

**EXHIBIT NO. ___(KO-10T)
DOCKET NO. UE-060266/UG-060267
2006 PSE GENERAL RATE CASE
WITNESS: KRIS OLIN**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-060266
Docket No. UG-060267**

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
KRIS OLIN
ON BEHALF OF PUGET SOUND ENERGY, INC.**

AUGUST 23, 2006

PUGET SOUND ENERGY, INC.

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
KRIS OLIN**

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PUGET SOUND ENERGY, INC.

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
KRIS OLIN**

I. INTRODUCTION

Q. Are you the same Kris Olin who submitted prefiled direct testimony in this proceeding on February 15, 2006, on behalf of Puget Sound Energy, Inc. ("PSE" or "the Company")?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony responds to testimony submitted by Mr. James Russell on behalf of the Staff of the Washington Utilities and Transportation Commission ("Commission Staff") regarding: (1) costs associated with the relicensing of the Company's Baker River Hydroelectric Project (the "Baker Project"); and (2) costs related to the Company's settlement of a contract dispute with the Muckleshoot Tribe related to the Company's White River Hydroelectric Project.

1 **II. BAKER RELICENSE**

2 **Q. Please summarize the purpose of your rebuttal testimony in regards to the**
3 **Baker Relicense.**

4 A. My rebuttal testimony responds to assertions made at page 9 of the prefiled
5 response testimony of Mr. Russell, Exhibit No. ___(JMR-1T). Mr. Russell's
6 testimony asserts that the Commission should not approve recovery of PSE's costs
7 related to the Baker Project relicensing process at this time because it is currently
8 unknown whether the Federal Energy Regulatory Commission ("FERC") will
9 issue the new license by the beginning of the rate year. Therefore, Mr. Russell
10 recommends that these costs should be removed from the current rate proceeding.

11 **Q. Please provide an update of the status of the Baker Project relicensing**
12 **process.**

13 A. There are three documents that comprise the Baker Project relicensing proposal--
14 the License Application, a Preliminary Draft Environmental Assessment
15 ("PDEA"), and a Settlement Agreement. FERC completed its review of the three
16 documents and issued a Draft Environmental Impact Statement ("DEIS") for
17 comment in April 2006. All signatories to the Settlement Agreement were asked
18 to comment on the DEIS. Comments on the DEIS were provided to FERC on or
19 before June 16, 2006. Comments were also provided through oral testimony
20 offered at two public hearings conducted by FERC on May 1 and 2, 2006. At the
21 public hearings, FERC distributed a schedule describing its timeline for the

1 remaining relicensing procedures. *See* Exhibit No. ___(KO-11). Since issuance
2 of that timeline, FERC extended the deadline for submittal of comments on the
3 DEIS and is expecting the issuance of the biological opinions from the resource
4 agencies at the end of August 2006. It is the Company's understanding that FERC
5 now anticipates issuance of the Final Environmental Impact Statement ("FEIS")
6 in September 2006. License issuance will follow after the Company has received
7 state regulatory approvals.

8 **Q. What state regulatory approvals are necessary for the issuance of the FERC**
9 **license?**

10 A. There are two regulatory approvals from the Washington State Department of
11 Ecology necessary for the issuance of the FERC license: the Water Quality
12 Certification ("WQC") and the Coastal Zone Management Act ("CZMA")
13 consistency determination. The WQC addresses the effect of the project's
14 operations on water quality and specifies the requirements to meet state standards.
15 The CZMA process reviews the proposed project's consistency with the
16 Washington State Coastal Zone Management Program.

17 **Q. Does the Company anticipate issuance of the FERC license for the Baker**
18 **Project during 2006?**

19 A. Yes. If FERC issues the FEIS in September 2006 in accordance with its timeline,
20 the Company should have the license by year-end 2006.

1 **Q. Is it possible that FERC will not issue the license by the end of calendar year**
2 **2006?**

3 A. Yes, it is possible that the state regulatory approvals will delay the Baker Project
4 relicensing process. It is also possible that FERC's internal process could be
5 delayed. The FERC relicensing process does not have a statutory time limit, so it
6 is difficult to predict an exact date when the process will be completed. Even if
7 delays were to occur, it is highly likely that FERC would issue the license during
8 calendar year 2007.

9 **III. MUCKLESHOOT SETTLEMENT**

10 **Q. Please summarize the purpose of your rebuttal testimony in regards to the**
11 **Muckleshoot Settlement.**

12 A. My prefiled rebuttal testimony responds to assertions made at page 7 of Mr.
13 Russell's prefiled response testimony regarding the settlement between the
14 Muckleshoot Indian Tribe (the "Tribe") and the Company (the "Muckleshoot
15 Settlement"). Commission Staff's proposed adjustment would remove the
16 entirety of the payment associated with the settlement between the Company and
17 the Tribe.

1 **Q. Could you please explain how the Company's actions that led to the**
2 **Muckleshoot Settlement were in the best interest of customers?**

3 A. As explained in my prefiled direct testimony, Exhibit No. ___(KO-1HCT), the
4 Company and the Tribe disputed an interpretation of a 1986 settlement agreement
5 between the two parties. Specifically, the dispute concerned whether PSE owed
6 the Tribe fish hatchery O&M payments for the period September 1, 1998 through
7 January 15, 2004.

8 As discussed in my prefiled direct testimony, the Company stopped making O&M
9 payments based on PSE's reading of the terms of the 1986 settlement agreement.

10 The Tribe claimed that PSE was required to continue paying the Tribe for the
11 O&M costs for the hatchery for the period from September 1, 1998 through
12 January 15, 2004 (the day PSE discontinued operation of the White River
13 Project). The Tribe claimed that the Company owed approximately \$1.4 million
14 in O&M payments for the period September 1, 1998 through January 15, 2004.

15 PSE's actions were intended to avoid paying an unnecessary expense of \$1.4
16 million that would ultimately be borne by customers. If PSE had not withheld
17 payment to the Tribe until the dispute was resolved, customers would have been
18 at risk that the Tribe would be unable to repay PSE if PSE ultimately prevailed on
19 its claims in the arbitration or in court.

1 **Q. Did the arbitration process result in PSE having to pay a penalty for failure**
2 **to perform under the contract with the Tribe?**

3 A. No. The Tribe's interpretation of the contract was that PSE was supposed to
4 extend payments through the date that PSE discontinued operation of the White
5 River Project--January 15, 2004. As a result of the dispute, PSE and the Tribe
6 entered into a binding arbitration process. The arbitration resulted in PSE having
7 to pay the Tribe the \$1,422,800 and \$788,300 in interest. The interest payment
8 was not a penalty; rather, it was to compensate the Tribe for the time value of
9 money that the arbitration panel ultimately determined PSE owed.

10 **IV. CONCLUSION**

11 **Q. Does that conclude your prefiled rebuttal testimony?**

12 A. Yes.