EXHIBIT NO. ___(JMS-1T)
DOCKET NO. UE-141335
WITNESS: JASON M. SANDERS

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of: **King County, Washington; BNSF Railway; Frontier Communications Northwest, Inc.; Verizon Wireless; and New Cingular Wireless PCS, LLC.** **For a Declaratory Order**	**Docket No. UE-141335**

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF JASON M. SANDERS ON BEHALF OF PUGET SOUND ENERGY, INC.

NOVEMBER 19, 2014

PUGET SOUND ENERGY, INC.

PREFILED DIRECT TESTIMONY
(NONCONFIDENTIAL) OF JASON M. SANDERS

Q. Please state your name, business address and position with Puget Sound Energy, Inc. ("PSE").

A. My name is Jason M. Sanders, my business address is 355 110th Street NE, Bellevue, Washington, 98009-5591. I am the Manager Business Services at PSE.

Q. Have you prepared an exhibit describing your professional qualifications?

A. Yes, I have. It is Exhibit No. ___(JMS-2).

Q. What is the nature of your prefiled direct testimony in this proceeding?

A. This prefiled direct testimony describes the Maloney Ridge area and explains replacement, repair, and alternative energy delivery options available to customers of the Maloney Ridge line and costs associated with such options.

Q. Please describe your role with regard to the Maloney Ridge line proceeding.

A. My role has been to facilitate conversations between the customers served by the Maloney Ridge system, PSE and Potelco representatives in identifying the replacement, repair and alternative energy delivery options available.

Q. Please describe the location of the Maloney Ridge line.

A. The Maloney Ridge line is located on Maloney Ridge, approximately 2.6 miles from the town of Skykomish in King County, Washington. The area encompassing the line is owned by the USDA Forest Service ("U.S. Forest Service). Electric service to the Maloney Ridge (and Sobieski) customers is provided by approximately 8.5 miles of single phase 15kV underground cable originally trenched and plowed up the Foss River Road to Maloney Ridge and Sobieski in 1971 or 1972.

Q. Does the location of the Maloney Ridge line affect the service provided to the Maloney Ridge line customers?

A. Yes. The location of the Maloney Ridge line is considered steep, rugged, mountainous terrain, and it includes creeks and rivers. The roads are maintained by the Forest Service and the altitude lends to heavy snowpack that historically limits access from early October through early July. During the winter months, the snowpack may be in excess of several feet deep and it is often necessary to utilize a plow or other machinery to access the line. The environmental conditions due to rain, wind and snow, along with the age of the system, has resulted in increased service interruption to the customers, and it is anticipated that the deterioration of the system due to these conditions will progress. Additionally, the terrain and snowpack have created safety concerns for PSE and Potelco employees, which further impact the ability to respond and restore service. Several photos of the terrain in which the underground line is located are provided

as Exhibit No. ___(JMS-3). Please note a sign on the pole in the photo on page 5 of Exhibit No. ___(JMS-3). This sign marks the snow depth.

Q. How does the location of the Maloney Ridge line affect the cost of providing service?

A. The rugged terrain, weather, and environmentally sensitive areas contribute to the high cost of maintaining the line. Additionally, the line requires operating permits from the U.S. Forest Service. These all create added costs and difficulties with providing service. Repair costs for 2012 and 2013 were approximately $200,000 and $231,000, respectively.

Q. Who has paid these repair costs?

A. PSE has continued to repair and maintain the line at the Maloney Ridge line customers' cost in order to provide safe and reliable service. The Maloney Ridge customers have paid all operations and maintenance costs pursuant to several service agreements. Lynn F. Logen describes these agreements more fully in his Prefiled Direct Testimony, Exhibit No. ___(LFL-1T).

Q. Please describe PSE's efforts to improve reliability on the line.

A. PSE has identified several options for improving service on the line, and PSE has held discussions with the Maloney Ridge customers over the past several years outlining these options. The options range from replacing the entire line to replacing portions of the line with new material. At a March 18, 2013 meeting between PSE and Maloney Ridge line customers, PSE presented these options and

detailed the descriptions, costs, and assumptions for each. A copy of the minutes to this meeting is provided as Exhibit No. ___(JMS-4).

Q. How much does PSE estimate it will cost to replace the entire line?

A. PSE's March 2013 estimate found that it would cost approximately $8,100,000 to replace the entire line.

Q. What was the response from the Maloney Ridge line customers?

A. The Maloney Ridge line customers declined all of the options and took the position that all costs for installing, operating and maintaining a new Maloney Ridge line should be recovered through retail rates applicable to all retail customers. Exhibit No. ___(JMS-5) is a letter to PSE outlining the collective position of each customer receiving service on the Maloney Ridge line.

Q. Has PSE performed an economic feasibility analysis for replacing the Maloney Ridge line?

A. Yes. PSE performed an economic feasibility study in August 2013. The study It considers a 28 year time period, which is the depreciable life for underground cables. It compares the expected revenue due to power consumption to the investment costs related to replacing the existing infrastructure. A summary of the results of the study is provided as Exhibit No. ___(JMS-6). The results of the study, when compared to the Maloney Ridge customers' 2011 power consumption revenue of approximately $36,000, indicate that the deficiency between revenue and investment would be approximately $1.46 million per year,

or $40,964,924 over the 28-year depreciable life of the facilities. In other words, over 28 years, the Maloney Ridge customers would pay approximately $41 million less than the costs included in their rates. PSE concluded that this new study confirmed the decision of the early 1970's, that the Maloney Ridge line is not economically feasible.

Q. Does this conclude your prefiled direct testimony?

A. Yes, it does.