

1 BEFORE THE WASHINGTON UTILITIES AND
2 TRANSPORTATION COMMISSION

3 WASHINGTON UTILITIES &)
4 TRANSPORTATION COMMISSION,)
5 Complainant,) Cause No. UE-920499
6 vs.)
7 PUGET SOUND POWER & LIGHT,)
8 Respondent.)
-----)

9 The deposition of COREY A. KNUTSEN in the
10 above matter was held on August 13, 1992, at 9:30
11 a.m., at 1300 South Evergreen Park Drive Southwest,
12 Building 16, Seattle, Washington.

13 The parties were present as follows:

14 COMMISSION, Donald Trotter, Assistant
15 Attorney General, 1300 S. Evergreen Park Drive S.W.,
16 Olympia, Washington 98504.

17 WICFUR, Mark Trincherro, Attorney at Law,
18 2300 First Interstate Tower, 300 S.W. Fifth Avenue,
19 Portland, Oregon 97201.

20 PUGET POWER, James Van Nostrand, Attorney at
21 Law, One Bellevue Center, Suite 1800, Bellevue,
22 Washington 98004.

23 BELLINGHAM COLD STORAGE, TRIDENT SEAFOODS,
24 et al., Carol S. Arnold, Attorney at Law, 5400 - 701
25 Fifth Avenue, Seattle, Washington 98104.

26 PUBLIC, Charles F. Adams, Assistant Attorney
27 General, 900 Fourth Avenue, Suite 2000, TB-14,
28 Seattle, Washington 98164.

29 Marilyn Johnson, RPR
30 Court Reporter

CONTINENTAL REPORTING SERVICE
SEATTLE, WA 206-624-DEPS (3377)

ORIGINAL

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
UE-920499 Ex 16V

27 AUG 27 11:05

RECEIVED
CONTINENTAL REPORTING SERVICE

| | | |
|----|---|-----------|
| 1 | | I N D E X |
| 2 | EXAMINATION BY: | PAGE |
| 3 | MR. TROTTER | 5 |
| 4 | MR. TRINCHERO | 14 |
| 5 | MR. ADAMS | 15 |
| 6 | | |
| 7 | EXHIBIT MARKED ADMITTED | |
| 8 | (NO EXHIBITS MARKED.) | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | | |

1 P R O C E E D I N G S

2 MR. TROTTER: We're on the record. My
3 name is Donald T. Trotter. I'm an Assistant Attorney
4 General assigned to represent the Commission in Docket
5 No. UE-920499, and this is a deposition proceeding
6 pursuant to Commission Rule WAC 480-09-480(5)b, and we
7 have noted depositions of Puget Sound Power & Light
8 Company's witnesses Knutsen, Lynch and Hoff in that
9 docket which is commonly referred to as the rate
10 design case. Those witnesses appear to be here.

11 We're at the Commission's second floor
12 hearing room, in the Commission offices in Olympia,
13 Washington. It's approximately 9:40 a.m. on July --
14 August 13th, 1992.

15 In our notice of deposition pursuant to the
16 rule, we waived the presence of the administrative law
17 judge and there is no administrative law judge
18 present. Perhaps it be appropriate at this time for
19 counsel to identify themselves.

20 MR. VAN NOSTRAND: Representing Puget
21 Sound Power & Light Company, James M. Van Nostrand.

22 MS. ARNOLD: Carol Arnold, representing
23 Bellingham Cold Storage, Trident Seafoods, Versacold,
24 Americold, National Frozen Foods, and Bellingham
25 Frozen Foods, who are informally known as the Skagit

1 Whatcom Area Processors, or SWAP, and I will refer to
2 them as SWAP after this.

3 MR. TRINCHERO: Representing WICFUR,
4 that's the Washington Industrial Committee for Fair
5 Utility Rates, Mark Trinchero.

6 MR. ADAMS: Appearing as public counsel,
7 Charles F. Adams.

8 MR. TROTTER: And I take it correctly that
9 all counsel are stipulating to waiver of the presence
10 of the administrative judge? Hearing no response,
11 assume that they are. And also Mr. Trinchero, you
12 noted the same deposition for the same day, is that
13 correct?

14 MR. TRINCHERO: I don't know.

15 MR. TROTTER: So we'll just do it at the
16 same time?

17 MR. TRINCHERO: Right.

18 MR. TROTTER: The first witness that has
19 taken the stand is Corey Knutsen.

20 Whereupon,

21 COREY A. KNUTSEN,
22 having been first duly sworn, was called as a
23 witness herein and was examined and testified as
24 follows:

25

1 EXAMINATION

2 BY MR. TROTTER:

3 Q. Mr. Knutsen, you're the vice-president of
4 corporate planning for Puget Power?

5 A. Yes.

6 Q. And you're appearing here because of the
7 notice of deposition that was issued to the company?

8 A. Yes.

9 Q. And you're under oath and you understand
10 that the testimony you give here under the rule can
11 either be submitted in exhibit form or can be used to
12 impeach you or otherwise clarify your testimony at a
13 formal hearing of the Commission?

14 A. Yes.

15 Q. And do you understand that if I ask you
16 any question that is confusing, that you should ask me
17 to clarify it, and if there's something you don't
18 understand, don't answer until you do understand that
19 aspect of my question, and you are under oath and you
20 understand that is very similar to cross-examination,
21 with a rate case of which you're very familiar?

22 A. Yes.

23 Q. Do you have before you your proposed
24 testimony which is Exhibit T-1?

25 A. Yes.

1 Q. And you also sponsor -- I guess that's the
2 only exhibit you sponsor, is that correct?

3 A. Correct.

4 Q. And is this the testimony that you
5 anticipate will be offered at the cross-examination,
6 phase of this case?

7 A. Yes.

8 Q. The company recently filed with the
9 Commission and the parties numerous changes to various
10 exhibits due to corrections that it had come across
11 between filing and that date. I believe that those
12 corrections were filed around August 3rd of 1992. Did
13 any of those changes affect your testimony?

14 A. No.

15 Q. Are you the Commission's policy witness in
16 this case?

17 A. The company's policy witness.

18 Q. Did I say Commission?

19 A. Yes, you did.

20 Q. I'm sorry. You're the company's policy
21 witness?

22 A. Yes.

23 Q. Turn to page eight of your testimony, and
24 beginning on line 16, you state that the company
25 recommends that the findings of decisions of the

1 Commission in this proceeding be implemented when
2 rates are changed in the company's next general rate
3 case which is expected to be filed with the Commission
4 in November 1992 to take effect in October 1993. Do
5 you see that?

6 A. Yes.

7 Q. Is that a correct statement as of today?

8 A. If we file a general rate case on November
9 of 1992, we would hope that this proceeding would be
10 -- that these rates go in effect at the same time that
11 the general rate case goes into effect in October of
12 1993.

13 Q. The testimony says that general rate case
14 is expected to be filed in November 1992.

15 A. Yes.

16 Q. Is that still a correct statement?

17 A. It's -- I guess we believe it's less
18 likely at this point than when we drafted the
19 testimony, but we're still not sure, you know, one way
20 or the other whether or not the case will be filed in
21 November of 1992.

22 Q. So if you were to testify today, would you
23 use the word expected?

24 A. Probably would of chosen to write that a
25 little bit less -- you know, with less expectation, I

1 guess, so maybe expected would not have been the word.

2 Q. A recent Puget witness in another
3 proceeding, I think, used the phrase may or may not.

4 A. Yes.

5 Q. Is that kind of where we stand right now?

6 A. Yes.

7 Q. There's been no change in that in the last
8 week?

9 A. No, there has not.

10 Q. Assuming the company does not file a
11 general rate case in November 1992 or in the fall
12 of 1992, what would be your proposal for implementing
13 this rate design filing?

14 A. That it go in effect October of 1993 with
15 the other changes that would be taking place at that
16 point, but that could be difficult, you know,
17 difficult administratively, I believe, if there are
18 changes to the -- very significant changes to the rate
19 design proposed by the company that would result in
20 shifts in rates for various customers. What I'm
21 anticipating by that answer is that if, for example,
22 some customers are in the order given rates that are
23 higher than what we've noticed to the customers
24 already, there may be an additional notice requirement
25 to implement it that early. If that's not

1 administratively possible to do, then having it go in
2 effect when the general rates of the filing which
3 would probably be in November of 1993, effective
4 October 1994, would probably be the other way of doing
5 that.

6 Q. Let's backtrack through that answer. This
7 other proceeding you were talking about is PRAM, the
8 coincident date of October 1993?

9 A. Oh, other changes that would take place in
10 October, yes. Anticipating there would be a PRAM
11 three filing in 1993, October 1 would be when the
12 rates for the PRAM three filing would go into effect.

13 Q. And you referred to that in your answer?

14 A. Yes, that's what I meant by other changes
15 would take place at that point.

16 Q. Assuming there was no PRAM and no rate
17 case filed this fall, then you would propose that
18 these changes be implemented in the context of the
19 next general rate case which would be filed sometime
20 in 1993 to be effective in 1994?

21 A. Yeah, that would be a good -- there are
22 other things -- excuse me, at least one other thing
23 that's going to take place in October of 1993, where
24 we would change from a summer to winter rates, so
25 there will be a rate change occurring at that time.

1 We could still do it at that time, but probably
2 waiting until October of 1994 might be better in terms
3 of understandability from our customer's point of
4 view.

5 Q. Now, we do have -- my previous question
6 asked you to assume the PRAM, but of course we have
7 the PRAM. Why wouldn't rate changes coincident with
8 the implementation of PRAM three in October 1993 be an
9 appropriate point to implement these rates?

10 A. I think it would be an appropriate point.

11 Q. There wouldn't be any problem with
12 understandability at that time?

13 A. I think the point of understandability,
14 and what we -- all the I guess people who worked on
15 putting the PRAM in place to begin with, what we were
16 trying to do is minimize the number of rate changes
17 that -- rate related changes that occur during the
18 year for our customers to have to work through, and
19 that's the magic of using the October 1, 1993 date,
20 and so I think that would -- it would still have that
21 benefit if we put this rate case in effect at
22 that time, the rate design case.

23 Q. This case is on a schedule where it could
24 be completed by early spring of 1993. Would there be
25 some benefit from your viewpoint to implement the

1 rates during the time when summer rates would be
2 applicable?

3 A. I don't see an advantage there for any
4 -- any particular advantage except with regard to a
5 number of what we refer to in the case as experimental
6 rates. Having those be available to go in effect
7 earlier would probably help get them ready for the
8 winter season of 1993-1994.

9 Q. Turn to page five of your testimony, and
10 on line 18, you list five factors that the Commission
11 identified as being important in design and spread of
12 rates, acceptability to customers, elasticity of
13 demand, perceptions of equity and fairness, rate
14 stability over time and overall economic circumstances
15 within the region. Do you see that?

16 A. Yes.

17 Q. And do you agree that those are
18 appropriate factors to consider?

19 A. Yes.

20 Q. How does your proposal -- how did you
21 consider acceptability of rate design to customers
22 when you put together this proposal?

23 A. Well, of course our witness, Dave Hoff,
24 will be able to give you more detail on that answer,
25 but acceptability of -- to customers I think is

1 supported by the solid or the good methodology behind
2 the rate design itself, and the appearance of the
3 other items, you know, on the list as being a part of
4 that process, and having them -- the rates be
5 understandable in the context of what the utility --
6 the electric utility is facing in terms of resources
7 and resource requirements and all of that.

8 Q. Is this more Mr. Hoff's area?

9 A. It would be more Mr. Hoff's area, yes.

10 Q. What about overall economic circumstances
11 within the region, would you explain how that was
12 taken into account?

13 A. Well, again, I guess you might want to ask
14 Mr. Hoff a bit more on that.

15 Q. Now, the filing -- this filing of course
16 is Puget's proposal, is that correct?

17 A. Yes.

18 Q. And in reading through testimony of the
19 various witnesses, there's many references to the
20 consensus reached by the collaborative group on rate
21 design, but do I understand correctly that Puget will
22 be defending this particular proposal as a proper rate
23 design proposal for the company?

24 A. Yes, and we benefited from the input, and
25 we weren't able to include all of the input from the

1 rate design task force and collaborative group exactly
2 as it was recorded, and, however, all of that action
3 -- it's the company's proposal and its responsibility.

4 Q. And do I take it correctly that the
5 company in the collaborative process may have
6 made certain concessions or certain changes to what it
7 might otherwise have offered in the filing as a way of
8 resolving major areas of dispute?

9 A. Yes. There were some of those instances.

10 Q. And some of those are reflected in your
11 proposal?

12 A. Yes, they are, and they can be addressed
13 by primarily, again, Mr. Hoff, probably, in terms of
14 the specifics.

15 Q. But it's not the company's intent in this
16 proceeding to go back and revisit its prior positions
17 on those issues where it has collaborated, I guess,
18 for want of a better word, and it will stand by the
19 proposal that it's got on the table?

20 A. Yes, as filed.

21 Q. I have nothing further. Witness is
22 available for any cross-examination.

23 MR. ADAMS: I assume the two inter -- two
24 proponents of the deposition will go first.

25 MR. TRINCHERO: Do you have any preference

1 on order?

2 MS. ARNOLD: No, I don't.

3

4 E X A M I N A T I O N

5 BY MR. TRINCHERO:

6 Q. Good morning, Mr. Knutsen. My name is
7 Mark Trinchero. I'm here on behalf of WICFUR. I only
8 have one question, going back to something that
9 counsel for staff raised with you on the
10 implementation schedule for this rate design
11 proceeding. If the company does file a general rate
12 case sometime later than it originally anticipated but
13 say prior to the spring of 1993, would you still
14 propose to have the rate design case implemented at
15 the time that that general rate case change is
16 effectuated?

17 A. The company will file general rate cases
18 in a fairly predictable schedule connected with the
19 schedule anticipated by the PRAM process. With the
20 expectation, as we have said here this morning, that
21 the rate impacts from PRAM go into effect on October
22 1st of any one year, we have committed to filing
23 general rate cases in a way that the results of those
24 cases would go into effect in October. Those have us
25 expecting that we would either file in November of

1 1992 that general rate case, or file in November of
2 1993 a general rate case, and with that as a
3 background to answering your question, then, yes, I
4 would advocate that we roll this into the general rate
5 case. It's probably the optimum way of implementing
6 the rate design, but it could be implemented on its
7 own in the absence of a filing of a general rate case
8 in November, could be implemented on its own in
9 October of 1993, and still be reasonably consistent
10 with expectations about rate matters in the PRAM
11 process.

12 Q. So, to summarize that, if you miss the
13 November deadline this year, you would wait until
14 November of next year to file your general rate case?

15 A. That is correct. That's what we would
16 expect.

17 Q. Thank you. I have no further questions.

18 MS. ARNOLD: I have no questions.

19

20 E X A M I N A T I O N

21 BY MR. ADAMS:

22 Q. I just have a couple of questions, Mr.
23 Knutsen. For the record, Charles Adams, public
24 counsel. If you'd look briefly at page five of your
25 testimony, and the very top of the page -- actually,

1 the sentence carries over from the bottom of page
2 four, says, "It is therefore essential that rates be
3 designed in a manner that sends accurate price signals
4 to our customers." Do you see that?

5 A. Yes, I do.

6 Q. Would you define what you mean by the term
7 "accurate price signals"?

8 A. What we mean -- or I mean by that there
9 and we're trying to reflect in our case is that
10 balanced with the other important item -- elements of
11 rate design, we would like to have our customers see
12 in the rate design the impact of energy use in terms
13 of the cost impact, so, for example, have in their
14 rate design an indication of the costs of the new
15 power resources it's taking to serve the increasing
16 demand for electricity in our service area.

17 Q. Could you indicate what these new
18 resources are that you're specifically referring to,
19 or you're generally referring to?

20 A. The new resources emerged from our
21 integrated resource planning efforts, in that work,
22 conservation. Conservation is one of the energy
23 resources we're using to meet the new demand. Power
24 purchases and renewable energy sources that either we
25 or others would develop.

1 Q. Is this what might be characterized as
2 what you see as your avoided costs, what Puget sees as
3 their avoided costs?

4 A. Do you mean the cost of these new
5 resources, can it be characterized by the avoided
6 costs, is that a good restatement of that question you
7 asked?

8 Q. Yes. Correct.

9 A. The avoided cost is an indicator, sort of
10 a general indicator of the level of cost for those new
11 resources, and in recent times our acquisition efforts
12 have actually brought in much of the new resource
13 lower than our previously published avoided cost, but
14 that would -- we view it as an upward bound on those
15 costs.

16 Q. If you would now take a look at the bottom
17 of that same page, and Mr. Trotter asked you a couple
18 of questions about the factors that you list there at
19 the bottom of the page five, are those five factors
20 ranked in the order in which Puget feels is
21 appropriate?

22 A. They have no priority implied in their
23 ordering there. We view it as a balancing activity
24 where you have to balance all of those items as you're
25 considering new rate designs.

1 Q. Well, are you able in any sense to
2 prioritize or weight the various goals, either those
3 stated here at the bottom of the page which come from
4 a Commission order, or any other goals that Puget
5 might have in mind for its rate design?

6 A. Not really. We clearly see it as an
7 attempt to balance all of them, and it's not a -- sort
8 of a mathematical process in that sense.

9 Q. Turn to page nine, line eight for a
10 moment. You referred to the various voluntary and
11 optional rates proposed by the company. Do you see
12 that?

13 A. Yes, I do.

14 Q. Would you indicate which of the volunteer
15 or optional rates should be implemented, I think as
16 you said, in that basically very early implementation?
17 Which specifically are you referring to?

18 A. The three -- and of course we'd have a
19 chance to talk with Mr. Hoff more about these --
20 that I'm referring to in my testimony there are the
21 water heater -- interruptible water heater load
22 program or rate activity, the interruptible rates for
23 commercial customers, and the sort of two-tier rate
24 that's proposed for -- as an experiment for the very
25 large customers.

1 Q. Finally just a question that is really a
2 generic question, there's not a specific reference
3 point in your testimony for this, in looking at cost
4 of service and rate design, is it Puget's contention
5 that all of its customer classes pose the same type of
6 business risk to Puget, or is it their view that --
7 Puget's view that some types of service are riskier
8 than others to serve?

9 A. I'm not sure what you mean by pose
10 business risk or risky to serve. I'm not sure what
11 you mean by that, Mr. Adams.

12 Q. In the sense that the customers either
13 might come on and come off the system, you know, in a
14 nonpredictable sense, or have load characteristics
15 that are riskier. Is there any philosophy that the
16 company has in looking at its various customer classes
17 in that regard?

18 A. I don't think so, as I'm understanding
19 your question. I don't believe that that's a
20 characterization that we would use to try and
21 distinguish among the loads that we serve, unless -- I
22 could be misunderstanding your question, but I don't
23 believe so.

24 Q. I'm sort of asking in an overall policy
25 sense. I assume perhaps the same question would be

1 posed to Mr. Hoff in a more specific rate design
2 sense.

3 A. Yes. In the context of this rate design
4 case, we tend to try and reduce the distinguishing
5 characteristics of the various loads to cost of
6 service, you know, representations, and factor those
7 into the rate design. That's generally the way that I
8 believe the things that you may be referring to are
9 treated. I don't believe we -- in my understanding of
10 your use of the term, we view that as a different
11 level of business risk as much as a -- whatever we're
12 able to understand about that load, characterize it as
13 a cost of service.

14 Q. Thank you. That's all I have.

15 MR. TROTTER: Okay. The witness is
16 excused.

17 (Deposition concluded.)

18

19

20

21

22

23

24

25

C E R T I F I C A T E

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

As Court Reporter, I hereby certify that
the foregoing transcript is true and
accurate and contains all the facts,
matters, and proceedings of the hearing
held on: 8-13-92

Marilyn Johnson

CONTINENTAL REPORTING SERVICE, INC.