

**EXHIBIT NO. \_\_\_(KJB-1T)  
DOCKET NO. UE-141335  
WITNESS: KATHERINE J. BARNARD**

**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.**

**Docket No. UE-141335**

**For a Declaratory Order**

**PREFILED CROSS ANSWERING TESTIMONY (NONCONFIDENTIAL) OF**

**KATHERINE J. BARNARD**

**ON BEHALF OF PUGET SOUND ENERGY, INC.**

**DECEMBER 17, 2014**

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

**PUGET SOUND ENERGY, INC.**

**PREFILED CROSS ANSWERING TESTIMONY (NONCONFIDENTIAL) OF**

**KATHERINE J. BARNARD**

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

A. My name is Katherine J. Barnard, my business address is 10885 NE 4th Street, Bellevue, Washington, 98009-5591. I am Director, Revenue Requirements and Regulatory Compliance with Puget Sound Energy, Inc. (“PSE”).

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

A. Yes, I have. It is Exhibit No. \_\_\_(KJB-2).

**Q. What is the nature of your prefiled cross answering testimony in this proceeding?**

A. This testimony responds to cost of service issues raised in the Prefiled Opening Testimony of Michael P. Gorman, Exhibit No. \_\_\_(MPG-1T), on behalf of King County, Washington, BNSF Railway, Frontier Communications Northwest, Inc., Verizon Wireless, and New Cingular Wireless PCS, LLC (collectively, “Petitioners”).

**Q. How do you respond to Mr. Gorman’s claim on page eight of Exhibit No. \_\_\_(MPG-1T) that PSE is “seeking to shift its capital replacement costs to Petitioners through some form of contribution-in-aid-of construction.”?**

1 A. Mr. Gorman makes this allegation by simply miscategorizing the Petitioner's  
2 request as a capital replacement akin to those PSE routinely makes to its  
3 distribution system. Contrary to Mr. Gorman's suggestion, however, it would be  
4 inappropriate for PSE to treat a new distribution line for the Petitioners as a  
5 distribution capital investment to be included in PSE's rate base. The Maloney  
6 Ridge Line was installed and paid for pursuant to a contract. Each one of the  
7 Maloney Ridge customers receives service pursuant to one of these four service  
8 agreements. The Maloney Ridge line is not part of PSE's distribution system, and  
9 the Petitioners have been paying all operating costs pursuant to such contracts.  
10 PSE modeled replacement of the line as a capital investment merely for purposes  
11 of performing an economic feasibility study. This study found there would be a  
12 revenue deficiency of \$40.6 million over the life of the facilities, or almost \$1.5  
13 million per year on a levelized basis. (See the Prefiled Cross Answering  
14 Testimony of Lynn F. Logen, Exhibit No. \_\_\_(LFL-9T) and Exhibit  
15 No. \_\_\_(LFL-10)). Therefore, PSE determined replacing the Maloney Ridge line  
16 was not economically feasible. Hypothetically, if there were no Service  
17 Agreements, if the replacement costs were economically feasible, and if the  
18 Maloney Ridge customers were part of PSE's existing general distribution system,  
19 PSE would treat replacement of the distribution line as a capital investment.  
20 However, none of those conditions exist here.

21 **Q. Mr. Gorman states that if PSE replaced the Maloney Ridge line and applied**  
22 **replacement costs to other customers, PSE would not see an increase in its**  
23 **cost of service. Is this true?**

1 A. No. Mr. Gorman's assertion, stated on page 15, line 26, through 16, line 13 of  
2 Exhibit No. \_\_\_(MPG-1T), is based on an uninformed observation, and therefore  
3 it should not be relied upon. Mr. Gorman states that PSE's distribution rate base  
4 has actually declined since its last rate case. Mr. Gorman compared PSE's  
5 distribution net plant investment from 2010 (the test year from PSE's last general  
6 rate case), through year-end 2013 based on FERC Form No. 1 data to determine  
7 the alleged decline. But there has not been a reduction in costs; the reduction Mr.  
8 Gorman points out is a result of a transfer of a certain category of PSE's assets  
9 from distribution rate base to transmission. This reclassification was approved in  
10 WUTC Docket No. U-111701 and FERC Docket No. ER12-778, and was  
11 performed in 2012. Mr. Gorman is looking at only one of the two categories of  
12 plant that were included in the transfer. He is not considering transmission plant  
13 from PSE's FERC Form No. 1, which must be viewed together with distribution  
14 plant over the time period due to the transfer of assets.

15 Considering the two categories together correctly reflects PSE's costs during this  
16 period. My Exhibit No. \_\_\_(KJB-3) contains the added information from the  
17 FERC Forms used by Mr. Gorman and presents the causes for the net change in  
18 gross plant. The 2012 transfer is apparent on lines 10 through 12 of column "g",  
19 wherein over \$550 million of gross plant is transferred between Transmission and  
20 Distribution classes. Also demonstrated on Exhibit No. \_\_\_(KJB-3) is that overall  
21 net transmission and distribution plant has actually increased by \$286.6 million,  
22 or over 10 percent, contrary to Mr. Gorman's claim. Accordingly, if replacement  
23 costs were allocated to rate classes as proposed by the Petitioners, PSE would

1 most certainly experience an increase in cost of service. The erroneous head  
2 room in PSE's distribution cost of service that the Petitioner claims exist truly  
3 does not exist when looking at the more appropriate category of delivery costs  
4 (transmission and distribution) on which PSE's cost of service is allocated.

5 **Q. Does this conclude your prefiled direct testimony?**

6 A. Yes, it does.