Exhibit No.___(MPG-6T)
Docket No. UE-141335
Witness: Michael P. Gorman

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 to address the
degradation of service from Puget Sound

Energy due to the physical deterioration of the
Maloney Ridge Line underground cable.

PRE-FILED CROSS-ANSWERING TESTIMONY OF MICHAEL P. GORMAN

ON BEHALF OF

KING COUNTY, WASHINGTON, BNSF RAILWAY, FRONTIER COMMUNICATIONS NORTHWEST, INC., VERIZON WIRELESS, AND NEW CINGULAR WIRELESS PCS, LLC

December 17, 2014



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1	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.						
2	A.	Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,						
3		Chesterfield, MO 63017.						
4	Q.	ARE YOU THE SAME MICHAEL P. GORMAN WHO PREVIOUSLY						
5		PRESENTED TESTIMONY IN THIS PROCEEDING?						
6	A.	Yes, on November 19, 2014, I presented pre-filed Opening Testimony on behalf of						
7		King County, Washington, BNSF Railway, Frontier Communications Northwest, Inc.,						
8		Verizon Wireless, and New Cingular Wireless PCS, LLC ("Petitioners").						
9	Q.	WHAT IS THE PURPOSE OF YOUR CROSS-ANSWERING TESTIMONY?						
10	A.	I will respond to Puget Sound Energy ("PSE" or "Company") witness Lynn Logen's						
11		comments about the service currently provided to the Maloney Ridge Distribution						
12		Line customers, and which party (PSE or Maloney Ridge Distribution Line customers)						
13		should have the obligation to replace the Maloney Ridge Distribution Line. I will also						
14		respond to other assertions made in Mr. Logen's testimony.						
15		I will also comment on the economic study offered by PSE witness Jason						
16		Sanders.						
17		Further, I will respond to Washington Utilities and Transportation Commission						
18		("WUTC" or "Commission") Staff witness David Nightingale's comments on the						
19		service provided to the Maloney Ridge Distribution Line customers and his conclusion						

of the party that is responsible for replacing the Maloney Ridge Distribution Line.

I. Response to PSE Witness Lynn Logen

2	Q.	DOES MR. LOGEN IDENTIFY TARIFF SCHEDULES WHICH APPLY TO
3		REPLACEMENT COST OF THE MALONEY RIDGE DISTRIBUTION LINE?

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Α.

- Yes. At page 4 of Mr. Logen's prefiled Direct Testimony, he describes PSE's electric tariff Rate Schedules 80 and 85 as being applicable to the agreements that are in place which provide service to the Maloney Ridge Distribution Line customers. He states that Schedule 80, paragraph 9 provides in part PSE shall not be required to provide service if to do so would be "economically unfeasible."
 - Further, he states that Schedule 85, paragraph 13 provides that PSE shall not be required to construct any extension that is "economically unfeasible" in the reasonable judgment of PSE.

12 Q. DO YOU AGREE WITH MR. LOGEN'S CHARACTERIZATION OF THOSE TARIFFS?

- No. The starting point here is Schedule 85, the line extension tariff PSE used to initiate service to the original customer on the Maloney Ridge Distribution Line. Schedule 85 contains a provision for ownership of facilities which states that the Company will own, operate, and maintain all electric distribution facilities installed by or for the Company, including replacement of such facilities if necessary so long as such replacement is not inconsistent with Schedule 85 or a contract governing such facilities. PSE therefore continues to be obligated to replace the Maloney Ridge Distribution Line because it did not transfer that obligation through the Service Agreements to the customers on the Maloney Ridge Distribution Line.
- Schedule 80 does not alter the obligation PSE has to replace the line for existing customers under Schedule 85. Paragraph 9 of Schedule 80 does address situations where PSE may "refuse service," but those situations occur where there is

1		an applicant seeking to connect to PSE or an applicant seeking additional service. The
2		customers on the Maloney Ridge Distribution Line are already connected to the PSE
3		system and are not seeking additional service. Accordingly, PSE continues to have an
4		obligation to serve, and an obligation to provide safe and reliable service.
5 6	Q.	IS THERE ANY DISPUTE ABOUT WHICH PARTY OWNS THE MALONEY RIDGE DISTRIBUTION LINE?
7	A.	No. PSE owns the Maloney Ridge Distribution Line as clearly stated in the Service
8		Agreement provided by Mr. Logen on his Exhibit No(LFL-3) at 5:
9 10		9. Ownership of the Distribution System. The Distribution System shall be and remain the sole and exclusive property of Puget.
11		There is no dispute that PSE owns the Maloney Ridge Distribution Line.
12 13	Q.	DO PSE'S TARIFFS DESCRIBE PSE'S OBLIGATIONS AS OWNER OF THE MALONEY RIDGE DISTRIBUTION LINE?
14	A.	Yes. As I just stated, Schedule 85 contains a provision for ownership of facilities
15		which states that the Company will own, operate, maintain and repair all electric
16		distribution facilities installed by or for the Company under Schedule 85 including
17		replacement of such facilities if necessary so long as such replacement is not
18		inconsistent with Schedule 85 or a contract governing such facilities.
19 20 21 22 23 24 25	Q.	IF PSE IS CORRECT AND SCHEDULE 80 ALLOWS IT TO CONSIDER THE ECONOMIC FEASIBILITY OF A LINE REPLACEMENT TO EXISTING CUSTOMERS, HAS ANY PARTY IN THIS CASE ATTEMPTED TO DEFINE WHAT "ECONOMICALLY UNFEASIBLE" MEANS IN TERMS OF PSE'S OBLIGATION AS OWNER OF THE MALONEY RIDGE DISTRIBUTION LINE TO PROVIDE SERVICE TO THE CUSTOMERS SERVED FROM PSE'S MALONEY RIDGE DISTRIBUTION LINE?
26	A.	No. The methodology used to determine whether or not replacing the Maloney Ridge
27		Distribution Line is an economically feasible transaction depends on whether or not
28		the economic impact should be assessed from PSE's shareholders' perspective, or

1	PSE's retail customers' perspective. Please note that PSE's 2013 Integrated Resource							
2	Plan dated May 30, 2013 in Appendix F, states that PSE reviews the finance							
3	consideration of resources based on a revenue requirement assessment from the							
4	standpoint of "Costs to PSE's Customers." Replacement of the Maloney Ridge							
5	Distribution Line is economically feasible from either perspective.							
6 Q. 7 8	PLEASE EXPLAIN HOW REPLACING THE MALONEY RIDGE DISTRIBUTION LINE WOULD BE AN ECONOMICALLY FEASIBLE INVESTMENT FROM PSE'S SHAREHOLDERS' PERSPECTIVE.							
9 A.	If PSE is allowed to fully include the costs of the line replacement in its retail cost of							
10	service and reflect that in its tariff rate charges to retail customers, then yes, replacing							
11	the Maloney Ridge Distribution Line would be an economically feasible investment to							
12	PSE and its shareholders. PSE and its shareholders would receive the same fair rate of							
13	return on and recovery of their investment in the Maloney Ridge Distribution Line as							
14	they are allowed to receive for all other regulated utility plant investments.							
15	Hence, if the Commission allows PSE to include the Maloney Ridge							
16	Distribution Line investment in PSE's retail cost of service and tariff rate charges,							
17	then it is an economically feasible investment to PSE.							
18 Q. 19 20 21	PLEASE EXPLAIN HOW THE COMMISSION SHOULD DETERMINE WHETHER OR NOT PSE'S REPLACEMENT OF THE MALONEY RIDGE LINE IS ECONOMICALLY FEASIBLE FROM PSE'S RETAIL CUSTOMERS' PERSPECTIVE.							
22 A.	In assessing whether or not replacement of the Maloney Ridge Distribution Line is							
23	economically feasible from PSE's retail customers' perspective, I suggest the							
24	Commission consider the following: (1) impact on PSE's retail rates, and (2) whether							
25	it is in the public interest and produces public benefits if PSE replaces the Maloney							

Ridge Distribution Line.

1	Q.	DID YOU MEASURE THE ECONOMIC IMPACT ON PSE'S DISTRIBUTION
2		COST OF SERVICE IF IT WERE TO INCUR THE REPLACEMENT COSTS
3		OF THE MALONEY RIDGE DISTRIBUTION LINE AND RECOVER THEM
4		IN ITS RETAIL RATES?

- 5 Yes. At pages 14 through 16 of my Opening Testimony, I estimated the revenue Α. 6 requirement cost to PSE's total retail distribution service and Rate Schedule 24 7 distribution cost of service if PSE incurred the costs of replacing the Maloney Ridge 8 Distribution Line and included that cost in its distribution retail cost of service. In 9 both instances, the impact on PSE's total system-wide distribution costs, and the 10 distribution costs allocated to Rate Schedule 24 (the rate schedule under which 11 Maloney Ridge Distribution Line customers currently take bundled service from PSE) 12 is very small. Because it creates such a small impact on rates, I believe it is 13 economically feasible from a customer standpoint for PSE to incur the replacement 14 cost of the Maloney Ridge Distribution Line.
- 15 Q. ARE THERE PUBLIC BENEFITS AND IS THE PUBLIC INTEREST SERVED
 16 IF CUSTOMERS PAY A SMALL INCREASE IN THEIR PSE RETAIL RATES
 17 TO ENSURE THAT THE MALONEY RIDGE DISTRIBUTION LINE
 18 CUSTOMERS ARE ABLE TO RECEIVE RELIABLE AND SAFE ELECTRIC
 19 SERVICE FROM PSE?
- 20 Yes. As addressed in the Petitioners' Pre-Filed Joint Opening Testimony of Anthony Α. 21 Minor, Gregory Britz, George Baker Thomson, Jr., Michael Mathisen and Jennifer 22 Firestone, customers served from the Maloney Ridge Distribution Line provide 23 emergency services and public safety services to communities served by PSE. Hence, 24 there are vital public safety services that are produced by customers that take service 25 from the Maloney Ridge Distribution Line. Therefore, providing the Maloney Ridge 26 Distribution Line customers safe and reliable service will help support their ability to 27 continue to provide these public service benefits.

	MEV DIDCE
REASONABLENESS OF PSE REPLACING THE MALO	NEI KIDGE
B DISTRIBUTION LINE AND INCLUDING IT IN ITS TA	ARIFF RATE
4 CHARGES?	

A.

Yes. As outlined in my pre-filed Opening Testimony, customers that take service from the Maloney Ridge Distribution Line have been paying PSE's standard service rates during the entire 43-year term the Maloney Ridge Distribution Line has been in service. All the customers on the Maloney Ridge Distribution Line take service under Rate Schedule 24. Rate Schedule 24 charges make a significant contribution to PSE's distribution cost of service across its entire service territory. PSE's efforts to improve service reliability and modernize its distribution structure has resulted in larger tariff rate charges to its retail customers including the customers served from the Maloney Ridge Distribution Line.

Further, PSE acknowledges that its cost of distribution service varies significantly for customers served in urban areas compared to customers served in non-urban areas. Despite the difference in costs, all PSE customers pay the same tariff prices. (Response to Petitioners' Data Request No. 008).

PSE's proposed economic feasibility test for the Maloney Ridge Distribution Line customers suggests that it has more refined distribution pricing for all customers on its system to ensure that all customers are paying for their distribution connections. While clearly the costs of connecting the Maloney Ridge Distribution Line is expensive, there is no way to verify that PSE is not imposing greater economic hurdles on the Maloney Ridge Distribution Line customers than it is on other customers in its system that are connected to remote or limited use distribution facilities. Recognizing the public benefits and public services provided to PSE customers, it is not reasonable

1		to provide more economic restrictions on providing safe and reliable service to
2		customers served via the Maloney Ridge Distribution Line compared to other PSE
3		customers.
4 5 6 7	Q.	ARE THERE EXAMPLES OF IMPROVEMENTS TO PSE'S DISTRIBUTION SYSTEM WHICH MAY NOT SATISFY AN ECONOMIC FEASIBILITY STANDARD SIMILAR TO THE STUDY PSE USED FOR THE MALONEY RIDGE DISTRIBUTION LINE?
8	A.	Yes. In PSE's 2013 Integrated Resource Plan concerning its delivery infrastructure
9		planning, it discusses system reliability. There, it states that "additional consideration
10		is given to system enhancements that will improve redundancy (such as being able to
11		provide a second power line from one substation to another)."
12		Providing a redundant or backup distribution line between two substations
13		would not produce additional revenue or be necessary to preserve existing revenues.
14		PSE's proposed economic feasibility test compares the revenue collected from
15		customers that take service from the distribution line, compared to the revenue
16		requirement of the cost of the new distribution line.
17		Because a redundant line would not produce additional revenues from the
18		customers that take service from the existing substations and would only improve
19		service reliability, a redundant substation connection would fail the economic
20		feasibility test PSE proposed for the Maloney Ridge Distribution Line.
21		This suggests that the test proposed by PSE to measure the economic
22		feasibility of the Maloney Ridge Distribution Line is not implemented consistently
23		across all distribution infrastructure improvements.

1 Q. IS PSE INCURRING SIGNIFICANT CAPITAL EXPENDITURES TO REPLACE ITS AGING DISTRIBUTION INFRASTRUCTURE?

Yes. As described at pages 18-20 of my pre-filed Opening Testimony, PSE represented to the WUTC that it is incurring significant capital investment in order to replace its aging infrastructure and modernize its distribution system. The Maloney Ridge Distribution Line falls squarely within this system modernization capital expenditure plan.

8 Q. DID MR. LOGEN COMMENT ON OTHER PSE TARIFF PROVISIONS?

9 **A.** Yes. At page 9 of Mr. Logen's testimony, he states that paragraph 5 of Schedule 80 provides as follows:

Any cost to the Company of providing Secondary or Primary [voltage] service, at the request of the Customer or for the Customer's convenience, to a Point of Delivery other than the normal Point of Delivery set out above shall be paid by the Customer and shall be in addition to any other amounts which the Customer may be required to pay for said Secondary or Primary service. ¹

Based on this language, he states that Maloney Ridge Distribution Line customers should pay costs related to the remote point of delivery of their service.

19 O. PLEASE RESPOND.

20 **A.** The metering points of delivery for the customers on the Maloney Ridge Distribution
21 Line are at their facilities. The Maloney Ridge Distribution Line is below the point of
22 delivery and metering point to the customers that take service off this line. The
23 Maloney Ridge Distribution Line customers have incurred all costs of taking electric
24 service for facilities installed after PSE's meter.

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Prefiled Direct Testimony of Lynn F. Logen, Exhibit No.___(LFL-1T) at 9.

1	Therefore, this provision does not control in determining whether or not PSE
2	can "refuse service" to the Maloney Ridge Distribution Line customers, and require
3	them to incur the cost of the line replacement.

II. Response to PSE Witness Jason Sanders

5 Q. DID MR. SANDERS PROVIDE PSE'S ECONOMIC FEASIBILITY
6 ASSESSMENT OF REPLACING THE MALONEY RIDGE DISTRIBUTION
7 LINE?

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Yes. As stated at page 4 of his testimony, Mr. Sanders asserts that PSE determined that 2011 power consumption revenue from the Maloney Ridge Distribution Line customers is \$36,000 per year. He states this is insufficient to support the annual revenue requirement of the Maloney Ridge Distribution Line of \$1.46 million per year. He states that over a 28-year depreciable life of the facility, Maloney Ridge Distribution Line customers will underpay for this distribution loop by approximately \$40.96 million.

15 O. IS MR. SANDERS' ECONOMIC FEASIBILITY STUDY RELIABLE?

- 16 A. No. It is unreliable for the reasons outlined in my Opening Testimony at pages 10-11.
 17 I will repeat those reasons here.
- 1. Mr. Sanders ignored the full amount of revenue from the Maloney Ridge
 Distribution Line customers. The Service Agreements with the Maloney Ridge
 Distribution Line customers require them to pay the operating expenses of the
 Maloney Ridge Distribution Line. (Lynn Logen acknowledges that the Service
 Agreements require the Maloney Ridge Distribution Line customers to pay
 operating costs which include repair and maintenance costs. (page 3)).
 Mr. Sanders' study ignores the provision in the Service Agreements.
 - 2. In his analysis, Mr. Sanders assumed a 28-year operating life of the Maloney Ridge Distribution Line. This operating life is shorter than the 35-year depreciable life assumption currently approved by PSE for distribution line equipment. (PSE response to Petitioners' Data Request No. 009(E)).

1 2 3 4 5 6 7 8 9		Further, even a 35-year life may reflect a period too short to reflect the expected useful operating life of a replaced Maloney Ridge Distribution Line based on the testimony provided by PSE witness Jennifer Boyer. She states at page 2 of her testimony, that if the Maloney Ridge Distribution Line were constructed today, it would be placed in conduit and the cable itself would be constructed of longer-lasting (more modern) material. The current line went in-service in 1971. It is now approaching 50 years old. Assuming a 50-year or longer operating life of the replacement line would lower the annual revenue requirement of the replacement line relative to that estimated by Mr. Sanders.
10 11 12	Q.	DID MR. SANDERS ESTIMATE THE IMPACT ON PSE TARIFF RATES IF PSE MADE THE REPLACEMENT INVESTMENT AND INCLUDED IT IN ITS COST OF SERVICE?
13	A.	No. Mr. Sanders failed to estimate the impact on existing customers of PSE, if it
14		treated this line as a PSE-owned property, and replaced it consistent with its obligation
15		to make improvements to its distribution system that are needed to provide reliable
16		and safe service.
17 18 19 20	Q.	DID MR. SANDERS ASSESS THE ECONOMIC BENEFIT AND PUBLIC INTEREST STANDARDS BY THE SERVICES PROVIDED TO PSE-SERVED COMMUNITIES FROM CUSTOMERS THAT TAKE SERVICE OFF THE MALONEY RIDGE DISTRIBUTION LINE?
21	A.	No. Mr. Sanders ignored the public interest and public safety benefits that customers
22		that take service off the Maloney Ridge Distribution Line provide to the communities
23		served by PSE.
24		III. Response to Staff Witness David Nightingale
25 26 27	Q.	DID MR. NIGHTINGALE PERFORM AN ANALYSIS TO DETERMINE WHO SHOULD BE RESPONSIBLE FOR REPLACING THE MALONEY RIDGE DISTRIBUTION LINE?
28	A.	Yes. Mr. Nightingale performed an analysis which included the following:
29		1. A review of the contracts between the parties;
30		2. A review of applicable tariffs (Tariff G, Schedules 80 and 85);

1 2		3. A visit to the Maloney Ridge Distribution Line and customer sites served by the Maloney Ridge Distribution Line;
3 4		4. A review of Staff witness Jason Ball's analysis of the economic viability of replacement distribution line.
5		He concludes that to have PSE replace the Maloney Ridge Distribution Line
6		would be economically unfeasible and recommends that the Maloney Ridge
7		Distribution Line customers should be financially responsible for any and all parts of
8		the Maloney Ridge Distribution Line replacement.
9	Q.	DID STAFF PERFORM AN ECONOMIC FEASIBILITY STUDY?
10	Α.	Yes. Mr. Ball attempts to define economic feasibility as simply a comparison of the
11		costs of replacement with the revenue that will be generated from the line.
12		This definition and his economic feasibility study do not capture the unique
13		characteristics of this issue. Because of the economic benefits to all PSE customers
14		and the minimal impacts on retail rates, the economic feasibility of this replacement
15		line to PSE customers is more appropriately measured based on the impact on rates

17 Q. DID MR. NIGHTINGALE PROVIDE SPECIFIC REFERENCES TO THE
18 TARIFF RATE PROVISIONS TO SUPPORT HIS CONCLUSION THAT PSE
19 SHOULD NOT BE OBLIGATED TO REPLACE THE MALONEY RIDGE
20 LINE?

and in recognition of the non-rate benefits to customers.

A. Yes. In footnote 2, he cites PSE's Electric Tariff G, Schedule 80, General Rules and Provisions, Fourth Revision of Sheet No. 80-d, 9 "Refusal of Service." It states that the Company shall not be required to provide service if to do so would be economically unfeasible.

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1	Q.	DID	MR.	NIGHTIN	NGALE	ALSO	COMMENT	ON	ECONOMIC	TESTS
2		RELA	ATED	TO NEW	LINE E	XTENSI	ONS OR MOI)IFI	CATIONS?	

- 3 A. Yes. Mr. Nightingale commented on PSE's General Tariff Rate G, Schedule 85, Line
- 4 Extension or Modification Rule.

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5 Q. DID MR. NIGHTINGALE DEMONSTRATE WHY SCHEDULE 85 WOULD APPLY TO THIS SITUATION?

- 7 **A.** No. He simply makes assumptions that replacing the Maloney Ridge Distribution
 8 Line is synonymous with a new line extension investment. However, Schedule 85
 9 simply does not support this interpretation.
 - To the contrary, the Service Agreements and PSE's own assertions clearly establish that PSE currently "owns" the Maloney Ridge Distribution Line. PSE's point of delivery to serve the customers served by the Maloney Ridge Distribution Line is at the meter point at their facilities, and not at the beginning of the Maloney Ridge Distribution Line. The line was extended in 1971 and the line extension tariff applied at that point, but not now. Therefore, PSE must fulfill its ownership obligations for the Maloney Ridge Distribution line and replace it unless doing so is inconsistent with its tariff rate roles and restrictions.

18 Q. DOES STAFF WITNESS NIGHTINGALE COMMENT ON THE NEED TO 19 REPLACE THE MALONEY RIDGE DISTRIBUTION LINE GIVEN THE 20 INCREASING FREQUENCY OF OUTAGES ON THIS LINE?

Yes. At pages 12-13, he states that he does not think PSE should be financially obligated to improve reliability on this line. In support of this, he states his interpretation of Schedules 80 and 85 which I address above. I believe his arguments are without merit. PSE is the owner of the line, and obligated to provide safe and reliable service to its retail customers. If replacement of the line is needed, it should

do so unless replacing the line is inconsistent with PSE's tariffs.	As I describe above,
I do not believe replacing the line is inconsistent with PSE's tariff	S.

Α.

Also, Mr. Nightingale references part of Schedule 80 that states: "Where a change in existing Electric Facilities is requested or required by a Requesting Entity, the Requesting Entity shall pay the Company for the costs due to such change." He states that the Maloney Ridge Distribution Line customers are the Requesting Entity in this case, and therefore should be responsible for the cost of this change.

8 Q. DO YOU BELIEVE THAT MR. NIGHTINGALE HAS ACCURATELY INTERPRETED SCHEDULE 80 IN THIS REGARD?

No. The Maloney Ridge Distribution Line customers are not requesting a change in the Maloney Ridge Distribution Line. That is, the line does not need a different supply voltage, capacity, length, or new or different facilities. Therefore, the Maloney Ridge Distribution Line customers have made no requests for a change in their service. Rather, in this case, the Maloney Ridge Distribution Line customers want to continue to receive safe and reliable service, consistent with PSE's obligation to provide safe and reliable service. The replacement of the Maloney Ridge Distribution Line is needed to provide the same safe and reliable service on this line as provided in the past. It was expected under the original Service Agreement, and certainly inherent in PSE's tariff rates, that PSE will operate its system in a safe and reliable manner. It is not necessary for customers to request PSE to pursue this objective. It is PSE's responsibility to pursue this objective.

The only question then is who has the cost responsibility for replacing the line, if necessary to allow PSE to continue to provide safe and reliable service to customers served via the Maloney Ridge Distribution Line. As outlined above, and as supported

- by the Service Agreements, I believe PSE as owner of this line is responsible for
- 2 replacing the line under its tariff terms and is obligated to continue to provide safe and
- 3 reliable service to the Maloney Ridge Distribution Line customers.
- 4 Q. DOES THIS CONCLUDE YOUR PRE-FILED CROSS-ANSWERING TESTIMONY?
- 6 **A.** Yes, it does.

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