

**EXHIBIT NO. _____ (GRP-5T)
DOCKET NO. UE-011570 and UG-011571
WITNESS: GEORGE R. POHNDORF, JR.**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

**DIRECT TESTIMONY OF GEORGE R. POHNDORF, JR.
ON BEHALF OF PUGET SOUND ENERGY, INC.
REGARDING LINE EXTENSION SETTLEMENT**

JUNE 7, 2002

1 **PUGET SOUND ENERGY, INC.**

2 **DIRECT TESTIMONY OF GEORGE R. POHNDORF, JR.**

3 **LINE EXTENSION SETTLEMENT**

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5
6 **Q: Please state your name, business address and present position with**
7 **Puget Sound Energy, Inc.**

8 A: My name is George Pohndorf. My business address is One Bellevue
9 Center, Suite 300, 411 – 108th Ave. N.E., Bellevue, Washington 98004. I
10 am the Director, Rates and Regulation for Puget Sound Energy, Inc. ("PSE"
11 or "the Company").

12 **Q: What do your responsibilities as Director, Rates and Regulation**
13 **include?**

14 A: I am responsible for overall management of the Company's rates and
15 regulation department, including the regulatory planning, regulatory
16 compliance, revenue requirements, and cost of service functions. My job
17 duties currently include providing support to Ms. Harris in her oversight of
18 PSE's pending General Rate Case. I have participated on behalf of the
19 Company in many of the collaboratives. I will testify about the settlement with
20 respect to Rate Design, Rate Spread, Time of Use, Line Extension,
21 Conservation, Low Income, Service Quality Indices, and Backup Distribution
22 Service issues.

23 **Q. Did the Collaborative members review the Company's line extension**
24 **proposal?**

25 A. Yes. The Collaborative reviewed the line extension policy (Schedule 85 as
26 proposed in Docket No. UE-011570) and is recommending a number of
changes in order to meet agreed upon interests and objectives. The

1 changes are provided in redline form in the Exhibit No. ____ (GRP-6) to this
2 testimony.

3 **Q. How does the settlement address the issue of the incentives provided**
4 **by line extension tariffs regarding heating energy sources?**

5 A. The parties agreed that the best way to address this concern was to retain a
6 uniform line extension credit regardless of whether the residential customer
7 uses gas or electricity for space heating. From a policy perspective, the
8 lower credit per kWh for space heat customers can be seen as either (i) a
9 reflection of the higher marginal cost of serving those customers or (ii) a
10 mechanism to avoid creating a perverse incentive for developers to build
11 new houses in areas where natural gas is not available. In order to
12 encourage the efficient use of energy, the settlement provides that the line
13 transformer charge be recovered based upon the size of the customer's
14 electric service panel (per amp).

15 **Q. How does the settlement address the issue of encouraging efficient**
16 **energy usage for non-residential customers?**

17 A. The settlement makes two changes to the Company's original proposal. The
18 first change is intended to avoid penalizing customers who adopt
19 conservation measures that exceed applicable building codes. The margin
20 credit for these customers will be adjusted upwards so it is equivalent to what
21 it otherwise would have been had the building been designed to meet code.
22 Second, it was recognized that the Conservation Collaborative will have an
23 opportunity to consider conservation programs associated with new
24 construction, such as programs to encourage cost-effective projects that
25 exceed building codes.
26

- 1 **Q. How does the settlement address the \$75,000 maximum up-front line**
2 **extension credit proposed in the Company's original filing?**
- 3 A. The Collaborative wanted to balance the large customers' concerns about
4 the maximum credit provided up-front by the Company and the desire to
5 protect other customers from potential increased distribution costs as a
6 result of the Company constructing facilities that are ultimately not used as a
7 result of the estimated load not occurring. The settlement provides that the
8 requirements for funding line extensions exceeding \$75,000 be restated to
9 allow the customers to make appropriate financial assurances in lieu of
10 paying cash up front.
- 11 **Q. How does the settlement deal with the financial impacts on**
12 **customers associated with the new line extension policy?**
- 13 A. A number of the Collaborative members were concerned about the impact
14 on project plans currently underway (both residential and non-residential
15 projects.) It is recommended that the new revenue credits for all customers
16 be phased in over a three-year period. The implementation of the phase-in
17 is memorialized in both the margin allowances and a new section added to
18 the end of proposed Schedule 85.
- 19 **Q. Does the settlement propose any changes from the Company**
20 **proposal to address the marginal costs associated with new**
21 **customers?**
- 22 A. No.
- 23 **Q. Does the settlement propose any other substantive change to the**
24 **new line extension policy?**
- 25 A. Yes, one other change is being proposed: the deletion of the proposed
26 payment option for new residential line extensions, which will be considered
 at a future time by interested parties.

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Q. Does this conclude your testimony?

A. Yes.

[BA021570.038]

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