23 be, over the long-term, significant over or under
24 recovery.

25 COMMISSIONER BALASBAS: And I'm not sure who can best

1 answer this question from the company, but I will put that
2 to any of the company witnesses who would like to answer
3 this. I'd just like to get a sense of scale of the
4 roughly \$3.7 million change in the energy credit amount.
5 I'd just like to kind of get a sense of scale as to how
6 large is that in relation to the total energy credit.

7 MR. PILIARIS: I was with you until the last part of
8 your question. I'm not sure what you mean by total energy
9 credit of the 3-7.

10 COMMISSIONER BALASBAS: So the settlement describes,
11 I believe it's a reduction of the energy credit,
12 \$3.7 million to the green direct customers. I guess for,
13 you know, maybe say, for example, a large green direct
14 customer or any -- like a typical, if there's such a
15 thing, as a typical green direct customer, kind of what --
16 how big of a change is that to them?

17 MR. PILIARIS: Yeah, I don't have that number handy.
18 It would be an easy number to calculate. Giving you
19 general -- a general indication of proportionality, if you
20 look at the current credit level, which is around \$47 a
21 megawatt hour, it is reduced to something just below 40.
22 Just looking at that proportionality, it looks like a
23 reduction -- a little less than 20 percent reduction in
24 their credit -- if that is helpful.

25 We can follow-up in a bench request for a precise

1 number if you would like that.

2 CHAIR DANNER: I believe we have a bench request out
3 there asking for that specific information, don't we?

4 COMMISSIONER BALASBAS: Yeah, I was actually going to
5 look to Judge Howard to see. I don't remember right off
6 hand if that was in our list of bench requests and if is
7 not, then yes, I would like to add that.

8 JUDGE HOWARD: Yes, Chair Danner and Commissioner
9 Balasbas, I think we will be issuing one shortly on that
10 and it should go out later today asking for the bill
11 impacts essentially of this change.

12 CHAIR DANNER: All right. Thank you very much.

13 MR. PILIARIS: And I did can speak to that. To the
14 issue of the bill impacts for these particular customers,
15 the bill impact of the change in the credit is on the
16 order of about six percent. In other words, just putting
17 aside the overall increase associated with the PCORC
18 filing itself, the change in the credit will result in a
19 roughly six percent increase to these particular
20 customers' rates.

21 COMMISSIONER RANDALL: Okay. Chair Danner, did you
22 have a question?

23 CHAIR DANNER: I don't have any more questions on
24 green direct.

25 COMMISSIONER RANDALL: I don't either.

1 CHAIR DANNER: So I just have some general questions
2 just to get a little more specificity on the hedging
3 collaborative. You know, the settlement commits to
4 settling parties to a collaborative to examine the hedging
5 practices and I was just wondering, what are the specific
6 issues that the parties have identified for examination
7 and what's the goal? I wonder, if any, if you can speak
8 to that.

9 MR. PILIARIS: I can start. I believe this was an
10 issue that was raised by staff. In their discovery, they
11 were having some challenges making the translation between
12 the gas hedging program, which they appeared to be more
13 familiar with, and the electric hedging program, which
14 they were less familiar with; and they were trying to
15 stack up to the programs on either side, so they wanted
16 more detail around that. That was one element of it.

17 Another element of the collaborative is around the
18 inner book transfers of gas between the two -- the two
19 books of business, the electric book that uses gas for
20 generation and the gas book that uses gas for LDC load and
21 how that -- how that occurs. So they wanted -- my
22 understanding was that staff wanted more -- essentially
23 education around those issues. But I would defer to Jing
24 for maybe staff's perspective for the perspective on that.

25 CHAIR DANNER: All right. Thank you. Ms. Liu, do

1 you have anything to add?

2 MS. LIU: I don't specifically. Thank you,
3 Mr. Piliaris. I think you summarized it very well. The
4 company provides a gas hedging plan file as is with the
5 commission, so commission staff is relatively familiar
6 with gas hedging. However, when it comes to the gas for
7 electric hedging and the electric hedging programs, staff
8 is not as familiar. And during the data discovery
9 process, we realized we really need a lot more time and
10 resources in order to get to the bottom of this, so we
11 requested this collaborative.

12 CHAIR DANNER: Great. Thank you, that's very
13 helpful.

14 COMMISSIONER RANDALL: So is this collaborative more
15 of an informational gathering session? Educational for
16 staff and all the parties or are there specific concerns
17 that you hope to address through the collaborative?

18 MS. LIU: This is Jing, again. I think the nature of
19 the collaborative would be exploratory. We have not
20 identified any specific areas of concern. We just like to
21 know how the company do it and understand it better and
22 addressed in how is our understanding about intercompany
23 transactions, as well as how the company balance the risk
24 versus the benefits.

25 COMMISSIONER RANDALL: Thank you, Ms. Liu.

1 CHAIR DANNER: As you recall a few years ago, the
2 commission did a proceeding on gas hedging. That report
3 resulted in a white paper and that was a lengthy
4 proceeding. Are you envisioning something like that in
5 the future or at that point this is just information
6 gathering for your own purpose?

7 MS. LIU: I will say at this point it is exploratory.
8 It's more informational, educational. We don't envision a
9 regulatory requirement from that.

10 CHAIR DANNER: All right. Thank you so much.

11 JUDGE HOWARD: Did we have any further questions from
12 the commissioners?

13 COMMISSIONER RANDALL: There's one last question that
14 I would ask unless my colleagues have questions that they
15 wish to ask. I'm seeing shaking heads.

16 So this question is for Ms. Free and relates to the
17 production tax credits. Does the company have information
18 -- this might be more appropriate for a bench request
19 submitted -- information about the amount of the remaining
20 non-monetized PTCs that could be applied to offset cold
21 strip remediation costs? Because some of the PTCs have
22 been monetized and now used to address matters in this
23 settlement, so it's about the remaining non-monetized
24 PTCs.

25 MS. FREE: So Jon Piliaris does math really well but

1 I don't. I think that we prefer to get a bench request.
2 I can tell you I think we use about 126 million to offset
3 cold strips 1 and 2 regulatory assets. I don't recall off
4 the top of my head how many we had. This might have been
5 somewhere around 250 million, but I would certainly
6 appreciate the chance to make sure those numbers are
7 correct.

8 COMMISSIONER RANDALL: Thank you, and I won't make
9 Mr. Piliaris do math in his head. So we will add that to
10 our list of bench requests that we will send just to get
11 that complete information. So thank you very much for
12 trying to do the math in your head. I appreciate it. I
13 don't have any other questions.

14 Do my colleagues have other questions?

15 CHAIR DANNER: Thank you, commissioner. I don't have
16 any further questions.

17 COMMISSIONER BALASBAS: And I do not have any further
18 questions either.

19 JUDGE HOWARD: Ms. Carson, you indicated that PSE was
20 reserving the right to redirect. Did you intend to do any
21 redirect of the company's witnesses?

22 MS. CARSON: Yes, I would like to do brief redirect.
23 And my first question actually relates to kind of a
24 housekeeping correction in the record and I've notified
25 the other parties of this and I think I've heard from

1 everyone except public counsel and no one has any
2 objection to this, but, Ms. Free, could you address the
3 housekeeping correction to the settlement that you would
4 like to -- that you've identified and would like to
5 discuss?

6 MS. FREE: Yes. Thank you. On Page 2 -- I'm sorry,
7 on Page 4 of the settlement agreement, it is in Section 3,
8 Item A-1(a), there is a rate reference that would be used
9 for the tracking of our PCA mechanisms. That rate of
10 \$40.706 per mega watt hour is incorrect. That rate is a
11 grossed up rate for revenue sensitive items. It should be
12 a rate that is net of revenue sensitive items. So that
13 rate should be changed to \$38.716 per mega watt hour and
14 that rate can be found on page -- in attachment A to the
15 settlement agreement, Page 7, Column Roman Numeral I, Row
16 37.

17 MS. CARSON: Thank you, Ms. Free. And then I just
18 have a question, I believe for Mr. Einstein. You were
19 asked about when notice was given, actually both you and
20 Mr. Piliaris were asked when notice was given, about the
21 potential change to the green direct credit. So just to
22 clarify, did PSE propose any changes to the green direct
23 energy credit in its initial filing?

24 MR. EINSTEIN: No, we did not.

25 MS. CARSON: So no notice was given at that time of a

1 change?

2 MR. EINSTEIN: That's correct.

3 MS. CARSON: And when was this change to the green
4 direct energy credit? When did this first come about?

5 MR. EINSTEIN: I'll defer to Mr. Piliaris.

6 MR. PILIARIS: I would like to actually clarify the
7 response given by Mr. Einstein on the last question
8 because the energy credit will change. It would have
9 changed in this case regardless by virtue of the fact that
10 the power costs were changing, so there was a change that
11 was proposed, but there was not a change in the
12 methodology that was proposed. So there was a very slight
13 change in the credit that was proposed and they would
14 have -- the green direct customers should have taken
15 notice of that, so I want to make sure that is clear. And
16 now that I've clarified that, can you repeat the question?

17 MS. CARSON: Yeah, the question was: When did this
18 change to the methodology for calculating the green direct
19 credit become a real issue in this case?

20 MR. PILIARIS: It became an issue, I think,
21 officially in the settlement discussions among the
22 participants in the case and these were obviously
23 confidential conversations among the parties.

24 MS. CARSON: Okay. Thank you. That's all the
25 questions I have.

1 JUDGE HOWARD: Thank you. Were there any additional
2 questions from the bench?

3 COMMISSIONER DANNER: No questions. Thank you.

4 COMMISSIONER RANDALL: None from me. Thank you.

5 MR. DALLAS: Judge Howard, can I have few redirect
6 questions, please?

7 JUDGE HOWARD: Certainly. Certainly. Please,
8 briefly, yes. Certainly.

9 MR. DALLAS: Thank you, Your Honor.

10 Ms. Liu, does staff have a list of green direct
11 customers?

12 MS. LIU: Thank you for asking this, we actually do
13 not. In all the work papers that we receive from the
14 company, each one of the customers are only identified by
15 a code, so the list of customers are confidential; so even
16 if we would like to notify them, we will have no means of
17 doing that; and I also would like to say we believe the
18 commission has the authority to change the green direct
19 credit level. Schedule 139 clearly states that the energy
20 charge credit will be updated with each general rate case,
21 power cost-only rate case, or other power related filings,
22 so we feel this is within the commission's authority.

23 MR. DALLAS: Thank you, Ms. Liu.

24 MS. LIU: Thank you.

25 JUDGE HOWARD: Mr. Dallas, was that all of your

1 questions?

2 MR. DALLAS: Yes, Your Honor.

3 JUDGE HOWARD: All right. Well, with that I would
4 like to thank our panel of witnesses for their testimony
5 today and their patience as we waited for the open meeting
6 to conclude.

7 Is there anything else that we should address before
8 we adjourn?

9 MS. GAFKEN: Yes, Your Honor. This is Lisa Gafken
10 with public counsel and I do have one additional item to
11 address or to get direction from. So there are public
12 comments that have been submitted both to the UTC and to
13 public counsel directly and we would put those comments
14 into a public comment exhibit. So I have two questions:
15 One, the date on which we should file that, and I have a
16 proposal about that. And then two, what the exhibit
17 number would be.

18 So with respect to the filing date, I typically ask
19 for about a week to prepare them. My impression is that
20 there are quite a few comments that have come in. I know,
21 you know, in Puget cases, my office typically gets around
22 20 or so comments directly and with other companies, quite
23 a bit less. In this case, I know we've gotten upwards of
24 40 some and I suspect that the amount that we'll get from
25 the commission will also be fairly large, so I would

1 propose that we file on April 30th, which is just over a
2 week from today.

3 JUDGE HOWARD: That would be acceptable for our
4 purposes. I would even give you until May 4th. And if
5 you wouldn't mind labeling the exhibit Bench Exhibit
6 No. 5.

7 MS. GAFKEN: Okay. No. 5 and May 4th will be lovely.
8 Thank you.

9 JUDGE HOWARD: Thank you. Were there any other
10 concerns or questions before we adjourn?

11 Hearing nothing, that concludes our settlement
12 hearing today and we are off the record. Thank you all.

13

14

15

(CONCLUDED AT 1:18 P.M.)

16

17

18

19

20

21

22

23

24

25

C E R T I F I C A T E

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF WASHINGTON)
) ss.
COUNTY OF BENTON)

This is to certify that I, ChaRae Kent, the undersigned Washington Certified Court Reporter, residing at West Richland, reported the within and foregoing videoconference hearing on the date herein set forth; that said proceeding was taken by me in shorthand and thereafter transcribed, and that same is a true and correct record of the testimony of said witness, including all questions, answers and objections, if any, of counsel.

I further certify that I am not a relative or employee or attorney or counsel of any the parties, nor am I financially interested in the outcome of the cause.

This transcript and invoice have been prepared and submitted for final production and delivery in accordance with all Washington State laws, rules and regulations, including WAC-308-14-130, WAC 308-14-135, RCW 18-145, and applicable court rules regulating formatting and equal terms requirements. Alterations, changes, fees or charges that violate any of these provisions are not authorized by me.

This certification does not apply to reproduction of this transcript by any means unless under my direct supervision and control.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Washington State CCR number this 10th day of May, 2021.

CHARAE KENT, RPR, CCR
Certified Court Reporter in
The State of Washington
License CCR No. 2408