

**EXHIBIT NO. \_\_\_(LFL-9T)  
DOCKET NO. UE-141335  
WITNESS: LYNN F. LOGEN**

**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**

**LYNN F. LOGEN**

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

**DECEMBER 17, 2014**

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**PUGET SOUND ENERGY, INC.**  
**PREFILED CROSS ANSWERING TESTIMONY (NONCONFIDENTIAL) OF**  
**LYNN F. LOGEN**

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

A. My name is Lynn F. Logen, my business address is 10885 NE 4th Street, Bellevue, Washington, 98009-5591. I am Supervisor of Tariffs at PSE.

**Q. Are you the same Lynn Logen who prepared direct testimony in this proceeding?**

A. Yes, I provided Prefiled Direct Testimony, Exhibit No. \_\_\_(LFL-1T), and six supporting exhibits, Exhibit No. \_\_\_(LFL-2) through Exhibit No. \_\_\_(LFL-8).

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

A. This testimony replies to the Prefiled Joint Opening Testimony of Anthony Minor (King County), Gregory L. Britz (BNSF Railway), George Baker Thomson, Jr., (Frontier Communications Northwest Inc.), Michael Mathisen (Verizon Wireless), Jennifer Firestone (New Cingular Wireless PCS, LLC), Exhibit No. \_\_\_(JOT-1T), and the Prefiled Opening Testimony of Michael P. Gorman, Exhibit No. \_\_\_(MPG-1T), on the behalf of the petitioners in this proceeding (“Petitioners”).

1 **Q. How do you respond to Mr. Gorman's claim on page three, lines 9-11 of his**  
2 **Prefiled Opening Testimony, Exhibit No. \_\_\_(MPG-1T), that the Maloney**  
3 **Ridge line needs to be replaced due to safety concerns?**

4 A. Mr. Gorman does not describe any safety problems related to the condition of the  
5 Maloney Ridge line, nor does he explain how replacement of the line could  
6 improve safety. While replacing the line will likely improve reliability and  
7 reduce operation and maintenance costs for the Petitioners, replacing the line will  
8 not change the weather conditions or the location of the line, and these are the  
9 factors that contribute to safety concerns for PSE's contractors and replacement  
10 will not change the safety of the line for the Petitioners or the public. If the line is  
11 replaced, outages will still occur, as they do on all electric distribution lines, and  
12 crews will still have to travel up mountainous terrain in difficult weather  
13 conditions to make repairs.

14 PSE does not dispute that electric service via the Maloney Ridge line provides for  
15 important communication services. However, as explained on page four of the  
16 Prefiled Direct Testimony of Jennifer A. Boyer, Exhibit No. \_\_\_(JAB-1T),  
17 backup generation is available to the Petitioners in the event of an outage. In fact,  
18 in all the outage situations that have occurred over the years, PSE is unaware of  
19 any situation in which public safety was compromised as a result of loss of  
20 service.

21 **Q. Mr. Gorman states on page five, lines 5-7 of Exhibit No. \_\_\_(MPG-1T), that**  
22 **PSE's rules do not provide for any customer contribution-in-aid-of-**

1 **construction regarding the replacement of an existing distribution line used**  
2 **by PSE to serve multiple customers. Do you agree?**

3 A. No, I disagree. Schedule 80, paragraph 6, provides that “For electric service in  
4 large quantity or under special conditions, the Company may require a suitable  
5 written agreement.” The Service Agreements are just this type of agreement.  
6 Additionally, nothing in Schedule 80 limits an agreement to only one customer.  
7 Also, Schedule 80, paragraph 9, allows PSE to refuse service if to provide service  
8 would be economically unfeasible, which it is in this case. Finally, Schedule 80,  
9 paragraph 34, provides that if a customer requests a change to facilities, the  
10 customer shall pay such costs in full. These provisions, in fact, contemplate the  
11 exact situation here, where the customer may pay for construction costs when  
12 otherwise PSE would refuse to provide service because it would be economically  
13 unfeasible.

14 **Q. How do you respond to Mr. Gorman’s claim on page six, lines 3-5 of Exhibit**  
15 **No. \_\_\_(MPG-1T), that Petitioners have paid Schedule 24 rates that help**  
16 **fund capital replacements for other parts of the PSE system from which**  
17 **Petitioners derive no benefit?**

18 A. First, I would point out that the Maloney Ridge line would not have been built had  
19 the Petitioners’ predecessor not agreed to pay all costs of installation, operation,  
20 maintenance, future removal, and a monthly minimum charge. Similarly, the  
21 Petitioners would not be receiving service via the Maloney Ridge line if they had  
22 not agreed to pay for both 1) operation and maintenance, and 2) electric service

1 through Schedule 24 rates. This is the agreement the Petitioners entered into in  
2 order to make service economically feasible.

3 Second, Schedule 24 rates fund more than capital replacements. Schedule 24  
4 rates recover costs for services that are not recovered through the Services  
5 Agreements, but from which the Petitioners benefit. For instance, Schedule 24  
6 rates recover costs for production, generation, purchased power, return on  
7 investments, depreciation, taxes, transmission and distribution systems,  
8 accounting, reporting, customer services, legal, billing, insurance, overhead, and  
9 other costs of running an electric utility.

10 Third, the rates paid under Schedule 24 pay a portion of all costs of the 3.68 miles  
11 of line from the substation to reach the beginning of the Maloney Ridge line and  
12 of the costs of the substation and transmission system serving the Maloney Ridge  
13 line. The conclusion that I reach is that the contribution to maintenance costs  
14 through rates paid by the customers served from the Maloney Ridge line is less  
15 than the costs of maintenance of the 3.68 miles of distribution to reach the  
16 beginning of the Maloney Ridge line, let alone their share of the maintenance  
17 costs of the serving substation and transmission line leaving no excess to fund  
18 capital replacement of other parts of the PSE system. The Petitioners clearly  
19 receive benefit for rates paid pursuant to Schedule 24.

20 **Q. Mr. Gorman states on page ten, lines 9-10 of Exhibit No. \_\_\_(MPG-1T), that**  
21 **paragraph 9 of Schedule 80 is inapplicable because the Petitioners are not**  
22 **new customers, but are currently taking service. Do you agree?**

1 A. No. Mr. Gorman claims that paragraph 9 only applies to new or additional  
2 service, but there is no such qualification to the applicable provision of paragraph

3 9. Paragraph 9 in full states,

4 REFUSAL OF SERVICE -The Company may refuse to connect an applicant  
5 for service or may refuse to render additional service to a Customer when such  
6 service will adversely affect service being rendered to other Customers or  
7 where the applicant or Customer has not complied with state, county, or  
8 municipal codes or regulations concerning the rendition of such service.  
9

10 The Company may refuse to serve an applicant or a Customer if, in its  
11 judgment, said applicant's or Customer's installation of wiring or electrical  
12 equipment is hazardous, or of such character that satisfactory service cannot  
13 be provided.  
14

15 The installation of proper protective devices on the applicant's or Customer's  
16 premises at the applicant's or Customer's expense may be required whenever  
17 the Company deems such installation necessary to protect its property or that  
18 of its other Customers.  
19

20 The Company shall not be required to connect with or render service to an  
21 applicant unless and until it has all necessary operating rights, including rights-  
22 of-way, easements, franchises, and permits.  
23

24 The Company may refuse to connect service to a master meter in any new  
25 building with permanent occupants when: there is more than one dwelling unit  
26 in the building or property; the occupant of each unit has control over a  
27 significant portion of electric energy consumed in each unit; and the long-run  
28 benefits of a separate meter for each customer exceed the cost of providing  
29 separate meters.  
30

31 The Company shall not be required to provide service if to do so would be  
32 economically unfeasible.  
33

34 As one can see, each section of paragraph 9 describes a separate reason for which  
35 PSE may refuse service. The final section, “The Company shall not be required  
36 to provide service if to do so would be economically unfeasible”, has no  
37 qualifying language limiting it to new or additional service and stands on its own,  
38 referring to any service provided under Schedule 80. This is even more clear  
39 when one compares the last section of paragraph 9 to other sections that do  
40 explicitly refer to connection of service or additional service.

1 Contrary to Mr. Gorman’s testimony, there is no obligation for PSE to maintain a  
2 “status quo” of service. However, PSE has provided several options for  
3 improving the line’s reliability, only one of which is complete replacement of the  
4 entire line. The Petitioners have rejected all options except full replacement, and  
5 they ask all customers to foot the entire bill regardless of the cost, unique and  
6 extraordinary circumstances, operational feasibility, economic feasibility or the  
7 Petitioners’ contractual obligations.

8 **Q. Please explain Mr. Gorman’s issues with PSE’s economic feasibility study,**  
9 **described on pages 10-11 of Exhibit No. \_\_\_(MPG-1T).**

10 A. Despite Mr. Gorman’s claim to the contrary, PSE did perform an economic  
11 feasibility study that showed that other PSE customers would be adversely  
12 affected by significantly increased rates for costs to provide a new line to  
13 Petitioners. Mr. Gorman claims that the economic feasibility study is inaccurate  
14 for three reasons: 1) he states that PSE did not recognize the amount of revenues  
15 paid by Maloney Ridge line customers, 2) he states that PSE should have used a  
16 35 year life instead of 28, and 3) he states that the study did not recognize that  
17 Maloney Ridge customers would pay all O&M expense on the line.

18 Mr. Gorman is simply incorrect on the first count. PSE did consider Maloney  
19 Ridge revenue, as shown by the present value of regulated revenues of  
20 \$16,630,694 on the tab titled “Results-Print” of the model output, which was  
21 provided to Petitioners as Attachment B to PSE’s Response to Petitioners Data  
22 Request No. 001 (the “Model”). The full Model used in response to Petitioners’  
23 Data Request No. 1 is provided herewith as Exhibit No. \_\_\_(LFL-10).

1 The Model was created to determine the revenue requirement for a specific  
2 investment, in the case of the Maloney Ridge line, that investment was  
3 \$8,100,000, as shown on the “Capital Projects (Input)” tab of the Model output.  
4 The Model assumes payments based on the rate of return input into the Model,  
5 those payments would include payments under Schedule 24 from the customers  
6 served by the Maloney Ridge line. The Model is simply a tool; the output of the  
7 Model has to be used and compared to the costs and necessary payments of the  
8 specific project to determine economic feasibility. In the case of the Maloney  
9 Ridge line, the initial determination that I would have made was that the Model  
10 showed a revenue requirement of \$1,449,033 based on the \$8,100,000 investment.  
11 I initially estimated the Schedule 24 revenue from the customers served by the  
12 Maloney Ridge line at \$25,000 per year resulting in a remaining annual revenue  
13 deficiency of \$1,424,033 per year or a revenue deficiency of \$39,872,924 over 28  
14 years. My conclusion was that the \$8,100,000 investment was not economically  
15 feasible to make absent additional payments by the customers served by the line.  
16 Regarding the depreciation life, PSE considered a 28 year depreciation life  
17 because PSE’s 2006 depreciation study established a 3.53% rate for accrual of  
18 depreciation based on all plant on PSE’s books in FERC Account 367 and using  
19 that accrual rate results in a 28 year average plant life. The 35 years is the  
20 industry average life of new facilities in FERC 367.  
21 PSE did not include O&M payments by the Petitioners in the Model because the  
22 Petitioners claimed that they should not be paying for such operation and  
23 maintenance. See page two of Exhibit No. \_\_\_(JMS-5), in which the Petitioners



1 state that because additional customers signed service agreements and now take  
2 service over the Maloney Ridge line, the line somehow became part of PSE's  
3 distribution network and they are no longer obligated to pay such O&M costs.

4 The Petitioners state,

5 Multi-customer lines comprise Puget's distribution network, and  
6 network costs (including capital, operating and maintenance costs)  
7 should be recovered by Puget through its retail rates generally  
8 applicable to retail customers like the six of us.

9 Mr. Gorman now claims that the Petitioners will continue to pay all O&M costs  
10 even after replacement of the Maloney Ridge line, but that is contrary to the  
11 Petitioner's position at the time of PSE's economic feasibility study. In addition,  
12 the O&M payments would be taken into account, not in the Model, but when  
13 reviewing the economics of the specific project as described above, when the  
14 revenue requirement is compared to the expected future payments.

15 Please note that PSE's prefiled direct testimony misstates that its economic  
16 feasibility study was conducted using a 28-year life, but it was actually based on a  
17 30-year life. This was caused by an oversight of not updating the life from 30 to  
18 28. However, using 30 rather than 28 years does not change the determination  
19 that the project is not economically feasible, and is in the Petitioners favor.

20 Additionally, whether the life is 28, 30, or 35 does not change the result that  
21 replacing the line is economically unfeasible. Similarly, revenue used in the  
22 Model was estimated at \$25,000 while Jason Sanders stated that it was \$36,000  
23 on page four of his prefiled direct testimony, Exhibit No. \_\_\_(JMS-1T). \$25,000  
24 is an estimate using overall load (demand), and Mr. Sanders' figure was actual  
25 revenue in one year. As more fully illustrated below when I review Mr.

1 Gorman's and Staff's analyses, this difference does not affect the final  
2 determination that replacement of the line is economically unfeasible.

3 **Q. Did the Petitioners perform their own economic feasibility study?**

4 A. No, they did not. Mr. Gorman did, however, summarize his estimate of the  
5 impact of the new line on other Schedule 24 customers. Even using his  
6 calculations and excluding all O&M costs,<sup>1</sup> the revenue requirement for Schedule  
7 24 customers as a result of a new underground line would be \$871,000 per year  
8 for 35 years, or approximately \$30 million. As explained above, the actual  
9 revenue requirement (excluding all O&M costs) based on PSE's books would be  
10 based on 28 years resulting in a revenue requirement for Schedule 24 customers  
11 of almost \$922,000 per year for 28 years or approximately \$26 million.  
12 Particularly considering the small amount of revenue provided by the Maloney  
13 Ridge line customer, as more fully illustrated on pages 6-7 of the Prefiled  
14 Testimony of Jason L. Ball, Exhibit No. \_\_\_(JLB-1T), this is a disparate outcome  
15 against other Schedule 24 customers.

16 **Q. Do you agree with Mr. Gorman's representations based on Exhibit MPG-4?**

17 A. No. For rate setting purposes, the revenue requirement would be based, not on  
18 the Annuitized Revenue Requirement from the Model, but rather the first year's  
19 revenues of \$1,800,358. In regards to page four of Exhibit No. \_\_\_(MPG-4), it is  
20 unclear how Mr. Gorman arrived at the figures presented. Based on Mr.

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<sup>1</sup> Considering Exhibit No. \_\_\_(JMS-5) and their claim that Petitioners are part of the general distribution system, the Petitioners' position regarding ongoing maintenance costs is unclear, at best.

1 Gorman's Rate Schedule 24 revenue requirement of \$245,829,144 on page four of  
2 Exhibit No. \_\_\_\_ (MPG-4), the distribution costs represent 42.5 percent of the  
3 revenue requirement. Due to Mr. Gorman's incorrect allocations, this is 27  
4 percent (see Exhibit No. \_\_\_\_ (LFL-11) for the corrected allocations and  
5 calculations). With the corrections, the rate increase for all Schedule 24  
6 customers increases from Mr. Gorman's 0.4% to 1.2%. Mr. Gorman's summary  
7 described the 0.4% as *de minimis*,<sup>2</sup> however the actual increase of 1.2% is a  
8 significant increase for the approximately 123,500 other schedule 24 customers,  
9 particularly considering that it is for the benefit of the few customers being served  
10 by the Maloney Ridge line.

11 **Q. Did Staff perform an economic feasibility study?**

12 A. Yes, they did; it is Exhibit No. \_\_\_\_ (JLB-2C). Staff's study uses a 35 year  
13 depreciation and does exclude O&M costs, as Mr. Gorman calls for, and Staff's  
14 results conclude that the project is still economically unfeasible. See Exhibit  
15 No. \_\_\_\_ (JBL-2C) and the Prefiled Testimony of Jason L. Ball, Exhibit  
16 No. \_\_\_\_ (JLB-1T) at page 6, line 7, through page 7, line 10. PSE agrees with Mr.  
17 Ball's assessment that,

18 The size and cost of replacement dwarfs any potential revenues from  
19 customers serviced by the line. Without phenomenal growth in billed  
20 kilowatt-hours to justify the increased revenue requirement of building the

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<sup>2</sup> See Exhibit No. \_\_\_\_ (MGP-1T) at 15:4-6.

1 Maloney Line, PSE's other customers in Schedule 24 would suffer a  
2 disproportionately large increase in their rates.<sup>3</sup>

3 **Q. How do you respond to Mr. Gorman's claim on page 12, lines 3-4 of Exhibit**  
4 **No \_\_\_(MPG-1T), that the Maloney Ridge customers are receiving disparate**  
5 **treatment?**

6 A. Mr. Gorman and the Petitioners claim that because the Maloney Ridge line  
7 customers pay Schedule 24 rates, they should be treated like all other Schedule 24  
8 customers, and to do otherwise is unlawful discrimination against the Maloney  
9 Ridge customers. However, the Petitioners are not like all other Schedule 24  
10 customers; they all receive service pursuant to the Service Agreements because of  
11 the Maloney Ridge line's extraordinary costs and their unique circumstances.  
12 Such arrangement is not only contemplated and authorized under the  
13 Commission's rules and PSE's tariffs, to require all Schedule 24 customers to pay  
14 for a new underground cable for the few Maloney Ridge customers would be  
15 unjust, unreasonable, and disparate.

16 **Q. How do you respond to Mr. Gorman's claim on page 12 of Exhibit**  
17 **No. \_\_\_(MGP-1T) that public policy calls for all customers to pay the costs**  
18 **for the Maloney Ridge line?**

19 A. Mr. Gorman bases his argument on his perceived unfairness of having one set of  
20 customers pay for "undergrounding" the facilities of another customer. Yet Mr.  
21 Gorman is mistaken in this aspect, as well. The costs of undergrounding are not

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<sup>3</sup> Exhibit No. \_\_\_(JLB-1T) at 8:17-22.

1 paid for by ratepayers, they are paid by the requesting party. This is true for both  
2 new installations and conversions. As provided in PSE's electric tariff, Schedule  
3 73, the requesting party pays 100 percent of the costs to convert distribution to  
4 underground, and in Schedule 74 a government entity requesting conversion pays  
5 a portion of the cost and PSE pays that portion deemed to represent PSE's benefit  
6 of locating its system on the government entity's public rights of way; so there  
7 simply is no "subsidizing" the undergrounding of one customer by another as Mr.  
8 Gorman claims. With regard to new installations, Schedule 85 requires the  
9 applicant to pay 100 percent of the costs less a margin allowance. The margin  
10 allowance is based on the amount that will be paid by the new customer being  
11 connected through electric rates toward the cost of the distribution system that is  
12 included in electric rates. In the case of the customers served by the Maloney  
13 Ridge line, the margin allowance would be \$0.07643 per kWh times the estimated  
14 annual load, or less than approximately \$20,000.

15 **Q. How do you respond to Mr. Gorman's remaining testimony?**

16 A. Mr. Gorman's remaining issues such as a comparison of the Maloney Ridge  
17 distribution line to PSE's remaining distribution system simply ignore the  
18 Services Agreements executed by the Petitioners and attempt to treat the four  
19 Maloney Ridge customers the same as all other Schedule 24 customers. These  
20 arguments are irrelevant when considering the fundamental issue: Replacement  
21 of the Maloney Ridge line is economically unfeasible. The Commission rules and  
22 PSE's tariffs authorize the Petitioner to enter into a contract, such as the existing  
23 Service Agreements with the customers served by the Maloney Ridge line, for

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replacement of the line to make it economically feasible, but it is inappropriate and unreasonable to raise other customers' rates to pay for construction of a new underground line to serve the Petitioners.

**Q. Does this conclude your testimony?**

A. Yes.