

**EXHIBIT NO. _____ (KJH-2T)
DOCKET NO. UE-011570 and UG-011571
WITNESS: KIMBERLY J. HARRIS**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

**DIRECT TESTIMONY OF KIMBERLY J. HARRIS
ON BEHALF OF PUGET SOUND ENERGY, INC.
REGARDING RELOCATION AND
UNDERGROUND CONVERSION SETTLEMENT**

JUNE 7, 2002

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2 **PUGET SOUND ENERGY, INC.**

3 **DIRECT TESTIMONY OF KIMBERLY J. HARRIS**

4 **RELOCATION AND UNDERGROUND CONVERSION SETTLEMENT**

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

8 A: My name is Kimberly Harris. My business address is One Bellevue Center,
9 Suite 1500, 411 – 108th Ave. N.E., Bellevue, Washington 98004. I am the
10 Vice President of Regulatory Affairs for Puget Sound Energy, Inc. ("PSE" or
11 "the Company").

12 **Q: What do your responsibilities as Vice President of Regulatory Affairs**
13 **include?**

14 A: I am responsible for the Company's federal and state regulatory activities
15 and relationships. My job duties currently include oversight of PSE's pending
16 General Rate Case, including the collaborative process that the parties have
17 recently concluded and the settlement that is pending before the
18 Commission for review and approval. I have participated in and/or overseen
19 collaboratives for and will testify about the settlement with respect to overall
20 policy matters, Service Quality Indices, and relocation and underground
21 conversion issues. In the past, I have served as PSE's Director of Power
22 Planning and as Associate General Counsel.

23 **Q: What service is provided under Schedule 70 versus Schedule 71?**

24 A: In the current tariff, Schedule 71 provides terms and conditions for
25 conversion of overhead distribution systems serving *commercial and three*
26 *phase* loads to underground, while Schedule 70 provides terms and

1 conditions for conversion of overhead distribution systems serving
2 *residential single phase* loads to underground. The proposed new
3 Schedule 71 will provide terms and conditions for underground conversions
4 *when the conversion customer is a government entity* (i.e., municipalities or
5 counties), whether or not the conversion is commercial, residential, three-
6 phase or single-phase. The proposed new Schedule 70 will provide terms
7 and conditions for all such underground conversions of overhead distribution
8 when the conversion customer is *not* a government entity.
9

10 **Q: Why does it make sense to distinguish between governmental and**
11 **non-governmental entities in Schedules 70 and 71?**

12 A. Generally, government entities have franchise agreements with the Company
13 under which the Company must relocate facilities located in public rights-of-
14 way when necessary to accommodate a government entity's street
15 improvement project, and the Company must do so at its own cost. By
16 contrast, the Company typically has no duty to private individuals or entities
17 to relocate facilities at the Company's cost. It is fair, just, and reasonable to
18 set an underground conversion rate for government entities that takes into
19 account the costs that the Company would otherwise incur for relocations if
20 there were no underground conversion, and proposed Schedule 71 does so.

21 Government entities also have responsibilities and concerns with
22 respect to managing public rights-of-way and with respect to their authority
23 within their jurisdictions that are not applicable to non-governmental entities
24 or individuals. They also have extensive experience in overseeing street
25 improvement projects and in coordinating projects. For these reasons, it
26 makes sense to establish a more extensive structure and process for

1 coordination of conversion projects by the Company and government entities
2 than is utilized for other customers.
3

4 **Q. Are there other reasons to change the traditional residential versus**
5 **commercial distinction between Schedules 70 and 71?**

6 A. Yes. In the past, PSE has charged a percentage of the total actual
7 conversion costs for commercial conversions. That permits the rate
8 schedule to keep up with inflation, technical developments, etc. without the
9 need for additional cost studies and filings with the Commission. By
10 contrast, PSE has charged a fixed dollar amount per centerline foot for
11 residential conversions. PSE's current rate is nearly two decades old, and
12 very out of date. The proposed Schedules 70 and 71 will base underground
13 conversion charges on the costs of a conversion, not a fixed amount per
14 centerline foot that will need to be updated, and will thereby provide for better
15 cost recovery for PSE over time. Such a system is fair to customers
16 because their charges continue to be based on the costs of performing the
17 conversion.

18 **Q: How will the proposed Schedule 71 benefit the public interest and**
19 **improve efficiency?**

20 A: The proposed Schedule 71 is anticipated to benefit the public interest by
21 promoting increased coordination and cooperation between PSE and
22 government entities on conversion projects, thereby reducing costs to PSE
23 and to government entities for such conversions. The proposed Schedule 71
24 also resolves many matters that have been the subject of protracted dispute
25 and litigation between PSE and various government entities, which should
26 free up both sides to focus on the work of conversions rather than on these
disputed issues.

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Q: How does the proposed Schedule 71 promote coordination and cooperation between PSE and the government entity and thereby reduce costs?

A. The new Schedule 71 and its detailed agreements were written in collaborative sessions between PSE, municipalities who have intervened in this general rate case, and Commission Staff. These agreements provide for a design phase and a construction phase to conversion projects, with timelines for delivery of information, meetings, agreement with respect to project scope and cost estimates, and other process milestones that will require the parties to work together to accomplish underground conversions.

This process is anticipated to result in identification of facility conflicts and mitigation of such conflicts in conceptual phases of a conversion project. Schedule 71 will also result in maximizing use of the public rights-of-way, thereby minimizing the occasions when either extra rights-of-way or easements have to be acquired. Joint planning and scheduling is promoted throughout all projects phases so that work is completed in a timely fashion. Schedule and performance obligations for both the government entity and the Company will support projects being carried out efficiently and at the lowest cost.

Q: Has PSE modified its position regarding requiring easements for certain facilities installed as part of an underground system?

A: Yes. As a result of this collaborative effort, PSE has agreed to a system in which there will be joint planning to reduce equipment conflicts up front, and which will facilitate routinely locating equipment in the public rights-of-way. However, the system established in the proposed Schedule 71 is anticipated to result in placement that will permit PSE access to its equipment and will

1 not decrease the safety, efficiency and reliability of system operation. The
2 collaborative approach to facilities placement is also anticipated to minimize
3 future relocations of PSE facilities.
4

5 **Q: Why is the 60% Company/40% government entity cost share in**
6 **Schedule 71 fair, just, reasonable and sufficient?**

7 A. Under the existing Schedule 71, a Government Entity pays 30% of the costs
8 of a conversion if one full lane is added to a street and existing poles will
9 thereby be required to be relocated, and 70% if less than a full lane is added
10 or if poles are not required to be relocated. In most instances, conversion
11 projects for Government Entities involve addition of a lane, such that the
12 Government Entities pay only 30% of the costs of a conversion. The
13 60%/40% cost split, combined with simplification of the tariff to remove the
14 lane/no lane restriction, is a reasonable way to realign cost sharing for
15 conversions, and should result in greater cost recovery to PSE than the
16 existing tariff.

17 **Q: Why should non-governmental entities pay 100% of the costs of a**
18 **conversion?**

19 A. Non-governmental entities or individuals who request underground
20 conversions do so for their own, private benefit. In addition, as described
21 above, PSE typically has obligations to Government Entities to relocate
22 existing overhead facilities to new locations, such that even if no underground
23 conversion were performed, PSE would have to absorb the costs of
24 overhead relocation, while PSE has no such obligation with respect to non-
25 governmental entities. Thus, it is fair, just and reasonable to "credit"
26 governmental entities for a portion of underground conversion costs, while
not extending a similar cost sharing to non-governmental entities. Under the

1 existing Schedule 70 for residential conversions, customers requesting such
2 conversions were required to pay a rate that, at the time it was established,
3 fully covered the costs of such conversions. The new Schedule 70 merely
4 states the customer's payment responsibility in a manner that will not require
5 constant updating in order to keep pace with inflation or other upward cost
6 pressures.
7

8 **Q: What impact does this proposed settlement have on the revenue
9 requirement in this proceeding?**

10 A: The revenue requirement in this case is not affected by the proposed
11 Schedule 71. Under the proposal, costs incurred in the future are capital in
12 nature and do not affect the current revenue requirement which is based
13 upon historical cost rate base. Similarly, reimbursement of costs from
14 customers under proposed Schedule 71 will be recorded as a reduction of
15 plant in service in the future.

16 **Q: What impact will the proposed settlement have on revenue
17 requirement in the future?**

18 A: PSE anticipates that proposed Schedules 70 and 71 will reduce the growth
19 in revenue requirement when compared to the growth in revenue requirement
20 under the existing conversion schedule. This is anticipated due to the
21 updating of cost recovery in proposed Schedule 70, the reduction in PSE's
22 contribution on conversions for governmental entities from 70% to 60%, and
23 to processes that should result in lower overall costs for such conversions.
24 Accordingly, the proposed settlement Schedules 70 and 71 are anticipated
25 to result in lower rates to general ratepayers in the future than if these
26 schedules were not approved.

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