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BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	DOCKET NO. UE-090704
)	and UG-090705
Complainant,)	(Consolidated)
)	
vs.)	Volume IV
)	Pages 80 to 234
PUGET SOUND ENERGY, INC.,)	
)	
Respondent.)	
<hr style="width: 50%; margin-left: 0;"/>		

A hearing in the above matter was held on January 19, 2009, from 9:30 a.m to 11:50 a.m., at 1300 South Evergreen Park Drive Southwest, Room 206, Olympia, Washington, before Administrative Law Judge DENNIS MOSS and CHAIRMAN JEFFREY D. GOLTZ and Commissioner PATRICK J. OSHIE and Commissioner PHILIP B. JONES.

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3 B-1 PUBLIC COUNSEL - Public Comment Exhibit

4 PSE WITNESSES

5 JEFFREY A. DUBIN

6 JAD-1T Prefiled Rebuttal Testimony re water filtering
7 and hydro normalization

8 JAD-2 Witness Qualifications

9 JAD-3 Additional Witness Qualifications

10 W. JAMES ELSEA

11 WJE-1HCT Prefiled Direct Testimony describing modeling
12 tools and quantitative analyses used to
13 evaluate resource alternatives and the
14 quantitative analyses of eight specific
15 resource alternatives

16 WJE-2 Witness Qualifications

17 WJE-3 Monthly Energy and Capacity Need By Month,
18 2008 - 2027

19 WJE-4C PSM Updates After 2007 IRP Until Completion of
20 Phase II of the 2008 IRP

21 WJE-5 AURORA Price Scenarios

22 WJE-6 2008 RFP Capital Costs (Nominal \$/KW)

23 WJE-7HC Phase II - Individual Projects: Static Results

24 WJE-8HC Phase II - Individual Projects: Levelized
25 costs

0108

1 WJE-9HC Phase II - Individual Projects: Dynamic
2 Results
3 WJE-10HC Phase II - Portfolios: All Portfolios Reduce
4 Cost
5 WJE-11HC Phase II Process
6 WJE-12 Mint Farm Forecast Capacity Factors
7 WJE-13HC Capital Costs - Information Gathered
8 Telephonically from Various Sources
9 WJE-14HC Alternatives to Wild Horse Expansion (Whiskey
10 Ridge) Development as of January 29, 2008
11 WJE-15HC Finalized Nooksack Contract Extension
12 Agreement - Fixed Price, 5 Year PPA at \$57/MWh
13 WJE-16C Minutes of Energy Management Committee Meeting
14 on November 19, 2008
15 WJE-17C Resource Acquisition Comparison of Three
16 Alternatives
17 WJE-18 Mint Farm Energy Center Estimated Fixed Cost
18 Components of Operation and Maintenance
19 Expense, Depreciation, Taxes and Cost of
20 Capital Invested in Rate Base for 12-months
21 ended 12/31/2009
22 WJE-19 Mint Farm Energy Center Estimated Variable
23 Cost Components of Fuel, Fuel Transportation
24 and Electric Transmission Expense for
25 12-months ended 12/31/2009

0109

1 WJE-20HCT Supplemental Testimony correcting errors in
2 Portfolio Screening Models
3 WJE-21HCT Prefiled Rebuttal re Mint Farm Prudence
4 WJE-22 PSE Response to Public Counsel DR 515 re
5 treatment of imputed debt per WAC
6 CROSS-EXAMINATION EXHIBITS
7 WJE-23C Public Counsel - PC Response to PC DR No. 563
8 (Including Attachment A (Confidential))
9 DONALD E. GAINES
10 DEG-1T Prefiled Direct Testimony re capital structure
11 and overall ROR proposing an equity ratio of
12 48% and a 10.8% ROE (per Morin) contributing
13 to an overall ROR of 8.56%
14 DEG-2 Witness Qualifications
15 DEG-3C Greenwich Associates Report: Credit Market
16 Seizure Deepens and Hits Companies Large and
17 Small, October 2008
18 DEG-4 Summary of Rate Cases Decided Between 1/1/2008
19 and 3/31/2000
20 DEG-5C Utility Capital Structure and Cost of Capital
21 Calculations
22 DEG-6 S&P Research Update: Puget Energy Term Loan,
23 Facility Assigned 'BB+' Rating; Puget Sound
24 Facilities Assigned 'BBB' Rating, January 30,
25 2009

0110

1 DEG-7 Moody's Credit Opinion February 3, 2009

2 DEG-8 Senior Secured Note Cost Comparison

3 DEG-9T Prefiled Supplemental Direct presenting

4 updated electric and gas load forecasts, and

5 revised projected costs of long term debt and

6 rate of return

7 DEG-10C Utility Capital Structure, Cost of Capital and

8 Rate of Return

9 DEG-11HCT Prefiled Rebuttal Testimony re Cost of Capital

10 DEG-12 Staff Response to PSE DR 7 re AUS Utility

11 Reports underlying Exhibit DCP-9

12 DEG-13 Summary of Rate Cases Decided Between 1/1/2008

13 and 9/30/2009

14 DEG-14 Staff Response to PSE DR 6 re AUS Utility

15 Reports underlying Exhibit DCP-9

16 DEG-15 Staff Response to PSE DR 43 re Exhibit DCP-3

17 DEG-16 Overall Rates of Return Per PSE, Staff, Public

18 Counsel and PSE's last prior GRC

19 DEG-17 Staff Response to PSE DR 44 re Parcell's

20 contention concerning pre-tax interest

21 coverage ratio

22 DEG-18 Public Counsel Response to PSE DR 11 re

23 pre-tax interest coverage ratio

24 DEG-19 Charts Showing FFO to Interest, FFO to Average

25 Debt and Debt to Capital Ratios

0111

1 DEG-20 Standard & Poor's Ratings Direct-PSE Credit
2 Rating March 27, 2009
3 CROSS-EXAMINATION EXHIBITS
4 DEG-21 Public Counsel - PSE Response to PC DR No. 134
5 (Including Attachment A)
6 DEG-22C Public Counsel - PSE First Supplemental
7 Response to PC DR No. 132 (Including
8 Attachment A (Confidential))
9 DEG-23 Public Counsel - PSE Response to PC DR No. 141
10 DEG-24C Public Counsel - PSE Response to PC DR No. 142
11 DEG-25 Public Counsel - PSE Response to PC DR No. 551
12 (Highly Confidential)
13 DEG-26 Public Counsel - PSE Response to PC DR No. 552
14 (Highly Confidential)
15 DEG-27 Public Counsel - PSE Response to PC DR No. 555
16 (Including Attachment A)
17 DEG-28 Public Counsel - PSE Response to WUTC Staff DR
18 No. 221
19 DEG-29 Public Counsel - PSE Response to WUTC Staff DR
20 No. 225
21 DEG-30 Public Counsel - PSE Response to PC DR No. 548
22 ROGER GARRATT
23 RG-1HCT Prefiled Direct Testimony re resource
24 acquisition activity (focus on qualitative
25 analysis; see Elsea for quantitative analysis)

0112

1 RG-2 Witness Qualifications

2 RG-3HC 2008 All-Source RFP Evaluation--February 2008

3 - July 2008

4 RG-4HC Analysis of Wind Energy Proposals for 2008 RFP

5 by DNV Global Energy Concepts Inc.

6 RG-5HC PSE 2008 RFP Phase I Update Presentation to

7 Commission Staff, May 28, 2008

8 RG-6HC PSE 2008 RFP Phase II Update Presentation to

9 Commission Staff, September 19, 2008

10 RG-7HC Mint Farm Energy Center Evaluation Presented

11 to Board of Directors August 4, 2008

12 RG-8 Board of Directors Resolution Approving Mint

13 Farm Acquisition

14 RG-9C Letter dated June 5, 2008 from Roger Garratt

15 to Wayzata Opportunities Fund

16 RG-10C Purchase Agreement for Mint Farm

17 RG-11 FERC Order Authorizing PSE Acquisition of Mint

18 Farm

19 RG-12 Memorandum-Odom and Schild to Wiegand: PSE

20 Generating Facility Operating Standard

21 RG-13C Mint Farm Balance Sheet

22 RG-14C EMC Market PPA Update, October 8, 2008

23 RG-15 WSPP Agreement, April 1, 2008

24 RG-16 Master Confirmation Agreement to WSPP

25 Agreement

0113

1 RG-17C Barclays Bank/PSE Confirmation of Terms and
2 Conditions
3 RG-18C PPA between PSE and Puget Sound Hydro, LLC
4 RG-19C Renewable Energy Credit Agreement No. 2009-001
5 RG-20C PPA between PSE and Qualco Energy
6 RG-21C Renewable Energy Credit Agreement No. 2009-002
7 RG-22 Aggregation and Delivery Service Agreement
8 RG-23 Notice of Termination from PSE to Lehman
9 Brothers
10 RG-24 PSE Request for Proposals (50 MW power
11 purchase to begin January 1, 2009)
12 RG-25C PSE Trading Deal Sheet with Credit Suisse
13 Energy LLC 9/16/08
14 RG-26 Master Lease Agreement of September 1, 1988
15 Between BLC Corporation as Lessor and PSE as
16 Lessee
17 RG-27 GE Capital Commercial Inc. Notice to PSE of
18 Lessor's Election to Terminate Lease
19 RG-28 PSE Acknowledgement of GE Capital Commercial
20 Inc. Notice to PSE of Lessor's Election to
21 Terminate Lease
22 RG-29HC Fredonia 3&4 Lease Buyout; Energy Management
23 Committee Meeting January 14, 2008
24 RG-30HC Renewable Resource Acquisition Presentation to
25 Board of Directors August 3, 2007

0114

1 RG-31C Wind Generation Market Outlook, December 2007
2 RG-32C Assessment of the Wind Generation Market
3 RG-33C Asset Purchase Agreement Between Whiskey Ridge
4 Power Partners, LLC and PSE, February 12, 2008
5 RG-34C Option and Real Estate Purchase Agreement
6 (Kittitas County Property for Whiskey Ridge
7 Project)
8 RG-35C Wind Turbine Supply Agreement Between PSE as
9 Buyer and Vestas-American Wind Technology,
10 Inc, as Supplier for the Whiskey Ridge Project
11 RG-36C Wild Horse Expansion Wind Project--Balance of
12 Plant Agreement Between PSE and RES America
13 Construction, Inc., April 6, 2009
14 RG-37C (same as LEO-3C) Service and Maintenance
15 Agreement Between PSE and Vestas-American Wind
16 Technology, Inc., for Whiskey Ridge Project,
17 November 7, 2008
18 RG-38C Wind Energy Royalty Agreement
19 RG-39HC Wild Horse Expansion--Board of Directors
20 Meeting, November 4, 2008
21 RG-40 Certificate of Secretary re Board of Directors
22 Approval of Development and Construction of
23 Expansion of Wild Horse Wind Power Facility
24 RG-41C Wild Horse Expansion Balance Sheet
25 RG-42 Wild Horse Expansion Milestones (as of May 6,

0115

1 2009)

2 RG-43 Gurantee of Renewable Energy Systems Ltd.

3 RG-44 Supplier Parent Guaranty

4 RG-45C Joint Development Agreement (Colombia and

5 Garfield Counties) Among PSE, RES America

6 Developments, Inc., Blue Sky Wind, LLC and RES

7 America Construction Inc.

8 RG-46C Minutes of PSE Energy Management Committee

9 Meeting, May 27, 2008

10 RG-47C Minutes of PSE Energy Management Committee

11 Meeting, February 15, 2007

12 RG-48C PSE Renewable Energy Credits

13 RG-49 Chicago Climate Exchange--Baseline: 2003 -

14 2006 Emissions Verification and Analysis

15 RG-50C PSE Carbon Financial Interest Transactions

16 RG-51C Memo from Mills to Harris, Valdman, Markell,

17 O'Connor and McClain, 8/28/2007: Proposed

18 Revision to EMC Approval to Monetize Carbon

19 Financial Instruments through Chicago Climate

20 Exchange

21 RG-52C PSE Minutes of Energy Management Committee

22 Meeting of December 18, 2008

23 RG-53HCT Prefiled Rebuttal Testimony re Mint Farm

24 Prudence, Wild Horse Expansion and Costs to

25 Acquire Fredonia Units 3&4

0116

1 RG-54 Mint Farm Energy Due Diligence Report, North
2 American Energy Services Co., July 11, 2008

3 RG-55 Inspection of Complete Works, Cowlitz County
4 Consolidated Diking Improvement District No.
5 1, August 1, 2007

6 RG-56 PSE Response to Staff DR 146-Fredonia Power
7 Plant Adjustment

8 CROSS-EXAMINATION EXHIBITS

9 RG-57HC Public Counsel - PSE Response to PC DR No. 568
10 Highly Confidential

11 RG-58 Public Counsel - PSE Response to PC DR No. 570

12 RG-59C Public Counsel - PSE Response to PC DR No. 576
13 (Including Attachment A (Confidential))

14 RG-60 Public Counsel - PSE Response to PC DR No. 577

15 RG-61 Public Counsel - PSE Response to PC DR No. 578

16 RG-62 Public Counsel - PSE Response to PC DR No. 579

17 RG-63 Public Counsel - PSE Response to WUTC Staff DR
18 No. 023 PC-005 (Including Attachment A only
19 (Confidential))

20 KIMBERLY J. HARRIS

21 KJH-1CT Prefiled Direct Testimony presenting summary
22 of PSE's long-term electric supply portfolio,
23 changes to the portfolio since the 2007 GRC,
24 update on projects resulting from 2008 RFP,
25 and PSE's gas supply portfolio including

0117

1 Jackson Prairie Storage

2 KJH-2 Witness Qualifications

3 KJH-3 Map of PSE's Generation Resources

4 KJH-4 Energy Resources - PSE's Changing Resource Mix

5 KJH-5 Integrated Resource Plan, May 2007

6 KJH-6 Request for Proposals January 2008--All

7 Generation Sources and Demand Side Resources

8 KJH-7C Schedule of Construction Activity

9 KJH-8HCT Prefiled Rebuttal Testimony re Mint Farm

10 Prudence

11 JOEY M. HENDERSON

12 JMH-1T Prefiled Direct Testimony discussing Mint Farm

13 and Sumas Compliance with Washington

14 Greenhouse Gas Emissions Performance Standard

15 JMH-2 Witness Qualifications

16 JMH-3 Southwest [sic] Clean Air Agency Air Discharge

17 Permit 04-2571R2, February 25, 2008--Mint Farm

18 JMH-4 Correspondence: Henderson (PSE) to Newman

19 (Washington Dept of Ecology), November 21,

20 2008, re: Request for Determination of

21 Complaine with State Greenhouse Gas Emission

22 Performance Standard for Mint Farm

23 JMH-5 Correspondence: Rees (DOE) to Henderson (PSE)

24 re PSE purchase of Mint Farm & applicability

25 of WAC 173-407

0118

1 JMH-6 Correspondence: Henderson (PSE) to Newman
2 (Washington Dept. of Ecology) and Mahar (NW
3 Clean Air Agency), March 19, 2009, re: 2007
4 Annual GHG Emissions Report and EPS Compliance
5 Determination Request for the PSE-Sumas
6 Generating Station
7 DAVID W. HOFF (Testimonies and Exhibits Adopted by Janet
8 K. Phelps per JKP-25T at 2:8-11)
9 DWH-1T David W. Hoff for PSE - Prefiled Direct
10 Testimony re electric cost of service, rate
11 spread, rate design
12 DWH-2 Professional Qualifications
13 DWH-3 Electric Cost of Service Summary and
14 Detail--Adjusted Test Year for 12 Months Ended
15 December 2008 @ Pro Forma Revenue Requirement
16 DWH-4 Electric Rate Spread and Rate Design Summaries
17 and Detail
18 DWH-5 Summary of Basic Charges
19 DWH-6 2009 GRC Addendum A PSE's Proposed Electric
20 Tariff Sheets--Advice 2009-11
21 DWH-7T Prefiled Supplemental Testimony re rate spread
22 of updated revenue requirement
23 DWH-8 Rate Spread and Rate Design Detail
24 TOM M. HUNT
25 TMH-1T Prefiled Direct Testimony re wages and

0119

1		incentive plans
2	TMH-2	Witness Qualifications
3	TMH-3C	Historic Merit Increases
4	TMH-4	Executive Compensation
5	TMH-5C	CEO - S. Reynolds Comparator Group 25th to
6		75th Percentile Total Comp Analysis
7	TMH-6C	Average Total Health Benefit Cost per Employee
8	TMH-7C	PSE Pension Plan Funding 1999 - 2008
9	TMH-8	2008 Goals and Incentive Plan
10	TMH-9CT	Prefiled Rebuttal Testimony re Retirement
11		Program Adjustments, Wages and Employee
12		Benefit Flex Credit Adjustments
13	TMH-10C	EAP Data Information Solutions LLC Ad Hoc
14		Special Survey Report - 0917 DB and DC Plans
15	TMH-11C	Actuaries Report for PSE Employee's Retirement
16		Plan for Plan Year Beginning January 1, 2009
17	TMH-12C	PSE Retirement Plan Ten-Year Deterministic
18		Projection (2009-2018)
19	TMH-13C	PSE Retirement Plan Recommended Funding
20		Guidelines
21	TMH-14C	PSE Pension Market Value vs. PBO
22	TMH-15C	PSE Retirement Plan Funding
23		Guidelines--Illustrated Results for
24		2009--Preliminary as of March 11, 2009
25	TMH-16C	PSE Retirement Plan Historic Statistics

0120

1 TMH-17C Trends in Executive Retirement Programs and
2 Change in Control Arrangements
3 TMH-18C Historic Merit Increases
4 TMH-19 Employment Cost Index--All Private vs.
5 Utilities
6 CROSS-EXAMINATION EXHIBITS
7 TMH-20 Staff - PSE Response to Staff Data Request
8 No. 246
9 TMH-21 Public Counsel - Snohomish Public Utility
10 District's 2008 Annual Report (Excerpt)
11 TMH-22 Public Counsel - Bureau of Labor Statistics
12 Labor Productivity News Release December 2009
13 TMH-23 FEA - Response to PSE Data Request No. 003 to
14 FEA (including attachments)
15 TMH-24 FEA - Supplemental Response to PSE Data
16 Request No. 003 to FEA
17 TMH-25 FEA - PSE Response to FEA DR 03.04 (same as
18 PSE Response to PC DR 082)
19 KIM W. LANE
20 KWL-1T Prefiled Rebuttal Testimony re Operations and
21 Maintenance Expense Required To Implement the
22 Baker Project License and the Snoqualmie
23 Project License
24 KWL-2 Witness Qualifications
25 KWL-3 Table 1: Baker Project License O&M Breakdown

0121

1 (\$4,740,511 in rate year expense)

2 Table 2: Snoqualmie Project License O&M

3 Breakdown (\$1,012,745 in rate year expense)

4 MICHAEL L. JONES

5 MLJ-1T Prefiled Direct Testimony re Colstrip

6 MLJ-2 Witness Qualifications

7 MLJ-3 Colstrip to Garrison Actual Loss Percentage by

8 Month

9 MLJ-4 Background of Settlement of Claims: Duane and

10 Carol Ankney et al. v. PPL Montana LLC et al.

11 MLJ-5CT Prefiled Rebuttal Testimony re Colstrip O&M

12 Expense

13 MLJ-6 Colstrip 5-Year Historical Average--Colstrip

14 O&M Actual Cost

15 MLJ-7 Colstrip O&M in Rates-Actuals

16 MATTHEW R. MARCELIA

17 MRM-1T Prefiled Direct Testimony re restating

18 adjustment for federal income taxes, tax

19 benefit of pro forma interest and adjustment

20 for interest paid to IRS

21 MRM-2 Witness Qualifications

22 MRM-3 Comparison of Original Tax Returns with the

23 Final IRS Settlement; Interest Calculation

24 MRM-4T Prefiled Rebuttal Testimony concerning Tax

25 Adjustments

0122

1 MRM-5 White Paper Re Property Taxes
2 MRM-6 Electric and Gas Washington Taxable Property
3 Values (actual)
4 MRM-7 PSE Letter Request of October 26, 2005 Seeking
5 To Withdraw Filings in Dockets UE-05125 and
6 05128
7 CROSS-EXAMINATION EXHIBITS
8 MRM-8 Staff - PSE Response to Staff Data Request
9 No. 234
10 MRM-9 Staff - PSE Property Taxes for 2008 Worksheet
11 MRM-10 Public Counsel - PSE Response to PC DR No. 536
12 (Without Attachment A)
13 MRM-11 Public Counsel - PSE Response to PC DR No. 558
14 MRM-12 FEA - PSE Response to FEA DR 01.34
15 MRM-13 FEA - PSE Response to FEA DR 01.44
16 MRM-14 FEA - Utah Public Service Commission Order
17 Approving Stipulation Regarding Change in
18 Income Tax Treatment of Repair Deductions and
19 Basis Normalization (Rocky Mountain Power
20 Application to Increase Rates, PSCU Dockets
21 09-035-23 and 09-035-03)
22 MRM-15C FEA - CONFIDENTIAL - PSE Response to FEA DR
23 02.03
24 MRM-16C FEA - CONFIDENTIAL - PSE Response to FEA DR
25 04.01

0123

1 ERIC M. MARKELL

2 EMM-1CT Prefiled Direct Testimony summarizing the
3 Company's requested rate relief, describing
4 PSE's financial condition and need for
5 capital, describing rate mitigation
6 opportunities and cost management measures,
7 summarizing pension plan funding, describing
8 proposed sale of renewable energy credits
9 (RECs), proposing increased low income program
10 funding, giving overview of other witnesses

11 EMM-2 Witness Qualifications

12 EMM-3C Multi-Year Financial Plan: 2009-2013

13 EMM-4C PSE Return on Equity for Rate Year

14 EMM-5T Prefiled Rebuttal Testimony providing overview
15 of PSE Rebuttal

16 EMM-6C PSE Return on Regulatory Equity 2003 - 2009

17 EMM-7C PSE Return on Regulatory Equity GRC 2009 Rate
18 Year-12 Months Ending March 31, 2011

19 CROSS-EXAMINATION EXHIBITS

20 EMM-8 Public Counsel - PSE Response to PC DR No. 136

21 EMM-9 Public Counsel - PSE Response to PC DR No. 137

22 EMM-10 Public Counsel - PSE Response to PC DR No. 144

23 EMM-11 Public Counsel - PSE Response to PC DR No. 145

24 EMM-12C Public Counsel - PSE First Supplemental
25 Response (9/29/09) and Response (8/19/09) to

0124

1 PC DR No. 323 (Including Attachment B only
2 (Confidential))
3 EMM-13 Public Counsel - PSE Response to PC DR No. 538
4 EMM-14 Public Counsel - PSE Response to PC DR No. 540
5 DAVID E. MILLS
6 DEM-1CT Prefiled Direct Testimony re power costs and
7 risk management, wind integration, need for
8 transmission, reassessment of electric
9 resource need, economic dispatch of power,
10 Renewable Energy Credits (I-937) and Renewable
11 Portfolio Standard energy
12 DEM-2 Professional Qualifications
13 DEM-3CT Additional Testimony re PSE's Organizational
14 Structure, Policies and Portfolio Risk
15 Management; PSE Modeling Tools and Information
16 Used To Manage Portfolio and Manage Risk
17 DEM-4C Energy Cost Risk Management
18 DEM-5 Updated Planning Standard Increases Resource
19 Need
20 DEM-6C Heat Rates: Market vs Unit--Mid-C & Off-Peak
21 Power vs. Sumas Daily Natural Gas
22 DEM-7 2009 GRC Power Cost Projections AURORA vs
23 Non-AURORA Power Costs
24 DEM-8C 2009 GRC vs 2007 GRC Updated Power Cost
25 Projections

0125

1 DEM-9CT Prefiled Supplemental Testimony updating
2 projected rate year power costs to \$1,134.3
3 million, a \$50.1 million decrease from the
4 originally filed power costs

5 DEM-10 Power Cost Projections AURORA + Non-AURORA
6 Power 8.13.09 AURORA Model Run Costs

7 DEM-11C Updated vs As-Filed Power Cost Projections

8 DEM-12CT Prefiled Rebuttal Testimony re Power Costs

9 DEM-13C PSE's Response to ICNU DR 3.11 concerning
10 budgets or power cost forecasts from Grant Co.
11 PUD re Priest Rapids and Wanapum

12 DEM-14C Joint Parties' Water Filtering Adjustment
13 Calculation--With Correction

14 DEM-15 Rebuttal Production O&M Summary

15 DEM-16C Summary of Rebuttal Power Costs Changes from
16 09 GRC Update

17 DEM-17C Estimated Prudence Disallowance for Tenaska
18 and March Point 2 Using PSE's Rate of Return

19 CROSS-EXAMINATION EXHIBITS

20 DEM-18C Staff - DEM-WP(C) Major Maintenance Tool 2009
21 GRC Update - CONFIDENTIAL

22 DEM-19 Public Counsel - PSE Response to PC DR No. 571

23 DEM-20 Public Counsel - PSE Response to PC DR No. 572

24 DEM-21 ICNU - DEM Table 3 workpapers.pdf

25 DEM-22C ICNU - DEM Westcoast MTM Workpaper.pdf

0126

1 DEM-23 ICNU - Gas Hedges v Need (C).pdf
2 DEM-24C ICNU - Gas MTM Summary.pdf
3 DEM-25C ICNU - Gas Purchases.pdf
4 DEM-26 ICNU - PSE 1999 10K.pdf
5 DEM-27C ICNU - PSE Tenaska Economics.pdf
6 DEM-28 ICNU - Staff Memo on Encogen Buyout.pdf
7 DEM-29 ICNU - Tenaska Ecogen Data Responses.pdf
8 DEM-30 ICNU - PSE Response to ICNU Data Request 2.28
9 DEM-31 ICNU - PSE Response to ICNU Data Request 2.29
10 DEM-32C ICNU - PSE Response to Staff Data Request 259
11 DEM-33 ICNU - PSE Response to ICNU Data Request 7.01
12 LORIN I. MOLANDER
13 LIM-1T Prefiled Direct Testimony presenting electric
14 and gas temperature adjustment methodology and
15 results; effect of proposed electric and gas
16 rate increase on residential customers' bills
17 LIM-2 Professional Qualifications
18 ROGER A. MORIN
19 RAM-1T Prefiled Direct Testimony re cost of capital
20 RAM-2 Professional Qualifications
21 RAM-3 Integrated Electric Utility Beta Estimates
22 RAM-4 S&P Utility Index Electric Utilities Beta
23 Estimate
24 RAM-5 Value Line Western Electric Utilities Beta
25 Estimates

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1	RAM-6	CAPM, Empirical CAPM
2	RAM-7	Historical Risk Premium for the Electric
3		Utility Industry
4	RAM-8	Utility Industry Historical Risk Premium
5	RAM-9	Historical Growth Rates - Electric Utilities
6	RAM-10	Integrated Electric Utilities DCF Analysis:
7		Value Line Growth Projections
8	RAM-11	Integrated Electric Utilities DCF Analysis:
9		Value Line Growth Projections (expanded data)
10	RAM-12	Integrated Electric Utilities DCF Analysis:
11		Analysts' Growth Projections
12	RAM-13	S&P Utility Index Electric Utilities DCF
13		Analysis Value Line Growth Projections
14	RAM-14	S&P Utility Index Electric Utilities DCF
15		Analysis Value Line Growth Projections
16		(expanded data)
17	RAM-15	S&P Utility Index Electric Utilities DCF
18		Analysis Value Line Growth Projections
19		(expanded data)
20	RAM-16	S&P Utility Index Electric Utilities DCF
21		Analysis Analysts' Growth Projections
22		(expanded data)
23	RAM-17	S&P Utility Index Electric Utilities DCF
24		Analysis Analysts' Growth Projections
25		(expanded data)

0128

1 RAM-18 S&P Utility Index Electric Utilities Common
2 Equity Ratios
3 RAM-19T Prefiled Rebuttal Testimony re Cost of Capital
4 RAM-20T Prefiled Rebuttal Testimony re Mr. Hill's
5 Flotation Cost Allowance
6 CROSS-EXAMINATION EXHIBITS
7 RAM-21 Staff - PSE Response to Staff Data Request
8 No. 226
9 RAM-22 Staff - PSE Response to Staff Data Request
10 No. 227
11 RAM-23 Staff - PSE Response to Staff Data Request
12 No. 228
13 RAM-24 Public Counsel - PSE Response to PC DR No. 162
14 RAM-25 Public Counsel - PSE Response to PC DR No. 168
15 (Including Attachment A)
16 RAM-26 Public Counsel - PSE Response to PC DR No. 170
17 (Including Attachment A)
18 RAM-27 Public Counsel - PSE Response to PC DR No. 544
19 RAM-28 Public Counsel - PSE Response to PC DR No. 545
20 RAM-29 Public Counsel - PSE Response to PC DR No. 546
21 RAM-30 Public Counsel- PSE Response to PC DR No. 547
22 (Including Attachment A)
23 RAM-31 Public Counsel - PSE Response WUTC Staff DR
24 No. 227
25 RAM-32 Public Counsel - Direct Testimony

0129

1 (Nonconfidential) of Dr. Roger A. Morin in
2 Docket No. UE-072300 (Excerpts) (Including
3 Exhibit No. RAM-7)

4 LOUIS E. ODOM

5 LEO-1CT Prefiled Direct Testimony describing wind and
6 thermal resources, performance and operations
7 of resources, maintenance management programs
8 and service contract specifics; describing how
9 Mint Farm and Sumas are designed and intended
10 for baseload generation

11 LEO-2 Professional Qualifications

12 LEO-3C (same as RG-37C)

13 LEO-4 Heavy-Duty Gas Turbine Operating and
14 Maintenance Considerations by GE Energy

15 LEO-5C Maintenance Expense on Thermal Units: 5-Year
16 Average of Expense Less Than \$2 Million

17 LEO-6C Contractual Service Agreement Between PSE and
18 General Electric International, Inc., December
19 6, 2007

20 LEO-7C General Electric Contract Services
21 Contract--Appendix 7

22 LEO-8C Long Term Service Agreement Between Mint Farm
23 Generation, LLC and General Electric
24 International, Ic., June 16, 2004

25 LEO-9C Parts and Service Agreement - PSE and GE, May

0130

1 1, 2008

2 LEO-10CT Prefiled Supplemental Testimony updating
3 maintenance expense on Encogen and correcting
4 other maintenance costs (budgeted labor costs
5 for thermal facilities)

6 LEO-11C Maintenance Expense on Thermal Units--5-Year
7 Average of Expense Less Than \$2 Million,
8 2010-2014

9 LEO-12C Thermal Units Production O&M

10 LEO-13CT Prefiled Rebuttal Testimony stating PSE's
11 agreement to accounting guidelines similar to
12 what Staff and Public Counsel propose for
13 major maintenance O&M costs for SCCT, CCCT and
14 wind generation, subject to a change from
15 Staff's proposed amortization; proposing use
16 of test period or recent period data for
17 determining routine maintenance expense, as
18 opposed to Staff five-year average approach.

19 LEO-14C Production O&M Summary

20 LEO-15 PSE Response to Staff DR 177

21 CROSS-EXAMINATION EXHIBITS

22 LEO-16 PSE Response to Staff DR 260

23 JANET K. PHELPS

24 (Note that Ms. Phelps also adopts Mr. Hoff's prefiled
25 testimonies and exhibits)

0131

1 JKP-1T Prefiled Direct Testimony re pro forma gas
2 revenue, gas cost of service study, rate
3 spread and rate design; gas cost of service
4 collaborative per Dockets UE-072300 and
5 UG-072301 (2007 GRC)

6 JKP-2 Witness Qualifications

7 JKP-3 Adjustments to Volume (Therms) by Rate
8 Schedule for Test Year ended December 31, 2008

9 JKP-4 Correspondence dated 12/30/2008, Ruther&
10 Reynolds to Phelps re: Facilitator Report on
11 the PSE Natural Gas Cost of Service
12 Collaborative

13 JKP-5 2009 Gas Cost of Service Study--Proposed Test
14 Year Without Gas--Summary

15 JKP-6 2009 Gas Cost of Service Study--Proposed Test
16 Year With Gas--Summary

17 JKP-7 Account Detail by Classification and Rate
18 Class

19 JKP-8 Account Inputs

20 JKP-9 External Allocators

21 JKP-10 2009 Gas Cost of Service Study--Proposed Test
22 Year Without Gas (UG-072301 Method)--Summary

23 JKP-11 2009 Gas Cost of Service Study--Proposed Test
24 Year With Gas (UG-072301 Method)--Summary

25 JKP-12 Proposed Allocation of Account 376

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1		Distribution Mains
2	JKP-13	Allocation of Revenue Deficiency to Rate
3		Classes
4	JKP-14	Comparison of Residential Basic Charges of Gas
5		Distribution Companies
6	JKP-15	Proposed Natural Gas Tariff Sheets
7	JKP-16T	Prefiled Supplemental Testimony Updating
8		Proforma Revenue, Cost of Service and Rate
9		Spread to reflect Mr. Stranik's removal of
10		Everett Delta Lease revenue, which increases
11		the gas revenue requirement request in this
12		case
13	JKP-17	Revised Adjustments to Volume (Therms) by Rate
14		Schedule for Test Year ended December 31, 2008
15	JKP-18	Revised 2009 Gas Cost of Service
16		Study--Proposed Test Year Without Gas--Summary
17	JKP-19	Revised 2009 Gas Cost of Service
18		Study--Proposed Test Year With Gas--Summary
19	JKP-20	Revised Account Detail by Classification and
20		Rate Class
21	JKP-21	Revised Account Inputs
22	JKP-22	Revised 2009 Gas Cost of Service
23		Study--Proposed Test Year Without Gas
24		(UG-072301 Method)--Summary
25	JKP-23	Revised 2009 Gas Cost of Service

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1 Study--Proposed Test Year With Gas (UG-072301
2 Method)--Summary
3 JKP-24 Revised Allocation of Revenue Deficiency to
4 Rate Classes
5 JKP-25T Prefiled Rebuttal Testimony concerning Gas and
6 Electric Cost of Service Studies, Rate Spread
7 and Rate Design
8 JKP-26 Hypothetical Example--Impact of Revenue
9 Deficiency Calculation on Revenue to Cost
10 Ratios and Class Rates of Return
11 JKP-27 Electric Cost of Service Summary
12 JKP-28 Summary Rate Spread
13 JON A. PILIARIS
14 JAP-1T Prefiled Direct Testimony presenting
15 classification of electric production costs
16 within COS study; proposed implementation of
17 new adjustment to restate weather normalized
18 test year loads to reflect phase-in of
19 conservation programs
20 JAP-2 Witness Qualifications
21 JAP-3C Peak Credit Method for 2009 COS Study--Company
22 Proposal
23 JAP-4 Conservation Phase-In Adjustments for Electric
24 and Gas
25 JAP-5T Prefiled Rebuttal Testimony re Conservation

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1 Phase-In Adjustment and Peak Credit
2 Calculations
3 JAP-6 Independent Third-Party Evaluation of PSE's
4 Electric Conservation Incentive Mechanism
5 JAP-7 Conservation Phase-In Adjustment Savings
6 JAP-8 Derivation of "Modified" Conservation Phase-In
7 Adjustment--Electric
8 JAP-9 Derivation of "Modified" Conservation Phase-In
9 Adjustment--Natural Gas
10 JAP-10 Estimated Impact of Conservation-Related
11 Demand Charge Revenue Loss on Electric System
12 Revenue Deficiency Under Proposed and Modified
13 Conservation Phase-In
14 CROSS-EXAMINATION EXHIBITS
15 (JAP-11) Staff - Staff Response to Company Data Request
16 R. CLAY RIDING
17 RCR-1CT Prefiled Direct Testimony addressing issues
18 related to natural gas transmission and
19 storage
20 RCR-2 Witness Qualifications
21 RCR-3 Map-Western Natural Gas Infrastructure
22 RCR-4CT Prefiled Supplemental Testimony updating
23 status of pipeline capacity acquisition
24 RCR-5 PSE Power Book - Northwest Pipeline Firm
25 Capacity, with Renewal Rights

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1 RCR-6T Prefiled Rebuttal Testimony
2 CROSS-EXAMINATION EXHIBITS
3 RCR-7C ICNU - PSE Response to ICNU Data Request 2.19
4 JOHN H. STORY
5 JHS-1T Prefiled Direct Testimony re electric results
6 of operations (revenue requirement);
7 allocation of common expenditures between
8 electric and gas; update for Power Cost
9 Adjustment (PCA) mechanism; deferred
10 accounting for Mint Farm; sale of renewable
11 energy credits (RECs)
12 JHS-2 Professional Qualifications
13 JHS-3 Income Statement for 12 Months Ended 9/30/2007
14 and 12/31/2008
15 JHS-4 Results of Operations for 12 Months Ended
16 12/31/2008 - General Rate Increase
17 JHS-5 Electric General Rate Increase for 12 Months
18 Ended 12/31/2008
19 JHS-6 Electric Results of Operations Forecast 12
20 Months Ended 12/31/2008 vs 9/30/2007 GRC--
21 Unit Cost
22 JHS-7 Exhibit A-1: Power Cost Rate; Exhibit A-2:
23 Transmission Rate Base; Exhibit A-3: Colstrip
24 Fixed Costs; Exhibit A-4: Production
25 Adjustment; Exhibit A-5: Power Costs; Exhibit

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1 D: Regulatory Assets and Liabilities net of
2 Accumulated Amoritization and Deferred Taxes
3 (PCA Period 7--12/31/2008)
4 JHS-8 Settlement Terms for PCA
5 JHS-9T Prefiled Supplemental Testimony updating pro
6 forma power costs and other adjustments,
7 increasing electric revenue deficiency from
8 \$148,443,904 to \$153,940,365
9 JHS-10 Update to JHS-4: Results of Operations
10 JHS-11 Revised Capital Structure
11 JHS-12 Revised Electric Results of Operations
12 Forecast 12 Months Ended 12/31/2008 vs
13 9/30/2007 GRC-- Unit Cost
14 JHS-13 REVISED JHS-7C: Exhibit A-1: Power Cost Rate;
15 Exhibit A-2: Transmission Rate Base; Exhibit
16 A-3: Colstrip Fixed Costs; Exhibit A-4:
17 Production Adjustment; Exhibit A-5: Power
18 Costs; Exhibit D: Regulatory Assets and
19 Liabilities net of Accumulated Amoritization
20 and Deferred Taxes (PCA Period 7--12/31/2008)
21 JHS-14T Prefiled Rebuttal Testimony--Revenue
22 Requirement
23 JHS-15 Income Statement
24 JHS-16 Results of Operations
25 JHS-17 General Rate Increase

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1 JHS-18 Electric Results of Operations Forecast 12
2 Months Ended December 31, 2008 vs. September
3 30, 2007 GRC Unit Cost
4 JHS-19 Exhibit A-1 Power Cost Rate
5 JHS-20 Comparison of Revenue Requirement Between
6 Commission Staff Response and PSE Rebuttal
7 JHS-21 Exhibit MPP-2T in Docket UE-072300 prefiled
8 testimony of Mike Parvinen
9 JHS-22 Exhibit WHW-1T in Docket UE-072300 prefiled
10 testimony of William Weinman
11 JHS-23 Unit Cost - Power Cost
12 JHS-24 Power Cost Adjustment Summary
13 JHS-25 Response of Public Counsel to PSE DR 12
14 JHS-26 PSE Response to Staff DR 166
15 CROSS-EXAMINATION EXHIBITS
16 JHS-27C Staff - Fourth Supplemental Response to Staff
17 Data Request 23-WUTC-033 CONFIDENTIAL
18 JHS-28C Staff - Workpaper for Adjustment 16.25
19 CONFIDENTIAL
20 JHS-29 Staff - PSE Response to Staff Data Request
21 No. 209
22 JHS-30 Public Counsel - PSE Response to PC DR No. 539
23 JHS-31 Public Counsel - PSE Supplemental Response to
24 PC DR No. 583 in Docket Nos. UE-072300 and
25 UG-072301 (Without Attachments A, B and C)

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1 JHS-32 ICNU - Excerpt from JHS workpaper 16.31
2 MIKE J. STRANIK
3 MJS-1T Prefiled Direct Testimony describing natural
4 gas results of operations and revenue
5 deficiency; allocation; electric and gas
6 savings resulting from merger with Puget
7 Holdings LLC
8 MJS-2 Witness Qualifications
9 MJS-3 Income Statement for 12 Months Ended 9/30/2007
10 and 12/31/2008
11 MJS-4 Gas Results of Operations
12 MJS-5 General Rate Increase--Gas
13 MJS-6 Gas Results of Operations Unit Cost
14 MJS-7 Cost Savings as Result of Merger--2008 Test
15 Year
16 MJS-8T Prefiled Supplemental Testimony updating
17 revenue requirement by removing \$3,209,260 in
18 Everett Delta lease revenues, which are now
19 passed through in the PGA (raises revenue
20 requirement request from \$27,199,177 to
21 \$30,408,378)
22 MJS-9 Revised Results of Operations
23 MJS-10 Revised Revenue Requirement Deficiency
24 Calculation
25 MJS-11 Revised Gas Results of Operations Unit Cost

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1 MJS-12T Prefiled Rebuttal Testimony re Natural Gas
2 Revenue Requirement, Contested and Uncontested
3 Adjustments
4 MJS-13 Income Statement for 12 mos ended 9/30/2007
5 and 12/31/08
6 MJS-14 Balance Sheet for 12 mos ended 9/30/2007 and
7 12/31/08
8 MJS-15 General Rate Increase--Gas--Revised
9 MJS-16 Gas Results of Operations Unit Cost--Revised
10 MJS-17 Comparison of Revenue Requirement Between
11 Commission Staff Response and PSE Rebuttal
12 MJS-18 Pictures and Data re Use of Company Aircraft
13 MJS-19 Aircraft Log
14 MJS-20 Union Wage Increases
15 CROSS-EXAMINATION EXHIBITS
16 MJS-21 Public Counsel - PSE Response to PC DR No. 140
17 MJS-22C Public Counsel - PSE Response to PC DR No. 380
18 (Including Attachment A, B and C
19 (Confidential))
20 MJS-23 Public Counsel - PSE Response to PC DR No. 557
21 (Without Attachments A and B)
22 MJS-24 Public Counsel - PSE Response to PC DR No. 121
23 (Without Attachment A)
24 BERTRAND A. VALDMAN
25 BAV-1T Prefiled Direct Testimony describing efforts

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1 to control costs while maintaining high levels
2 of service quality, safety and reliability
3 BAV-2 Witness Qualifications
4 BAV-3 2007 Combo Non-Production/Generation O&M Cost
5 per Customer
6 BAV-4C T&D Capital Expenditures by Category -
7 Electric
8 BAV-5C T&D Capital Expenditures by Category - Gas
9 BAV-6C T&D Capital Expenditures by Category -Electric
10 and Gas Total
11 BAV-7 Rising Utility Construction Costs: Source and
12 Impacts by M. W. Chupka and G. Basheda, The
13 Brattle Group, September 2007
14 BAV-8 Storm Hardening the Electric Transmission
15 System by S. Guggenmoos, Ecological Solutions
16 Inc., March 2009
17 BAV-9 Organization Chart
18 BAV-10CT Prefiled Rebuttal Testimony responding to
19 Dittmer on efficiency gains (Pro Forma
20 Principles) and Foisey proposed elimination of
21 pro forma increases in service contract
22 baseline charges (O&M)
23 CROSS-EXAMINATION EXHIBITS
24 BAV-11 Public Counsel - PSE Response to PC DR No. 234
25 (Including Attachment A)

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1 BAV-12C Public Counsel - PSE Response to PC DR No. 232
2 (Including Attachment A (Confidential))
3 PAUL K. WETHERBEE
4 PKW-1T Prefiled Direct Testimony regarding PSE's
5 Rejection of original FERC license for White
6 River issued in 1997; due diligence re sale of
7 White River Project assets; status of PSE's
8 application to transfer White River assets;
9 request for approval of Cascade Water Alliance
10 transaction sale; update of the on-going
11 activities to sell White River real estate
12 PKW-2 Witness Qualifications
13 PKW-3 Map of White River lands and proposed
14 conveyances
15 PKW-4 Lake Tapps Asset Purchase Agreement Between
16 PSE and Cascade Water Alliance
17 PKW-5 Summary Appraisal Report of PSE Lake Tapps,
18 Bedlands, and Flume and Outfall Properties,
19 April 25, 2008
20 PKW-6 White River Project Retirement Cost Estimate,
21 August 2006
22 PKW-7 Lake Tapps Water Valuation Research, West
23 Water Research LLC, May 24, 2004
24 PKW-8 Agreement Regarding Reservoir Management
25 Between PSE and the Lake Tapps Community

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1 PKW-9 Memorandum of Understanding on Management of
2 Lake Tapps for Public Water Supply and
3 Recreation Between the Cascade Water Alliance
4 and Pierce County, August 2, 2005
5 PKW-10 Correspondence of January 27, 2006, from J.
6 Daniels, Muckleshoot Tribal Council to S.
7 Reynolds and P. Wiegand, PSE; Correspondence
8 of July 16, 2007, from Charlotte Williams,
9 Muckleshoot Indian Tribe to S. Reynolds and G.
10 Duvernoy Cascade Land Conservancy
11 COMMISSION STAFF
12 KATHRYN H. BREDA
13 KHB-1TC Prefiled Response Testimony re Electric and
14 Natural Gas Revenue Requirements; Company
15 Accounting Proposal For Major Maintenance
16 Activities; Ratemaking Adjustments for Power
17 Cost O&M, and Major Plant Additions
18 KHB-2 Electric Results of Operations and Revenue
19 Requirement
20 KHB-3 Gas Results of Operations and Revenue
21 Requirement
22 KHB-4C PSE Maintenance Under Long-Term Service
23 Agreements From 2010 to 2015
24 KHB-5C Maintenance Expense Comparison, Company
25 Proposed Change Versus Current Accounting

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1 Method
2 KHB-6C Comparison of Staff Versus Company Adjustment
3 10.03 Power Costs- O&M
4 ALAN BUCKLEY (co-sponsored with DONALD W. SCHOENBECK,
5 ICNU)
6 JT-1 Joint Prefiled Response Testimony re power
7 costs
8 APB-1 Witness Qualifications
9 JT-2 Summary of ICNU/Staff Adjustments to Rate Year
10 Power Cost Projection
11 JT-3C PSE 2009 GRC Update vs. Joint Testimony Power
12 Cost Projections
13 JT-4 Company Response to ICNU DR 2.15
14 JT-5 Company Responses to ICNU DRs 3.11 and 3.14
15 JT-6C Company Response to ICNU DR 2.24
16 JT-7C Company Response to ICNU DR 1.14
17 MICHAEL D. FOISY
18 MDF-1T Prefiled Response Testimony re Revenue
19 Requirement Adjustments: Miscellaneous
20 Operating Expenses and Property Taxes
21 MDF-2 Staff Miscellaneous Operating Expenses
22 Adjustment, Electric
23 MDF-3 Staff Miscellaneous Operating Expenses
24 Adjustment, Gas
25

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1 JOANNA HUANG

2 JH-1T Prefiled Response Testimony re Revenue
3 Requirement Adjustments: Wage Increases,
4 Investment Plan, and Employee Insurance

5 JH-2 Staff Wage Increase Adjustments

6 JH-3 Staff Investment Plan Adjustments

7 JH-4 Staff Employee Insurance Adjustments

8 DANNY P. KERMODE

9 DPK-1T Prefiled Response Testimony re Working Capital

10 DPK-2 Staff Schedule of ISWC

11 DPK-3 Staff Schedule of the Allocation of ISWC

12 DPK-4T Supplemental Prefiled Response Testimony re
13 ISWC

14 ANN M. C. LARUE

15 AMCL-1T Prefiled Response Testimony re Directors &
16 Officers Insurance Adjustments

17 AMCL-2 Staff Adjustments 10.17 and 9.12 D&O Insurance
18 Restated

19 ROLAND C. MARTIN

20 RCM-1T Prefiled Response Testimony re Revenue
21 Requirement Adjustments, Mint Farm Deferral

22 RCM-2 Analysis of Net Benefit Related to SSCM
23 Deductions and Repayments

24 DAVID NIGHTINGALE

25 DN-1T Prefiled Response Testimony re Prudence of

0145

1 Electric Generation Resources, and Mint Farm
2 and Sumas Greenhouse Gas Emissions Standard
3 Compliance

4 DN-2 Letter of June 9, 2009 from Dept of Ecology to
5 PSE re Purchase of Sumas Generating Station
6 and Applicability of Chapter 173-407 WAC
7 (Greenhouse Gas Emissions Performance
8 Standard)

9 DN-3THC Prefiled Cross-Answering Testimony re Mint
10 Farm Prudence

11 CROSS-EXAMINATION EXHIBITS

12 DN-4 Public Counsel - WUTC Staff Response to PC DR
13 No. 2

14 DN-5 Public Counsel - WUTC Staff Response to PC DR
15 No. 3

16 DN-6 Public Counsel - WUTC Staff Response to PC DR
17 No. 5

18 DN-7 Public Counsel - WUTC Staff Response to PC DR
19 No. 6

20 DN-8 Public Counsel - WUTC Staff Response to PC DR
21 No. 7

22 DN-9 Public Counsel - WUTC Staff Response to PC DR
23 No. 8

24 DN-10 Public Counsel - WUTC Staff Response to PC DR
25 No. 9

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1 DN-11 Public Counsel - WUTC Staff Response to PC DR
2 No. 10
3 VANDA NOVAK
4 VN-1T Prefiled Response Testimony re Electric and
5 Gas Temperature Normalization Adjustments
6 VN-2 Company Response to Staff DR 186
7 VN-3 Company Response to Staff DR 187
8 VN-4 Company Response to Staff DR 188
9 DAVID C. PARCELL
10 DCP-1T Prefiled Response Testimony re Cost of Capital
11 DCP-2 Witness Qualifications
12 DCP-3 PSE Inc. Total Cost of Capital
13 DCP-4 Economic Indicators
14 DCP-5 Rating Agency Reports
15 DCP-6 Puget Energy, Inc. Segment Financial
16 Information 2006-2008
17 DCP-7 Bond Ratings
18 DCP-8 PSE Capital Structure Ratios 2004 -2008
19 DCP-9 AUS Utility Reports Electric Utility Groups
20 Average Common Equity Ratios
21 DCP-10 Proxy Companies Basis for Selection
22 DCP-11 Comparison Companies Divident Yield
23 DCP-12 Standard & Poor's 500 Composit Return on
24 Average Common Equity
25 DCP-13 Comparison Companies CAPM Cost Rates

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1 DCP-14 Comparison Companies Rates of Return on
2 Average Common Equity
3 DCP-15 Standard & Poor's 500 Composit Returns and
4 Market-to-Book Ratios 1992-2007
5 DCP-16 Risk Indicators
6 DCP-17 PSE Rating Agency Ratios
7 DCP-18 Risk Premium by Decade as Derived by PSE
8 Witness Morin
9 MICHAEL P. PARVINEN
10 MPP-1T Prefiled Direct Testimony re General
11 Ratemaking Policy; Company Conservation
12 Phase-In Proposal; Company Production Factor
13 Adjustment; Merger Commitment Compliance
14 MPP-2 Contested/Uncontested Adjustments and Staff
15 Responsibility
16 THOMAS E. SCHOOLEY
17 TES-1T Revenue Requirement Adjustments 10.02 and
18 9.02, General Revenues, and
19 Adjustments 10.23 and 9.16, Property and
20 Liability Insurance; Cost of Service; Rate
21 Spread and Rate Design
22 PUBLIC COUNSEL
23 JAMES R. DITTMER
24 JRD-1TC Prefiled Response Testimony re revenue
25 requirements: cost of capital recommendations

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1 sponsored by Mr. Stephen Hill, the power
2 supply/production cost adjustments sponsored
3 by Mr. Scott Norwood, as well as the
4 miscellaneous rate base and income statement
5 adjustments

6 JRD-2C PSE Electric Accounting Exhibits

7 JRD-3C PSE Gas Accounting Exhibits

8 JRD-4 PSE's Response to Public Counsel Data Request
9 No. 439

10 JRD-5 PSE's Response to Public Counsel Data Request
11 No. 234

12 JRD-6 PSE's Response to Public Counsel Data Request
13 No. 58

14 JRD-7 September 2009 Producer Price Indexes News
15 Release issued by the Bureau of Labor
16 Statistics

17 JRD-8 PSE's response to Public Counsel Data Request
18 No. 434

19 JRD-9 PSE Weather Normalized Energy Sales (MWh)
20 Revenue Class 2003 through 2008

21 JRD-10 PSE's Weather Normalized Sales (Therms) by
22 Customer Class 2003-2008

23 JRD-11C PSE's Response to Public Counsel Data Request
24 No. 414

25 JRD-12 Actual NonFuel Production Operations and

0149

1 Maintenance Expense for PSE Generating Units
2 in Service for the Entire Historic Test Year
3 JRD-13 PSE's response to Public Counsel Data Request
4 No. 59
5 CROSS-EXAMINATION EXHIBITS
6 JRD-14 PSE's response to Public Counsel Data Request
7 434
8 STEPHEN G. HILL
9 SGH-1THC Prefiled Response Testiomony re cost of
10 capital
11 SGH-2 Professional Qualifications
12 SGH-3 Fundamentals of Utility Long-Term Growth
13 SGH-4 Sample Company Growth Rate Analysis
14 SGH-5 PSE Historical Capital Structure
15 SGH-6 PSE Electric Utility Sample Group Selection
16 SGH-7 DCF Growth Rate Parameters Electric Utilities
17 (Corrected 12/2/09)
18 SGH-8 DCF Growth Rates--Electric Utilities
19 (Corrected 12/2/09)
20 SGH-9 Stock Price, Dividends, Yields--Electric
21 Utilities
22 SGH-10 DCF Cost of Equity Capital--Electric Utilities
23 SGH-11 Multi-Stage DCF Analysis
24 SGH-12 CAPM Cost of Equity Capital
25 SGH-13 Proof

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1 SGH-14 Modified Earnings-Price Ratio
2 Analysis--Electric Utilities
3 SGH-15 Market-To-Book Ratio Analysis--Electric
4 Utilities (Corrected 12/2/09)
5 SGH-16 Overall Cost of Capital
6 SCOTT NORWOOD
7 SN-1THC Prefiled Response Testimony 1) challenging the
8 prudence of PSE's acquisition of the Mint Farm
9 generating facility, 2) opposing PSE's
10 proposal to defer and recover fixed and
11 variable costs of its Mint Farm facility from
12 the acquisition through the effective date of
13 new rates in this case; 3) adjusting PSE's
14 updated rate year baseline power cost
15 forecast; 4) proposing ratemaking treatment of
16 revenues from PSE's sale of Renewable Energy
17 Credits during the rate year period; and 5)
18 PSE's announced development strategy for wind
19 generation
20 SN-2 Background and Experience of Scott Norwood
21 SN-3HC PSE's Phase I Quantitative Analysis Gas-Fired
22 Bids
23 SN-4HC PSE's Phase II Quantitative Analysis Gas-Fired
24 Bids
25 SN-5HC PSE's Phase II Quantitative Portfolio Analysis

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1 New Resources

2 SN-6 PCA Settlement Agreement from Docket Nos.

3 UE-011570 and UG-011571, Exhibit G

4 SN-7C Comparison of Mint Farm Energy Costs to

5 On-Peak Market Prices

6 SN-8C Hydro Generation Adjustment for Most Recent

7 50-year Average (Revised 1/11/10)

8 SN-9C Off System Sales Adjustment to Reflect 5-year

9 Average Levels

10 SN-10 Post-Rate Year Mark-to-Market Credit Factor

11 Adjustment

12 SN-11HC Renewable Energy Credit Revenue Adjustment to

13 Rate Year Power Costs

14 GLENN A. WATKINS

15 GAW-1T Prefiled Response Testimony re cost of

16 service, rate spread and rate design

17 GAW-2 Witness Qualifications

18 GAW-3 Electric Cost of Service Summary (Income Taxes

19 Calculated)

20 GAW-4 Electric Residential Customer Costs (Cost of

21 Equity @ PSE Proposed)

22 GAW-5 Natural Gas Residential Customer Costs (Cost

23 of Equity @ PSE Proposed)

24

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1 FEDERAL EXECUTIVE AGENCIES (FEA)

2 RALPH C. SMITH

3 RCS-1TC Prefiled Response Testimony (Confidential)

4 RCS-2 Professional Qualifications

5 RCS-3 Qualified Pension Plan Adjustment for the

6 Twelve Months Ended December 31, 2008

7 RCS-4 SERP Expense Adjustment for the Twelve Months

8 Ended December 31, 2008

9 NUCOR STEEL SEATTLE and KROGER COMPANY

10 KEVIN C. HIGGINS

11 KCH-1T Prefiled Response Testimony for NUCOR Steel

12 supporting PSE's rate spread for gas

13 distribution service and rate design for

14 non-residential customers

15 KCH-2T Prefiled Response Testimony for Kroger Company

16 re (1) the relationship between this GRC and

17 PSE's recent filing (Docket No. UE-070725)

18 regarding the pending sale of Renewable Energy

19 Credits ("RECs") and Carbon Financial

20 Instruments ("CFIs"); (2) rate spread for

21 PSE's electric service; and (3) rate design

22 for Schedule 26

23 KCH-3 Professional Qualifications

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1 NWIGU

2 DONALD W. SCHOENBECK

3 DWS-5T Prefiled Response Testimony re rate spread

4 DWS-6 Puget Sound Energy - 2009 Gas Cost of Service

5 Study--Proposed Test Year Without Gas - No

6 Small & Med - REVISED

7 NWIGU Summary

8 ICNU

9 DONALD W. SCHOENBECK

10 DWS-1T Prefiled Response Testimony re rate spread

11 DWS-2 Witness Qualifications

12 DWS-3 COS Study---ICNU Recommendations

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

2 JUDGE MOSS: All right, good morning
3 everyone, my name is Dennis Moss. I'm an Administrative
4 Law Judge with the Washington Utilities and
5 Transportation Commission. I will be assisting the
6 Commissioners who are here on the Bench with me today
7 presiding in this matter, Chairman Goltz, Commissioner
8 Oshie, and Commissioner Jones. We are convened in the
9 matter styled Washington Utilities and Transportation
10 Commission against Puget Sound Energy, Inc., Docket
11 Numbers UE-090704 and UG-090705, and the dockets are
12 consolidated.

13 This is a general rate proceeding in which
14 the company is seeking increased revenue in both the
15 electric and gas sides of its business. We have
16 received a considerable volume of prefiled testimony and
17 exhibits in this matter, and our purpose today is to
18 begin making witnesses available for cross-examination
19 as designated by parties in the case or as requested by
20 the Commissioners, who may have questions independent of
21 those the parties may wish to raise.

22 Our first order of business with you will be
23 to take your appearances, and we'll start with the
24 company.

25 MS. CARSON: Good morning, Judge Moss,

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1 Chairman Goltz, and Commissioners. My name is Sheree
2 Strom Carson with Perkins Coie representing Puget Sound
3 Energy. Also here with me today is Jason Kuzma, who has
4 not previously appeared. Do we need to have Mr. Kuzma
5 give a full appearance?

6 JUDGE MOSS: I assume his address and so
7 forth is the same.

8 MS. CARSON: It is.

9 JUDGE MOSS: We'll be fine with that, thank
10 you.

11 Go ahead, Mr. Stokes, we'll just proceed
12 around the room.

13 MR. STOKES: Good morning, Chad Stokes for
14 the Northwest Industrial Gas Users.

15 MR. VAN CLEVE: Good morning, Brad Van Cleve
16 on behalf of the Industrial Customers of Northwest
17 Utilities.

18 MR. FURUTA: Norman Furuta for the Consumer
19 Interests of the Federal Executive Agencies.

20 MR. FFITCH: Simon ffitch for the Office of
21 Public Counsel.

22 MR. CEDARBAUM: Robert Cedarbaum for
23 Commission Staff. I should just point out for the
24 record that Michael Fassio is still -- is not present
25 today because of a family emergency, but he will be in

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1 the hearing later on this week.

2 JUDGE MOSS: All right, thank you,
3 Mr. Cedarbaum.

4 Ms. Spencer, go ahead.

5 MS. SPENCER: Elaine Spencer on behalf of
6 Seattle Steam.

7 JUDGE MOSS: Are there other counsel in the
8 room? Play musical chairs here for a few minutes.

9 MR. JOHNSON: Good morning, David Johnson
10 representing the Northwest Energy Coalition.

11 MR. BOEHM: Good morning, Kurt Boehm
12 appearing on behalf of The Kroger Company.

13 JUDGE MOSS: Anyone else in the room?

14 All right, do we have -- yes, Mr. Stokes, you
15 can resume your seat.

16 MR. STOKES: Thank you.

17 JUDGE MOSS: All right, do we have anyone on
18 the teleconference bridge line who wishes to enter an
19 appearance this morning?

20 MR. XENOPOULOS: Yes, Your Honor, that is
21 Damon Xonopoulos on behalf of Nucor Steel Seattle.

22 JUDGE MOSS: Okay, Mr. Xonopoulos, thank you.

23 Anyone else?

24 All right, apparently that completes our
25 appearances this morning. I will just note for the

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1 record at this juncture that we do have others on the
2 conference bridge line who are either assisting counsel
3 in one capacity or another or actually who may appear as
4 a witness. I believe Mr. Watkins, is that correct,
5 Mr. ffitch?

6 MR. FFITCH: Yes, Your Honor, I have
7 confirmed that Mr. Watkins is on the line.

8 JUDGE MOSS: Okay, and is he our only witness
9 appearing by telephone this morning for purposes of the
10 electric and/or gas rate spread/rate design settlements?

11 Okay, fine, so the other witnesses are
12 present in the room.

13 With respect to those matters, those two
14 stipulations which we haven't had a whole lot of time to
15 review, we nevertheless, the Commissioners have
16 discussed, at least two of the Commissioners, I
17 apologize to the third, this morning, apparently the
18 interest is to go ahead with the panel this morning, so
19 the Commissioners are in agreement that we can proceed
20 with the -- will it be two panels, or can we do it with
21 one panel, Ms. Carson?

22 MS. CARSON: It's my understanding it's two
23 separate panels.

24 JUDGE MOSS: Is it basically the same people?

25 MS. CARSON: It is pretty much the same

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1 people.

2 JUDGE MOSS: All right, well, let's make sure
3 we have all the panelists, and we'll do it in one fell
4 swoop so to speak. Okay, is that agreeable to
5 everybody?

6 All right, apparently so. Before we get
7 those people up here to be sworn, I will just mention
8 again for the record since we predistributed the exhibit
9 list there are to my knowledge three additional exhibits
10 this morning that have been identified. The Industrial
11 Customers Northwest Utilities identified two new
12 exhibits, cross-examination exhibits for Mr. Mills, and
13 I have numbered those I think it's DEM-32 and 33. Yes,
14 that's correct. And then they also identified one
15 cross-examination exhibit or possible cross-examination
16 exhibit for Mr. Story, which I have marked as JHS-32.
17 And these of course will be on the updated exhibit list.
18 And then we had one exhibit I believe, cross-exhibit
19 from Staff.

20 MR. CEDARBAUM: Yes, Your Honor, it's a
21 proposed exhibit for cross-examination of Mr. Piliaris.

22 JUDGE MOSS: Okay, Mr. Piliaris, let me see
23 if I can find it here.

24 MR. CEDARBAUM: It's the Staff response to
25 the company Data Request 9.

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1 JUDGE MOSS: Okay, and I did -- no, I didn't
2 get that one in, that will be JAP-11, so that's in the
3 updated exhibit list which, Commissioners, I did provide
4 you with an updated copy at the top of your desk here.
5 And none of -- we won't be hearing from any of these
6 witnesses this morning, so I'm not going to be overly
7 concerned about distributing those to the Bench or in
8 fact getting them into my own notebooks at this point in
9 time. We'll deal with that at the noon hour. And there
10 are no other exhibits. I understand there are some
11 revisions to some of the testimonies probably making
12 minor corrections and so forth. None of those witnesses
13 will appear this morning. The only witness today
14 apparently is Mr. Markell, and he's designated as our
15 last witness for today, so we'll take care of that at
16 the noon hour as well. If we move quickly today, we may
17 add one witness from the Wednesday list. I'm not sure
18 who that will be. Mr. Hunt is the first designated for
19 that date, but his cross is indicated to be somewhat
20 lengthy, so we may move someone else up, we'll see.

21 As far as the question that was put to me
22 last week concerning how we would proceed in terms of
23 the order of presentation and the designated dates and
24 so on and so forth, this was Mr. Van Cleve and
25 Mr. ffitich and I spoke on the telephone about this, the

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1 current intention is to just move forward. And,
2 Mr. ffitch, I understand that maybe Mr. Norwood can be
3 available on Thursday after all.

4 MR. FFITCH: He can, Your Honor. I think if
5 there are questions for him from the Bench, he can be
6 here. And if that's the case, of course that would be
7 good to know as soon as possible. Otherwise, we would
8 ask permission to have him appear by phone.

9 JUDGE MOSS: All right, we can keep that
10 option open, because I think if there are questions from
11 the Bench, they will be reasonable in number so that we
12 could have him by telephone if necessary.

13 MR. FFITCH: Should we just have him be
14 available by phone?

15 JUDGE MOSS: I think that would, considering
16 his travel, that would be appropriate, yes. I would say
17 just let him know that if we have questions for him,
18 then we will just have those by telephone.

19 MR. FFITCH: Thank you, Your Honor.

20 JUDGE MOSS: And we have a couple of
21 witnesses who are in that situation, I believe
22 Mr. Parcell.

23 MR. CEDARBAUM: Yes, Your Honor, I think
24 we've already discussed with you having Mr. Parcell by
25 telephone on Thursday for the cost of capital witnesses.

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1 JUDGE MOSS: There were a number of
2 communications in this regard, so if others have
3 questions, I think I've answered everybody's questions
4 on this, but if you have questions, ask them to me at
5 the break, or you can raise it now if you need to.

6 MS. CARSON: Your Honor.

7 JUDGE MOSS: Ms. Carson.

8 MS. CARSON: We did have a question regarding
9 PSE witnesses who are not scheduled for cross-exam, and
10 some of those would be up first thing tomorrow, so we
11 wanted to clarify whether or not they should -- they
12 need to be present here, and I have a list of them.

13 JUDGE MOSS: That would be Wetherbee,
14 Henderson, and Lane?

15 MS. CARSON: Yes, also Molander and Jones I
16 believe, unless I'm missing some cross.

17 JUDGE MOSS: I see Molander. I may have
18 missed it, Jones did you say?

19 MS. CARSON: Jones was scheduled for Friday.

20 JUDGE MOSS: Oh, yeah, Jones, okay, well,
21 we'll -- I'll take that up with the Commissioners in due
22 course, and we'll see if we need them here tomorrow
23 morning or not. I don't think so.

24 MS. CARSON: Thank you.

25 JUDGE MOSS: Okay.

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1 All right, anything else preliminary before
2 we get started with the panel?

3 Mr. ffitch.

4 MR. FFITCH: Your Honor, I will just report
5 that Mr. Dittmer will be here arriving this afternoon,
6 later this afternoon, and Mr. Hill is here already and
7 will be available during the hearing.

8 JUDGE MOSS: Great. Although I saw him flee
9 the jurisdiction as I was on my way to the hearing room,
10 so.

11 All right, very good, all right, with that I
12 believe we're ready to have our panelists, if they could
13 come up here and sit. How many do we have? Five, we
14 can probably fit in another chair or two there if
15 perhaps counsel can help us out a little bit. Those who
16 move quickly will get the comfortable chairs, those who
17 move slowly will get the uncomfortable chairs.

18 Mr. Watkins is by telephone. If those of you
19 in the room will please rise and raise your right hands,
20 and Mr. Watkins, if you will do likewise at your end of
21 the telephone, I'm going to give you the oath now.

22 (Witnesses KEVIN C. HIGGINS, JANET K.
23 PHELPS, DONALD W. SCHOENBECK, THOMAS E.
24 SCHOOLEY, and GLENN A. WATKINS were
25 sworn.)

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1 JUDGE MOSS: Thank you, please be seated.

2 Mr. Watkins, just to confirm that you did
3 hear and take the oath?

4 MR. WATKINS: I did.

5 JUDGE MOSS: All right, thank you very much.

6 MR. WATKINS: Thank you.

7 JUDGE MOSS: I have marked for identification
8 this morning the electric, let me get the title right,
9 Multiparty Settlement Regarding Electric Rate Spread and
10 Electric Rate Design as Exhibit JT-1 and the associated
11 joint testimony of Kevin C. Higgins, Janet K. Phelps,
12 Donald Schoenbeck, Thomas Schooley, and Glenn Watkins as
13 JT-2. I have marked for identification the Multiparty
14 Settlement Regarding Natural Gas Rate Spread and Natural
15 Gas Rate Design as Exhibit JT-3 and the associated
16 testimony by the same witnesses I just mentioned as
17 JT-4. And our witnesses are present here for
18 examination.

19 I indicated earlier off the record that I
20 would like to have either one of our panelists or even
21 more than one of our panelists or counsel give us at the
22 Bench a brief description of each of these settlement
23 agreements since we have not had as much time as would
24 be ideal to review them and study them. So if someone
25 can give us the essential parts, Ms. Carson, how would

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1 you like to proceed on that?

2 MS. CARSON: Ms. Phelps will do that.

3

4 Whereupon,

5 KEVIN C. HIGGINS, JANET K. PHELPS, DONALD W.

6 SCHOENBECK, THOMAS E. SCHOOLEY, and GLENN A. WATKINS,

7 having been first duly sworn, were called as witnesses

8 herein and were examined and testified as follows:

9

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

11 BY JUDGE MOSS:

12 Q. All right, Ms. Phelps.

13 A. (Ms. Phelps) With respect to the gas
14 settlement, there were multiple cost of service studies
15 in this proceeding, and so all studies were considered
16 in making decisions about the rate spread. We decided
17 on for Schedule 23, which is residential, and other
18 residential schedules it would be 100% of the average,
19 system average increase. For 31, which is general
20 commercial industrial, they would get 100% of the system
21 average increase. For Schedule 41 and 41-T, which are
22 large volume high load factor sales and transportation,
23 they would get 75% of the uniform increase. 85, 85-T,
24 86, 86-T, 87, 87-T, which are all interruptable
25 schedules, would get 50% of the system increase. And

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1 that the water heater rentals would get 100% of the
2 average increase based on the margin. And with respect
3 to rate design, the residential basic charge will remain
4 at \$10 per month, and other elements of the rates for
5 gas will basically increase on an equal percentage
6 basis.

7 That's the summary for gas, do you want me to
8 go on to the summary for electric now?

9 Q. Sure.

10 A. (Ms. Phelps) Again there were multiple cost
11 of service studies to be considered in determining the
12 rate spread. Schedule 40 is a campus rate, and so its
13 increase is based on a formula. Aside from that,
14 Schedule 25, which is secondary small demand, is
15 assigned to 75% of the system increase. And all other
16 schedules are basically assigned 100% of the system
17 increase. And again with the rate design the
18 residential basic charge will increase from \$7 to \$7.25.
19 And again Schedule 40 is based on -- is formulaic, and
20 in general other rate design elements will increase on
21 an average basis.

22 Q. Okay. And as I view the attachments here, I
23 see an attachment on the electric settlement agreement
24 that reflects a summary of rate spread. This is based
25 on a hypothetical revenue of \$113 Million?

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1 A. (Ms. Phelps) Yes.

2 Q. Is that correct? All right, and then also
3 that attachment includes a summary of proposed rate
4 design which describes the increases that you just
5 reviewed with us; is that right?

6 A. (Ms. Phelps) Yes.

7 Q. Okay. And then on the gas side similarly we
8 have an allocation of revenue deficiency to rate classes
9 based on what, \$28 Million?

10 A. (Ms. Phelps) Yes.

11 Q. Hypothetical?

12 A. (Ms. Phelps) Yes.

13 Q. \$28 Million increase in revenue. And that's
14 the only attachment to the gas that I have.

15 A. (Ms. Phelps) There's a second page to that
16 attachment.

17 Q. Okay, I seem to be missing it.

18 A. (Ms. Phelps) That is similar to the electric
19 second page that summarizes the rate design and rate
20 spread.

21 Q. Okay, but as you described it, so --

22 A. (Ms. Phelps) Yes.

23 Q. -- we have that in mind.

24 JUDGE MOSS: All right, was there anything
25 further that you wish to have the panelists put on, any

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1 parties who are participating?

2 Mr. ffitch.

3 MR. FFITCH: Your Honor, I just wanted to add
4 with respect to gas rate design that the settlement
5 provides that there is no increase to the gas customer
6 charge. It remains at --

7 JUDGE MOSS: \$10 I believe.

8 MR. FFITCH: Per month.

9 JUDGE MOSS: Is that right?

10 MR. FFITCH: And I just wanted to mention
11 that --

12 MS. PHELPS: The residential.

13 MR. FFITCH: -- the residential gas customer
14 charge --

15 MS. PHELPS: Remains at \$10.

16 JUDGE MOSS: Right. And the electric
17 increases to \$7.25 from \$7; is that right?

18 MS. PHELPS: That's correct.

19 JUDGE MOSS: Very good.

20 All right, anything further?

21 All right, with that I will ask if the
22 Commissioners have questions for the panelists or any of
23 them with respect to either of these proposed settlement
24 agreements.

25 COMMISSIONER OSHIE: No questions.

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1 COMMISSIONER JONES: No questions.

2 CHAIRMAN GOLTZ: Just one.

3

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

5 BY CHAIRMAN GOLTZ:

6 Q. What was the, and I'm just going through here
7 to refresh my memory, but what was the company's
8 proposal for the basic charge for both electric and gas
9 in your direct case?

10 A. (Ms. Phelps) In the direct case it was an
11 equal percentage increase over the \$10, and I have to
12 look, I'm sorry, I have to look up the -- \$10.82, it was
13 \$10.82.

14 Q. And that's for gas, and for electric do you
15 recall what it was?

16 A. (Ms. Phelps) Yeah, I have that, \$7.59.

17 CHAIRMAN GOLTZ: Thank you.

18 JUDGE MOSS: Did other parties have proposals
19 in those regards? Speak up if you did. Apparently not,
20 okay, very well.

21 A. (Ms. Phelps) Actually I believe Public
22 Counsel had proposed in both cases that they remain at
23 the current levels.

24 JUDGE MOSS: Remain at the current levels,
25 all right, okay, very good, thank you, Mr. ffitich, for

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1 confirming that.

2 MR. CEDARBAUM: Your Honor, can I just ask
3 one clarification question for the record?

4 JUDGE MOSS: You certainly may.

5

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

7 BY MR. CEDARBAUM:

8 Q. Ms. Phelps, the numbers that you just gave
9 now for the company proposed customer charges, were
10 those based on the direct case filing or the rebuttal
11 case filing?

12 A. (Ms. Phelps) The \$10.82 was from the direct
13 case, and the \$7.59 was also from the direct case.

14 Q. So if you know, what would the numbers have
15 been then based on the rebuttal case, because the
16 rebuttal case was --

17 A. (Ms. Phelps) Right, the rebuttal on the gas
18 went down. We didn't file cost of service or rate
19 spread on gas for rebuttal, but it would have dropped to
20 about \$10.77, and on electric I'm afraid I would have to
21 look that up.

22 Q. But it would be a percentage increase?

23 A. (Ms. Phelps) An equal percentage increase
24 over the \$7.

25 MR. CEDARBAUM: Thank you.

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1 JUDGE MOSS: Okay, it would appear then that
2 we have completed our work with our panel on the rate
3 spread and rate design issues, and so I will excuse you
4 subject to recall if needed.

5 And as they retire from the witness stand,
6 then we can have Mr. Valdman I believe is our first
7 witness for the company for whom cross has been
8 designated.

9 If you will just remain standing, I will go
10 ahead and get you sworn in.

11 (Witness BERTRAND A. VALDMAN was sworn.)

12 JUDGE MOSS: Thank you, please be seated.

13 All right, Ms. Carson, proceed.

14

15 Whereupon,

16 BERTRAND A. VALDMAN,
17 having been first duly sworn, was called as a witness
18 herein and was examined and testified as follows:

19

20 D I R E C T E X A M I N A T I O N

21 BY MS. CARSON:

22 Q. Mr. Valdman, please state your name and title
23 and spell your name for the court reporter.

24 A. Bertrand Valdman, B-E-R-T-R-A-N-D,
25 V-A-L-D-M-A-N. I'm the Executive Vice President and

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1 Chief Operating Officer at Puget Sound Energy.

2 Q. Mr. Valdman, do you have before you what has
3 been marked for identification as Exhibit Numbers BAV-1T
4 through BAV-10CT?

5 JUDGE MOSS: And before you answer,
6 Mr. Valdman, will you check to see that the red light is
7 on your microphone there.

8 THE WITNESS: It is now.

9 JUDGE MOSS: Okay, great, thank you very
10 much.

11 THE WITNESS: And they're getting the
12 exhibits for me.

13 BY MS. CARSON:

14 Q. Do these exhibits constitute your prefiled
15 direct and rebuttal testimony and related exhibits in
16 this proceeding?

17 A. Yes, they do.

18 Q. Were these exhibits prepared under your
19 supervision and direction?

20 A. Yes, they were.

21 Q. Do you have any corrections to any of your
22 exhibits at this time?

23 A. No.

24 Q. Are your prefiled direct and rebuttal
25 testimony and accompanying exhibits true and correct to

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1 the best of your knowledge and belief?

2 A. Yes.

3 MS. CARSON: Thank you.

4 Your Honor, PSE offers Exhibits BAV-1T
5 through BAV-10CT into evidence and offers Mr. Bertrand
6 A. Valdman for cross-examination.

7 JUDGE MOSS: Okay, hearing no objection,
8 those will be admitted as marked.

9 We have a couple of cross-examination
10 exhibits identified for Mr. Valdman, and I'm going to
11 start here the practice that I will follow throughout
12 the hearing, which will be to ask if we can stipulate
13 those in or if we're going to have some discussion about
14 one or more of them?

15 MS. CARSON: PSE is agreeable to stipulating
16 those in.

17 JUDGE MOSS: All right, so we'll go ahead and
18 identify BAV-11 and 12C, and we will admit all of
19 Mr. Valdman's direct and cross-examination exhibits into
20 our record. And with that, Mr. Valdman is available for
21 cross-examination, and I'm showing, Mr. Cedarbaum, that
22 Staff has requested 5 minutes, so why don't you go
23 ahead.

24 MR. CEDARBAUM: Thank you, Your Honor.

25

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1 C R O S S - E X A M I N A T I O N

2 BY MR. CEDARBAUM:

3 Q. Good morning, Mr. Valdman.

4 A. Good morning.

5 Q. My questions relate to your rebuttal
6 testimony, 10CT, at page 15 where you discuss the Quanta
7 service provider contract issue with Staff.

8 A. Yes.

9 Q. Do you recall that? You don't need to switch
10 to it it looks like.

11 A. No, I recall that testimony.

12 Q. And at that page you indicate that the
13 company and Patelco and Quanta have already agreed to
14 specific unit pricing increases for 2010, and then on
15 the following page you indicate that you're finalizing
16 minor contractual terms with those providers, and all of
17 that taken together will result in a newly amended
18 service provider contract prior to 2010. Do you recall
19 that?

20 A. Yes.

21 Q. Is it correct that that service provider
22 contract as amended has been signed by the parties?

23 A. Subject to check, I believe it has.

24 Q. Do you recall the date that it was signed?

25 A. I don't.

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1 Q. Subject to check, you can confirm that the
2 contract has been signed?

3 A. Yes.

4 MR. CEDARBAUM: Your Honor, those are all my
5 questions, thank you.

6 JUDGE MOSS: Thank you, Mr. Cedarbaum.

7 Mr. ffitch, you indicated some 45 minutes for
8 this witness, go ahead.

9 MR. FFITCH: Thank you, Your Honor, I think
10 that we may beat that time.

11

12 C R O S S - E X A M I N A T I O N

13 BY MR. FFITCH:

14 Q. Good morning, Mr. Valdman.

15 A. Good morning.

16 Q. First I'm going to refer you to your rebuttal
17 testimony again, which is Exhibit 10CT and to page 4,
18 the bottom of page 4 of that exhibit.

19 JUDGE MOSS: What page was that, Mr. ffitch?

20 MR. FFITCH: Page 4, Your Honor.

21 JUDGE MOSS: Thank you.

22 BY MR. FFITCH:

23 Q. Exhibit 10CT, are you there, Mr. Valdman?

24 A. I am.

25 Q. And there you, at the bottom of page 4 and

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1 the top of page 5, you briefly address Puget's new bill
2 processing equipment, and you're disagreeing with
3 Mr. Dittmer that the efficiencies of the new equipment
4 should offset PSE costs, correct?

5 A. That's correct.

6 Q. Now I'm going to ask you to turn to your
7 cross exhibit 12C, that's the document entitled payment
8 processing and options; do you have that?

9 A. Yes.

10 Q. And could you go to page 6 of that, please.
11 And I will say that some pages of this exhibit are
12 marked confidential, and I'm going to ask the questions
13 in such a way that I'm not asking you to disclose those
14 publicly.

15 A. Understand.

16 JUDGE MOSS: And in terms of page numbers,
17 Mr. Ffitch, we're looking at the numbers in the upper
18 right-hand corner, page 6 of 29?

19 MR. FFITCH: Yes, Your Honor, I'm using the
20 page numbers that we've designated on the exhibit.

21 JUDGE MOSS: Great, thank you.

22 MR. FFITCH: It's also page 4 on the power
23 pointer.

24 JUDGE MOSS: Thank you.

25 BY MR. FFITCH:

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1 Q. And you see there that the first arrow on the
2 current equipment situation indicates that the current
3 equipment has exceeded normal useful life, correct?

4 A. Correct.

5 Q. And so that would basically be consistent
6 with your statement in your rebuttal testimony that
7 that's a reason for disagreeing with Mr. Dittmer's
8 testimony?

9 A. Correct.

10 Q. And essentially what you said was that the
11 new equipment was being purchased because the equipment
12 was old and required replacement, correct?

13 A. Correct.

14 Q. Now could you please turn to page 9 of that
15 exhibit. This is the numbering in the top right-hand
16 corner, and this is a confidential page. As I look at
17 this page, I don't think this sort of conceptual point
18 is confidential, it appears that the company considered
19 outsourcing bill processing?

20 A. That is correct.

21 Q. And so that was an option or that was
22 something the company could have done had it chosen to
23 do so, correct?

24 A. Correct.

25 Q. Without revealing any numbers which the

0177

1 company has labeled confidential in this response, would
2 you agree with me that the outsourcing option was
3 rejected because it was not the least cost option?

4 A. Yes.

5 Q. Could you please turn to page 11 of this
6 exhibit. That's the page entitled recommendation. I
7 don't believe anything on this page is confidential; is
8 that correct?

9 A. That's correct.

10 Q. And would you agree that this page clearly
11 indicates that the recommendation was to purchase the
12 equipment which eventually was purchased in April of
13 2008?

14 A. Yes. We're at page 11, correct.

15 Q. Page 11.

16 A. Yes.

17 Q. And the top line says PSE should purchase the
18 equipment as the lead recommendation.

19 A. I have page 11 overview of benefits.

20 Q. Okay, I'm looking at the -- essentially these
21 are renumbered by parties when they're submitted as
22 cross exhibits, so it would be page 9 on the original
23 pagination and page 11 of the exhibit, and the heading
24 is recommendation.

25 A. Yes.

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1 Q. So just to clarify, would you agree that this
2 page clearly indicates the recommendation was to
3 purchase the equipment, and in fact Puget did purchase
4 the equipment in April 2008?

5 A. Yes.

6 Q. And am I reading this correctly that the
7 company envisioned at the time it was making its
8 decision to purchase the new equipment that it
9 anticipated earning a return on this investment of 35%,
10 that's the \$500,000 investment in equipment?

11 A. Correct.

12 Q. And that's calculated by taking the total
13 savings of \$180,000 and dividing that into the \$500,000
14 investment, right?

15 A. Right, simple math.

16 Q. All right. Now one of the components of the
17 savings that's listed there on that page is maintenance
18 and consumables, right?

19 A. Correct.

20 Q. And please turn two pages on to page 13 of
21 that exhibit, which is entitled overview of benefits,
22 we're now there.

23 A. Page 10 or page 11?

24 Q. Page 11 on the original, page 13 on the
25 exhibit, overview of benefits. And if you look at the

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1 top bullet point on that page, wouldn't you agree with
2 me that as stated here the new processing equipment was
3 envisioned and expected to actually reduce historic
4 expense levels by about 25%?

5 A. By about 25,000.

6 Q. Excuse me, 25,000.

7 A. Yes.

8 Q. All right. And if you go to the immediately
9 preceding page, page 12 of the exhibit, third arrow
10 point is another component of claimed savings regarding
11 encoding, correct?

12 A. Correct, and it's a labor savings.

13 Q. All right. And as I understand it with the
14 current, what that means is that with the current bill
15 processing equipment, the same -- some type of encoding
16 is not required any longer?

17 A. Correct.

18 Q. And am I correct that as a result of not
19 having to encode checks that three quarters of a
20 full-time FTE position can be eliminated; is that what
21 that says here?

22 A. For bill processing.

23 Q. Right.

24 A. Correct.

25 Q. So as the company continues to grow and needs

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1 to employ more people because of this new equipment
2 purchase, they can just hire fewer people or three
3 quarters of one person less according to this
4 prospectively; is that correct?

5 A. With respect to bill processing, is that your
6 question?

7 Q. Yes.

8 A. With respect to bill processing, correct,
9 we're able to realize those labor savings.

10 Q. And would you agree with me that if the
11 company continues to grow, thus necessitating the need
12 to hire more people, the sales resulting from the
13 customer growth will also produce attendant margins?

14 MS. CARSON: Could you repeat that question.

15 Q. If the company continues to grow,
16 necessitating the need for more hiring, then the sales
17 resulting from that customer growth would also produce
18 attendant margins, correct?

19 A. Correct. I think, if I can clarify the
20 question, if as revenues grow, all things being equal,
21 profitability should grow as well. Is that the point
22 you're trying to make, counselor?

23 Q. All right, thank you.

24 A. If I understood the question correctly.

25 MR. FFITCH: May I just have a moment here,

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1 Your Honor?

2 JUDGE MOSS: Sure, Mr. ffitch.

3 MR. FFITCH: Thank you.

4 Just a couple more questions.

5 BY MR. FFITCH:

6 Q. Mr. Valdman, could you turn to, please, Cross
7 Exhibit BAV-11, and that is the business case for the
8 mobile work force management. And again in general it's
9 your position as stated in your rebuttal testimony that
10 this project will not truly cut costs but will improve
11 customer service and allow growing numbers of customers
12 to be served without adding new personnel; is that a
13 fair paraphrase?

14 A. No, it isn't. If I could add, I think my
15 point for both this initiative as well as the bill
16 processing is that these are initiatives that help
17 offset ongoing cost growth.

18 Q. All right.

19 And can you turn to page 7 of your rebuttal,
20 line 6, you do disagree with Mr. Dittmer that the
21 efficiencies of the mobile work force project should
22 offset Puget's costs, correct?

23 A. Correct, but I think I make the subsequent
24 point that it's a number of initiatives that these cost
25 savings are offset by cost growth later on a couple

0182

1 pages later.

2 Q. All right. But you state explicitly that the
3 installation and use of the system should not be
4 utilized to offset certain necessary cost increases,
5 right?

6 A. Correct.

7 Q. And let's turn to Exhibit 11 now to page 5,
8 executive summary. This is again the exhibit
9 pagination.

10 A. So is this the first page?

11 Q. The first page of the exhibit is the cover
12 business case, and then I'm in page 3 of the business
13 case, which is page 5 of exhibit pagination. It's the
14 executive summary.

15 A. Yes.

16 Q. And if you look at the fourth paragraph, the
17 last paragraph of the executive summary, doesn't that
18 state in the third line down that the project will
19 result in hard cost reductions of \$1.9 Million per year?

20 A. Correct.

21 Q. And if we go to page 15 of the exhibit, I'll
22 give you time to get there.

23 Are you there?

24 A. Yes.

25 Q. At the bottom of page 15, you see the heading

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1 cost savings financial benefit?

2 A. Yes.

3 Q. And that breaks down the cost savings
4 financial benefit. We see that that adds up to \$2.4
5 Million. Am I correct that the \$1.9 Million of hard
6 savings that we just discussed are the first 3 lines of
7 that list?

8 A. Yes.

9 Q. And then the company also projects benefits
10 from increased service orders of \$500,000 and that
11 brings us up to the \$2.4 Million, right?

12 A. Correct.

13 Q. And then if you turn to page 16, the next
14 page of the exhibit, in the summary results box the
15 company's projecting an internal rate of return on this
16 project of 31%; is that correct, am I reading that
17 properly?

18 A. Correct.

19 MR. FFITCH: Thank you, Mr. Valdman.

20 Those are all my questions, Your Honor.

21 JUDGE MOSS: All right, thank you,

22 Mr. ffitich.

23 I don't have any other cross indicated for
24 this witness; is that correct?

25 Apparently so.

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1 Let me ask then if there are questions from
2 the Commissioners for Mr. Valdman.

3 COMMISSIONER OSHIE: No questions.

4 COMMISSIONER JONES: No questions.

5 CHAIRMAN GOLTZ: I'll have one then.

6

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

8 BY CHAIRMAN GOLTZ:

9 Q. On page 13 of your rebuttal testimony, you
10 reference in line 17, you reference adding 90 seasonal
11 customer service positions, is that still -- are you
12 still maintaining that staff of seasonal workers?

13 A. I have to confirm whether it's 90. We've
14 been able to increase the productivity of our call
15 service business to meet the service quality metric, so
16 I don't know whether it's 90, but we were --

17 Q. And is the -- why is it seasonal, I mean what
18 -- is there something about service quality that
19 fluctuates by season?

20 A. Weather, storms.

21 Q. So this is a wintertime --

22 A. Correct.

23 Q. -- employment?

24 A. Correct.

25 Q. And is that offset in any way, because I

0185

1 would imagine that your new orders are going down, so
2 are you able to staff some of those seasonal workers
3 from within the company?

4 A. Most of -- our customers continue to grow.
5 We have, albeit less than historic, but we still have
6 customer growth, and our calls into our call center have
7 actually increased by 4% from 2000 to 2009, so our call
8 centers experience greater volume of work.

9 Q. So from 2000 to 2009, the call center
10 increased by 4%?

11 A. Correct.

12 Q. But your number of customers has to have
13 increased by at least that same amount in that period of
14 of time?

15 A. By less.

16 Q. By less?

17 A. What's happening, it could -- weather related
18 generates call volume as well as payment issues. And as
19 you might imagine in the current economic situation,
20 we're receiving a number of calls from our customers
21 requesting payment plans and payment options, so that's
22 increasing our call volume.

23 CHAIRMAN GOLTZ: Thank you.

24 JUDGE MOSS: All right.

25 Any redirect?

0186

1 MS. CARSON: Yes, Judge Moss, thanks.

2

3 R E D I R E C T E X A M I N A T I O N

4 BY MS. CARSON:

5 Q. Mr. Valdman, when was the mobile work force
6 actually implemented?

7 A. It was implemented in calendar year 2007 for
8 the natural gas first responders.

9 Q. And when was it implemented for the remainder
10 of the program?

11 A. The next year, in 2008.

12 Q. Was the full proposed mobile work force
13 implemented by the company?

14 A. It was partially implemented. For gas and
15 electric and the substation crews, we are still weighing
16 the implementation.

17 Q. So when we read, when we look at BAV-11 I
18 believe it is --

19 JUDGE MOSS: Is your microphone on?

20 MS. CARSON: It is, yes.

21 BY MS. CARSON:

22 Q. When we look at BAV-11 and we see the
23 potential savings from this program, does that reflect
24 what the company actually implemented or what was
25 originally proposed to be implemented?

0187

1 A. It reflects what was originally proposed to
2 be implemented.

3 Q. And just to be clear, well, were there
4 efficiencies realized as a result of implementation of
5 the mobile work force?

6 A. There were a number of benefits that were
7 realized, and in fact we could see it in our SQI's. Our
8 gas first response time has decreased. From memory as
9 of November calendar year 2009 it's 33 minutes down from
10 38 minutes. Our levels of customer satisfaction in
11 field operations have increased 95%, which is
12 considerably higher than in calendar year 2007, I
13 believe it was 90%. So the operational benefits have
14 been realized.

15 Q. And to the extent these are actual dollar
16 efficiencies or savings, were those realized during the
17 test year 2008?

18 A. Yes, that's when the mobile work force for
19 gas was implemented and active.

20 Q. Now turning to the bill processing equipment
21 which was discussed in BAV-12, a cross-exam exhibit.

22 A. Yes.

23 Q. Mr. ffitch asked you about cost savings or
24 efficiencies that were recognized as a result of that.
25 Were you, was the company able to recognize or has it

0188

1 been able to recognize all the efficiencies that were
2 set forth in that cross-exam exhibit?

3 A. No.

4 Q. And can you elaborate on that?

5 A. Certainly. The largest dollar savings in the
6 implementation of that equipment related to a practice
7 referred to as ARCing, accounts receivable conversion.
8 And for operational reasons, I think the decision was to
9 try to not proceed with ARCing but instead to proceed
10 with electronic imaging, and so that caused a delay. I
11 think we felt that operationally it would be better to
12 have an electronic image of the check rather than the
13 actual code of the information on the check.

14 Mr. Gaines will be in a position to describe
15 why we decided not to proceed with the bidding process
16 with financial institutions, and so I will leave that to
17 his testimony, but there was a fair amount of turmoil in
18 the banking industry in 2008, and so we were very
19 careful about what counterpart we wanted to choose as a
20 banking partner.

21 In addition, because we continue to code the
22 checks, we didn't realize roughly \$7,000 of savings
23 related to the ribbons, and that was contemplated in the
24 original estimates.

25 Q. Just to clarify, so those are the encoding

0189

1 savings that you were not able to realize?

2 A. Correct.

3 JUDGE MOSS: That wasn't clear from the
4 exhibit, was that \$7,000 you just mentioned, it's \$8,000
5 I think on the exhibit, was that within the \$25,000 or
6 in addition to?

7 THE WITNESS: It's within the \$25,000.

8 JUDGE MOSS: Thank you.

9 A. We were able to realize the labor savings,
10 that portion of a FTE was reallocated to another portion
11 of our call center business, so in a sense it did offset
12 an increasing cost elsewhere in our customer service
13 area.

14 BY MS. CARSON:

15 Q. Mr. Valdman, just to clarify, were all areas
16 of the mobile work force that were included in the
17 business plan implemented in 2008?

18 A. The electric and the gas was implemented in
19 2008.

20 Q. And so there were parts of it that were not
21 implemented?

22 A. Correct.

23 Q. And what parts were those?

24 A. Substation.

25 Q. Was there anything else?

0190

1 A. I may be missing something, but.

2 JUDGE MOSS: That would be the suggestion I
3 think.

4 A. Perhaps.

5 Q. Was there a metering component of that?

6 A. Yes.

7 MR. FFITCH: Objection.

8 JUDGE MOSS: We have a leading objection from
9 Mr. ffitich, I'll just overrule it.

10 THE WITNESS: Thank you.

11 A. Our meter network services area also was
12 scheduled to be -- to have mobile work force, and that
13 was not implemented.

14 BY MS. CARSON:

15 Q. Thank you. And in terms of the aspects of
16 the mobile work force that were implemented, the gas and
17 electric first responder, correct?

18 A. Correct.

19 Q. Was the company able to recognize
20 efficiencies in terms of having less gas first
21 responders working as a result of this?

22 A. No, we were able to maintain the same level
23 of gas and electric first responders in spite of an
24 increasing volume of work. If you take a look at the
25 units of work there on the electric side, they're in

0191

1 excess of 8% year over year, and I'm now 2008 and 2009,
2 but I think the trend has consistently held. And I
3 think the numbers are even higher on odor calls and
4 non-outage related gas work as well. So what it allowed
5 us to do is allocate our work force more efficiently and
6 handle larger volumes of work with the same amount of
7 personnel. I will also add that on the electric side
8 our service quality metrics are higher and better in
9 terms of first response, emergency first response time.
10 So you can see the similar trend that I mentioned for
11 gas also holds true for electric.

12 MS. CARSON: I have no further questions.

13 JUDGE MOSS: Thank you.

14 Anything further from the Bench or the
15 parties?

16 All right, fine. Mr. Valdman, thank you for
17 your testimony today, and we'll release you subject to
18 recall if needed, thank you.

19 THE WITNESS: Thank you.

20 JUDGE MOSS: All right, well, let's go ahead,
21 you still have cross-examination for Ms. Harris,
22 Mr. ffitich?

23 MR. FFITCH: Brief, Your Honor.

24 JUDGE MOSS: All right, let's have Ms. Harris
25 then.

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1 Go ahead and raise your right hand.

2 (Witness KIMBERLY J. HARRIS was sworn.)

3 JUDGE MOSS: Thank you, please be seated.

4

5 Whereupon,

6 KIMBERLY J. HARRIS,

7 having been first duly sworn, was called as a witness

8 herein and was examined and testified as follows:

9

10 D I R E C T E X A M I N A T I O N

11 BY MS. CARSON:

12 Q. Ms. Harris, please state your name and title
13 and spell your name for the court reporter.

14 A. My name is Kimberly Harris, K-I-M-B-E-R-L-Y,
15 H-A-R-R-I-S, I'm Executive Vice President Chief Resource
16 Officer.

17 Q. Ms. Harris, do you have before you what has
18 been marked for identification as Exhibit Numbers
19 KJH-1CT through KJH-8HCT?

20 A. Yes.

21 Q. Do these exhibits constitute your prefiled
22 direct and rebuttal testimony and related exhibits in
23 this proceeding?

24 A. Yes.

25 Q. Were these exhibits prepared under your

0193

1 supervision and direction?

2 A. Yes.

3 Q. Do you have any corrections to your exhibits
4 at this time?

5 A. I have one minor correction on my
6 qualifications. That would be KJH-2, the very last
7 sentence, I've been in my current position since 2007,
8 and I believe it says 2003, so small correction.

9 Q. Thank you, Ms. Harris.

10 JUDGE MOSS: Thank you.

11 Q. With that correction, are your prefiled
12 direct and rebuttal testimony and accompanying exhibits
13 true and correct to the best of your information?

14 A. Yes.

15 MS. CARSON: Your Honor, PSE offers Exhibits
16 KJH-1CT through KJH-8HCT into evidence and offers
17 Mr. Kimberly J. Harris for cross-examination.

18 JUDGE MOSS: All right, hearing no objection
19 those will be admitted as marked, and I'll just note for
20 the record that no cross-examination exhibits have been
21 identified.

22 Mr. ffitch, do you have cross?

23 MR. FFITCH: Thank you, Your Honor.

24

25

1 C R O S S - E X A M I N A T I O N

2 BY MR. FFITCH:

3 Q. Good morning, Ms. Harris.

4 A. Good morning, Mr. ffitch.

5 Q. My questions will be quite brief this
6 morning. In your rebuttal, specifically pages 6 and 7,
7 you criticize Public Counsel witness Norwood for relying
8 on the fact that Puget's Mint Farm analysis -- I'll
9 pause and let you find it there, it's really a general
10 question, but I'm generally referring to pages 6 and 7
11 of your rebuttal, which is Exhibit KJH-8HCT. And there
12 you generally are criticizing Mr. Norwood for relying
13 upon the fact that Puget's analysis showed that other
14 resources were expected to provide higher portfolio
15 benefits and a higher benefit ratio than Mint Farm,
16 correct?

17 A. Yes.

18 Q. Can you please just define or explain what a
19 portfolio benefit is?

20 A. Well, I think that Mr. Elsea in his testimony
21 elaborates much more clearly on the analysis that is
22 used as far as the cost benefit analysis and the
23 portfolio benefit analysis and the levelized cost, so
24 he's probably a better witness to completely define that
25 aspect. What I believe my actual criticism is is

0195

1 actually taking one of those aspects instead of looking
2 at the quantatative and qualitative elements as a whole,
3 just focusing in on one test in particular.

4 Q. All right.

5 A. Is the basis of my testimony.

6 Q. And you also criticize him for relying unduly
7 on the benefit ratio, correct?

8 A. On I guess particularly just taking one
9 element, so not necessarily -- if he had relied on
10 another single element, I believe my criticism would
11 hold true. It's just taking the -- I think you should
12 look at the totality of the quantitative and the
13 qualitative analysis.

14 Q. All right. And can you define or explain
15 what the benefit ratio is?

16 A. As I just in my answer previously, I think
17 that Mr. Elsea would be a better witness for that.

18 Q. And can you turn to page 11 of your rebuttal,
19 please. And do you have that?

20 A. Yes, sir.

21 Q. It's blue, but I'm not going to ask you
22 anything blue if I can help it.

23 JUDGE MOSS: Let's hope not.

24 A. I will try not to answer anything blue if I
25 can help it.

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1 Q. Again generally here you're testifying that
2 Puget Sound Energy did not consider shareholder returns
3 as a factor in its decision to select Mint Farm,
4 correct?

5 A. Yes.

6 Q. Who are the current shareholders of Puget
7 Sound Energy?

8 A. Well, if I may in the context, because this
9 is kind of an interesting aspect of the questions in the
10 testimony, the current shareholders of Puget Sound
11 Energy were not the shareholders that made the decision
12 on the Mint Farm acquisition. So it's kind of
13 interesting in that aspect looking at the context of
14 when the Mint Farm decision was made, it was during that
15 time period where the merger had been filed and was
16 before the Commission, but it had not been approved, and
17 I don't believe it had been to hearing yet, so I don't
18 know if that --

19 Q. In transition?

20 A. We were definitely in transition.

21 Q. All right. Who are the current shareholders
22 of Puget Sound Energy?

23 A. The current shareholders of Puget Sound
24 Energy are a consortium of investors.

25 Q. And they are?

0197

1 A. Macquarie Infrastructure Partners, CPPIB,
2 AIMCo out of Alberta, and BC.

3 Q. And so at this point Puget is privately held
4 by those investors, and as we know the stock is no
5 longer publicly traded, correct?

6 A. At this time, but that was not the case at
7 the time when this acquisition was approved.

8 Q. As a Puget officer, do you consider it part
9 of your job to identify ways to increase shareholder
10 earnings?

11 A. That's an interesting question. I don't know
12 that we specifically or I specifically as an officer of
13 the company identify ways of addressing shareholders
14 earnings. I would say that my focus and our focus
15 really is on, especially on the resource side, those
16 opportunities or those resources that are in the best
17 interests of our customers. I don't know if the
18 shareholder question really comes into play.

19 Q. So the sole consideration is customer
20 interest?

21 A. The analysis is always aimed at the long-term
22 needs of the customer consistent with basically our
23 planning criteria.

24 Q. Do you consider it part of your job when
25 evaluating major resource acquisitions in investment

0198

1 alternatives such as Mint Farm to consider the impact of
2 the investment on the company's earnings?

3 A. I believe as is stated in the testimony of
4 Mr. Garratt, we're always looking at any sort of
5 financial impact on the company, because that would
6 impact our customers in the long term.

7 Q. So you do look at financial impact?

8 A. We would look at things like imputed debt or
9 credit ratings, and I believe those are set forth
10 clearly in Mr. Garratt's testimony.

11 Q. So you do look at the financial impact of an
12 investment on Puget's earnings?

13 MS. CARSON: Objection, asked and answered,
14 argumentative.

15 JUDGE MOSS: I'm going to overrule the
16 objection, it's a little more precise than his previous
17 question.

18 A. Could you please repeat the question.

19 BY MR. FFITCH:

20 Q. I was following up on your previous general
21 answer and trying to ask more specifically if you were
22 saying then in fact and agreeing with me that you and
23 Puget does look at the investment impact of an
24 acquisition like Mint Farm on the company's earnings?

25 A. I think your question just changed slightly,

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1 so if I may, your previous questions were do we look at
2 a financial impact for the shareholder. My answer would
3 be no, not specifically for a shareholder. Your other
4 question was do we look at the impact, and yes, we have
5 to look at the credit ratings and even all the aspects
6 revolving around the financial stability of the company.
7 So if the question is do we look at financial impact,
8 yes, but not for shareholder or customer, we're looking
9 at it holistically. I guess that's why I'm having
10 problems with your question.

11 Q. Well, do you personally, first of all, do you
12 personally in your job specifically look at the earnings
13 impact of a resource acquisition as part of your
14 evaluation of that acquisition?

15 A. I personally do not look at that impact.

16 Q. Does Puget Sound Energy through any of its
17 officers or employees look at the earnings impact of an
18 investment in a resource acquisition?

19 MS. CARSON: Objection, foundation.

20 Q. As part of the analysis?

21 JUDGE MOSS: Overruled.

22 A. I couldn't speculate on every employee of
23 Puget Sound Energy. I will say from the resource side
24 and from the analysis that we set forth, all of the
25 qualitative factors and quantitative factors are looked

0200

1 at when moving forward with any procurement, whether it
2 be a PPA, whether it be a short-term agreement, whether
3 it be an ownership opportunity.

4 Q. Well, if you look at your testimony in pages
5 11 and 12 of your rebuttal, you're speaking there for
6 PSE, not for yourself, correct? For example, if we look
7 at line 27.

8 A. Yes.

9 Q. And you're stating in those two pages of
10 testimony that Puget does not look at the earnings,
11 potential earnings impact of the investment when making
12 -- as part of its decision in making a resource
13 acquisition?

14 A. Well, I believe that my testimony on lines 27
15 and following on to page 12 really are looking at
16 categories of discussion versus specific elements. And
17 so I would think that some financial element like credit
18 and counterparty issues would be encompassed in risk
19 management and strategic and financial consideration.
20 So I guess in a broad sense, and I think those are more
21 set forth in Mr. Garratt and might be a good question
22 for Mr. Garratt.

23 Q. All right. You wouldn't disagree,
24 Ms. Harris, would you, that the acquisition of Mint Farm
25 has a financial benefit to owners, to the current owners

0201

1 or to shareholders generally in terms of earnings,
2 earnings on rate base that an acquisition of a purchase
3 power agreement does not have?

4 A. I would agree that the acquisition of Mint
5 Farm has a positive financial -- I'm trying to follow
6 your question, I'm sorry -- a financial -- a positive
7 financial impact on both the company and the customers.

8 Q. Maybe I can be a little more -- a little less
9 obtuse, a little more clear. The purchase of Mint Farm
10 allows the company to earn a return on rate base,
11 whereas the acquisition of a power purchase agreement
12 does not allow the company to allow a return on rate
13 base. You would not disagree with that, would you?

14 A. The Chelan contract, which is a long-term
15 PPA, does have a different regulatory treatment, so I
16 would say currently other than the Chelan contract Puget
17 does not earn a return on current PPA's. I would also
18 make the point that we have never brought forth to this
19 Commission for approval or inclusion in any PPA, so a
20 sort of return. I will state that I believe in the
21 states of California and Colorado PPA's are afforded
22 that type of regulatory treatment. So I don't know that
23 it's a given, Mr. ffitch, but I would say currently
24 other than the Chelan contract we do not earn a return
25 on a PPA.

0202

1 MR. FFITCH: All right, I don't have any
2 further questions, thank you, Ms. Harris.

3 JUDGE MOSS: Thank you, Mr. ffitch.

4 No other party has indicated cross for
5 Ms. Harris, so I will turn to the Bench and see if we
6 have questions from the Bench.

7 Commissioner Jones.

8

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

10 BY COMMISSIONER JONES:

11 Q. Good morning, Ms. Harris.

12 A. Good morning, Commissioner.

13 Q. Some of my questions may be better answered
14 by Mr. Garratt or Mr. Elsea. I will try to keep this at
15 a fairly high level though.

16 A. Thank you.

17 Q. And recognizing as Public Counsel was
18 developing in its questioning that this -- the review of
19 this particular plant, Mint Farm, took place at a
20 transition project or a transition period.

21 A. Yes, sir.

22 Q. Between the boards. So how long have you
23 been heading up resource acquisition for the company?

24 A. Since May of 2007.

25 Q. And who was the board at that point?

0203

1 A. At that point we had -- would you like me to
2 name them all?

3 Q. No.

4 A. Thank you.

5 Q. But it was the full board?

6 A. It was the former board of Puget Sound
7 Energy.

8 Q. And how many members were there?

9 A. Now I'm going to have to count, approximately
10 9 to 12, 9, 10, 10.

11 Q. Okay. And what was the process that you
12 followed as head of resource acquisition to brief that
13 board on potential resource acquisitions? There's some
14 sort of committee, correct, that you head up?

15 A. Yes. Actually all of our acquisitions follow
16 through the same type of -- I would say procurement.
17 I'm not going to limit this to acquisitions because it's
18 the same process for PPA's, strategies, and so forth.
19 Once a month there is what we call an EMC, the committee
20 that is basically the Energy Management Committee. At
21 that time any type of strategies, PPA's, acquisitions,
22 were brought to the EMC for discussion, and from time to
23 time we also have updates at the EMC. The EMC then will
24 -- there's a recommendation made to the EMC to move any
25 sort of decision forward. Some decisions basically are

0204

1 not of a certain level that move on to board approval,
2 and so it would just stop at the EMC. Those
3 acquisitions such as Mint Farm, the EMC then would make
4 the recommendation for the acquisition team to brief the
5 board. And so then a package is actually delivered to
6 the board. And we follow the same process today with
7 our new board as we did with the old board. A package
8 is then delivered to the board, a recommendation is
9 made, it is sent to the board ahead of time so that they
10 can read through the material and be prepped so that
11 they're able to I would say ask any questions or dive
12 into any areas that they may have concerns about. And
13 then we actually make a physical presentation to the
14 board.

15 Q. And you are head of the EMC, this particular
16 committee, as Vice President for Resource Acquisitions?

17 A. I believe that the EMC is actually -- I have
18 the Chair position at this point. Mr. Markell,
19 Mr. Valdman, Sue McLain, Paul Wiegand, and myself, and
20 Jennifer O'Connor, we are all members of the EMC.

21 Q. And when the Macquarie Consortium made an
22 offer for the company, did they start sitting in on the
23 board meetings when these resource acquisitions were
24 discussed?

25 A. No.

0205

1 Q. They were kept separate from?

2 A. They were. In fact if I may, because that
3 was an interesting aspect of the Mint Farm discussion
4 was that the Mint Farm discussion took place in the
5 summer, I believe it was August of 2008, and it was
6 during this transition period. The August board meeting
7 is usually, or it deviates from July to September, but
8 the summer board meeting is usually a two-day board
9 meeting, more like a retreat where we try to really talk
10 about broad aspects. And how we approached this
11 retreat, because the transaction was about 9 months
12 since it had been released, we actually approached this
13 discussion with our board as a stand-alone discussion so
14 that what would happen if the transaction didn't move
15 forward.

16 Q. I see. So the owners or representatives of
17 the new owner consortium were not, it's your testimony
18 that they were not involved at all?

19 A. They were not --

20 Q. With the review of the Mint Farm?

21 A. That's correct, they were not involved with
22 the Mint Farm acquisition.

23 Q. Formally or informally or both?

24 A. Both.

25 Q. Okay.

0206

1 This issue of the NAES report that you
2 discuss on page 9 of your rebuttal testimony, and could
3 you just state for the record your understanding of the
4 Commission's standards on review of prudence?

5 A. Yes, I believe that I reviewed a prudence in
6 my direct testimony.

7 Q. Yeah, I think on pages 33 or 34.

8 A. Thank you.

9 Q. The Chairman says 27, I'm sorry.

10 A. Yes. And I have to say I mean there's been
11 many different instances where the Commission has
12 elaborated on prudence, but basically the company must
13 identify a need. Once the need has been identified, the
14 company goes through a process to identify I would say
15 the lowest reasonable cost looking at all the different
16 factors and all the different alternatives out there.

17 Q. Right.

18 A. The company must make sure that its board of
19 directors is included in this discussion, and we must
20 keep contemporaneous documentation.

21 Q. And so you testify in your direct testimony
22 that you believe that all of these criteria have been
23 more than fully satisfied?

24 A. Yes.

25 Q. And just to clarify again, by the board and

0207

1 contemporaneous records, you mean the publicly listed
2 board as you just stated, not the new consortium owners?

3 A. Yes.

4 Q. Talking about this NAS report, NAES report,
5 excuse me, was there much discussion of that? You sat
6 in on the board meetings, did you not?

7 A. Yes, I did.

8 Q. Okay. Was there much discussion of the
9 issues that the Public Counsel witness raises in the,
10 for example, the corrosion issue?

11 A. What there was discussion about in the board,
12 in fact we do, and Mr. Garratt sets forth the entire
13 packet of the 230 pages in fact that is brought forth to
14 the board, on specific details of the board that they
15 would have -- we gave an overview and a very robust
16 discussion on the condition of the plant. And in fact I
17 clearly remember a discussion of -- if you -- if you
18 look through the Mint Farm, there's actually a purchase
19 price and then there's an additional price for different
20 upgrades and conditions that we actually went into Mint
21 Farm and made additional investment. Partially with
22 that from any reports we talk about due diligence, and
23 then partial is because we had experience from the
24 Goldendale facility, and they are very similar. So we
25 had a robust discussion on O&M, about the GE maintenance

0208

1 agreements, and about the synergies of Goldendale and
2 Mint Farm. And in addition to that, I believe in the
3 board presentation one of the next steps, the very first
4 next step was due diligence, so we were talking about
5 quite a bit of the due diligence in the work that we
6 were still going through. As far as the NAES report, we
7 talked about the different consultants we have, and as
8 we -- as I set forth in my rebuttal testimony on page 9,
9 we actually I think took a bit of a more conservative
10 approach taking all of the consultants into -- the
11 impact of all the consultants rather than just
12 delineating NAES.

13 Q. So there were a number of consultants who
14 weighed in on this issue, and your testimony is that you
15 presented the board with all that information, and the
16 board considered management's review of due diligence
17 and concluded that the plant was in reasonably good
18 condition?

19 A. Yes. In fact I specifically remember
20 questions on maintenance and plant condition from Bill
21 Ayer of Alaska Airlines who is now currently our Chair,
22 he always has very incredible insight as far as
23 maintenance and condition of facilities.

24 Q. So you're not disputing that the NAS report
25 specifically addressed the corrosion issue, but what

0209

1 you're saying is that the Public Counsel witness takes
2 it out of context or in a selective way?

3 A. Yes. And in addition I think that given all
4 of the aspects, what NAES has said, given all of these
5 aspects, and I focus in on their paragraph that we have
6 taken out on top of page 9, even given all of these
7 aspects and move forward, and I think Roger Garratt can
8 further elaborate on this, it was their recommendation
9 that we move forward with the acquisition.

10 COMMISSIONER JONES: Okay, that's all I have,
11 Judge, thank you.

12 JUDGE MOSS: Thank you.

13 Anything further from the Bench?

14 Apparently not.

15 All right, any redirect?

16 MS. CARSON: Yes, Your Honor.

17

18 R E D I R E C T E X A M I N A T I O N

19 BY MS. CARSON:

20 Q. Ms. Harris, you testified that one metric or
21 one aspect of acquisitions that the company looks at are
22 the financial aspects of the resource; is that right?

23 A. Yes.

24 Q. Does Mint Farm have a positive financial
25 impact for the customers?

0210

1 A. Yes, Mint Farm is in the long term, which is
2 why we moved forward with the acquisition, it is a
3 positive financial impact on our customers.

4 Q. There have been questions for you about
5 shareholders earning a return on Mint Farm versus a PPA,
6 why do shareholders earn a return on a plant like Mint
7 Farm?

8 A. Well, as I stated, I mean it's basically a
9 regulatory treatment of an acquisition versus a PPA
10 currently in the State of Washington.

11 Q. Do they put in capital for the plant?

12 A. Yes.

13 Q. Public Counsel has referenced a certain PPA
14 that was considered in the RFP process. Has PSE
15 rejected any of the three of the five short listed gas
16 fired bids that are referenced in your testimony at page
17 6, lines 15 through 19?

18 MR. FFITCH: Your Honor, I'm going to object,
19 this is going beyond the scope of cross and just
20 eliciting further direct from the witness.

21 JUDGE MOSS: Sustained.

22 BY MS. CARSON:

23 Q. Has PSE rejected the PPA that Public Counsel
24 questioned you about?

25 MR. FFITCH: Your Honor, I'm going to object

0211

1 again. Your Honor, I believe this is just covering
2 material that's already in the testimony of various
3 Puget witnesses.

4 JUDGE MOSS: I will overrule you on that one.
5 She's asking specifically about page 11 of the witness's
6 testimony as to which you inquired. Rebuttal testimony
7 to be clear.

8 A. We are still in conversation with that
9 referenced party.

10 BY MS. CARSON:

11 Q. And do you anticipate that maybe part of the
12 PSE's current RFP may be bid into PSE's current RFP; is
13 that a possibility?

14 A. It is definitely a possibility.

15 Q. There were also some questions for you
16 regarding reported corrosion in some of the due
17 diligence reports. Does the board presentation, the 230
18 page report, reflect that that was reported? I guess if
19 I could turn you to Mr. Garratt's Exhibit 7HC, we'll
20 have to get that for you.

21 Do you have in front of you RG-7HC?

22 A. Yes.

23 Q. And what is this document?

24 A. I believe in its entirety it would be the
25 entire package that was mailed to the board, so the

0212

1 referenced 230 pages from Mr. Garratt's testimony.

2 Q. And when you say the entire package for the
3 board, is that the entire package for Mint Farm
4 regarding --

5 A. Yes.

6 Q. For the board?

7 A. Yes.

8 Q. And if you could turn to page 174. Are you
9 you at page 174?

10 A. Yes.

11 Q. Is there any reference here on this page,
12 174, to the corrosion issue?

13 A. On this particular page? If you give me a
14 moment, please. And you're on page 174?

15 Q. Page 174, correct.

16 THE WITNESS: May I ask my counsel a
17 question?

18 JUDGE MOSS: No.

19 THE WITNESS: Okay.

20 JUDGE MOSS: I will say this, Ms. Carson,
21 this is already in the record. To the extent you want
22 to refer to it, you can. You don't need to have the
23 witness look at it and analyze it on the stand, because
24 it's taking an excessive amount of time I think for what
25 it's worth.

0213

1 MS. CARSON: That's fine, thank you.

2 JUDGE MOSS: Thank you.

3 MS. CARSON: No further questions.

4 JUDGE MOSS: All right.

5 Anything further, Mr. ffitch?

6 MR. FFITCH: No.

7 JUDGE MOSS: All right, very good.

8 All right, Ms. Harris, with that I believe we
9 have completed your testimony, but I will release you
10 subject to recall if needed. Thank you very much.

11 And with that, we'll take our morning recess
12 and stay for a moment off the record, please.

13 (Brief recess.)

14 JUDGE MOSS: All right, Mr. Garratt, please
15 rise and raise your right hand.

16 (Witness ROGER GARRATT was sworn.)

17 JUDGE MOSS: Thank you, please be seated.

18

19 Whereupon,

20 ROGER GARRATT,

21 having been first duly sworn, was called as a witness
22 herein and was examined and testified as follows:

23

24

25

0214

1 D I R E C T E X A M I N A T I O N

2 BY MS. CARSON:

3 Q. Mr. Garratt, please state your name and title
4 and spell your name for the court reporter.

5 A. Roger Garratt, R-O-G-E-R, G-A-R-R-A-T-T, I'm
6 the Director of Resource Acquisition and Emerging
7 Technologies.

8 Q. Mr. Garratt, do you have before you what have
9 been marked for identification as Exhibit Numbers
10 RG-1HCT through RG-56?

11 A. I do.

12 Q. Do these exhibits constitute your prefiled
13 direct and rebuttal testimony and related exhibits in
14 this proceeding?

15 A. They do.

16 Q. Were these exhibits prepared under your
17 supervision and direction?

18 A. They were.

19 Q. Do you have any corrections to any of your
20 exhibits at this time?

21 A. No.

22 Q. Are your prefiled direct and rebuttal
23 testimony and accompanying exhibits true and correct to
24 the best of your information?

25 A. Yes.

0215

1 MS. CARSON: Thank you.

2 Your Honor, PSE offers Exhibits RG-1HCT
3 through RG-56 into evidence and offers Mr. Garratt for
4 cross-examination at this time.

5 JUDGE MOSS: All right, hearing no objection,
6 those will be admitted as marked.

7 We also have Exhibits RG-57HC through RG-63
8 that are the prefiled proposed cross-examination
9 exhibits by Public Counsel, any objection from the
10 company?

11 MS. CARSON: No, Your Honor.

12 JUDGE MOSS: Any others?

13 All right, hearing no others, those exhibits
14 also will be admitted as marked.

15 With that, Mr. ffitch, I believe your witness
16 is -- the witness is available for your
17 cross-examination, and we also have a few minutes from
18 the Federal Executive Agencies, but you go ahead,
19 Mr. ffitch.

20 MR. FFITCH: Thank you, Your Honor.

21

22 C R O S S - E X A M I N A T I O N

23 BY MR. FFITCH:

24 Q. Good morning, Mr. Garratt.

25 A. Good morning.

0216

1 Q. In your rebuttal testimony, you acknowledge
2 that Puget's acquisition of Mint Farm created surplus
3 capacity on Puget's system in 2009 and 2010, correct?

4 A. To be clear, the surplus capacity that this
5 acquisition creates is surplus capacity from a planning
6 perspective but not from an operating perspective.

7 Q. But you don't disagree that there was surplus
8 capacity in 2009 and 2010, correct?

9 A. Again, it is from a -- only from a planning
10 perspective, and let me elaborate on that. The capacity
11 and needs that were identified take into account the
12 purchase of up to 1,200 megawatts of capacity from the
13 market, and so as a result of the acquisition the
14 company during the years 2009 and 2010 in fact relies a
15 bit less on the market, so in fact from an operational
16 perspective there is no surplus capacity.

17 Q. Can you turn to page 8 of your rebuttal
18 testimony. That's Exhibit 53, RG-53HCT.

19 A. You said page 8?

20 Q. Page 8 of your rebuttal.

21 A. Okay.

22 Q. Can you look at the question on lines 10 and
23 11, and would you agree that that says:

24 Why did PSE purchase Mint Farm even

25 though the acquisition created a surplus

0217

1 capacity need in 2009 and 2010?

2 That's what that says, correct?

3 A. That is the words of the question, yes.

4 Q. All right. And this testimony was prepared
5 by you, correct, as we've just heard?

6 A. Yes.

7 Q. Isn't it correct that you also state -- and
8 let me back up a second here. Obviously we're looking
9 at blue paper, we're talking about resource acquisition
10 alternatives, I'm not going to ask you for anything
11 confidential or highly confidential, and I would propose
12 to refer to -- let's do it this way. Can you go back to
13 page 7 of your rebuttal, please, the preceding page, and
14 if you look at line 12, there is a specific power
15 purchase agreement there mentioned, is there not?

16 A. Yes.

17 Q. And I'm going to -- I propose to refer to
18 that as the alternative power purchase agreement. When
19 I say that, that's what I'm referring to.

20 A. Okay.

21 Q. And on this page actually at that line, you
22 state that alternative PPA was not suitable to meet
23 Puget's need in 2011, correct?

24 A. Yeah.

25 Q. It's true that from time to time Puget has to

0218

1 rely on short-term purchases to meet its energy needs,
2 correct?

3 A. Yes.

4 Q. Can you please turn to Exhibit 59C, that's
5 RG-59.

6 MS. CARSON: Your Honor, we object to the use
7 of this exhibit for Mr. Garratt. This is a data request
8 response prepared by David Mills of the company.

9 JUDGE MOSS: Well, if he knows about it,
10 we'll let him answer. If he doesn't, he can say so.

11 MR. FFITCH: Pretty straightforward, Your
12 Honor.

13 BY MR. FFITCH:

14 Q. If you could turn to page 4 of the exhibit.
15 Again I'm not going to ask for confidential numbers here
16 in the open record. Do you have page 4? This is marked
17 page 4 on exhibit numbering, so it would be the second
18 page of Attachment A, it's actually the last page of the
19 cross exhibit of the data. Do you have that?

20 A. I believe so.

21 Q. Okay. If you could look in the -- there's 3
22 columns for the year 2011, correct, including dollars
23 per megawatt hour; do you see that?

24 A. I do see that. Again, I'm not familiar with
25 this exhibit.

0219

1 Q. All right.

2 MR. FFITCH: Perhaps it would be better to do
3 this with Mr. Mills as I think about it.

4 JUDGE MOSS: That's fine.

5 MR. FFITCH: Thank you, Your Honor.

6 BY MR. FFITCH:

7 Q. Generally in your rebuttal, Mr. Garratt, you
8 criticize Mr. Norwood, Public Counsel's power cost
9 witness, for failing to consider the qualitative factors
10 which Puget considered in selecting Mint Farm, correct?

11 A. I'm not sure I would use the term criticize.
12 I think we try and point out that the acquisition
13 process, the evaluation process for acquisitions is a
14 very holistic process, and in that process we take into
15 account quantitative, qualitative factors and apply
16 management judgment to all of those factors.

17 Q. All right. So you don't disagree with this
18 analysis?

19 A. I'm not sure which analysis you're referring
20 to.

21 Q. All right, well, let's just continue on.

22 Isn't it correct that the alternative PPA was
23 evaluated to be very close to the Mint Farm project on
24 Puget's qualitative analysis of the key risk factors?

25 A. You appear to be looking at a particular

0220

1 exhibit, so perhaps you could identify which exhibit
2 that is.

3 Q. Sure. Why don't you turn to Exhibit 3G,
4 excuse me, RG-3 of your -- this is your direct
5 testimony. It's a large exhibit.

6 A. Okay.

7 Q. And I'm looking at page 110 of that exhibit.

8 A. Okay.

9 Q. Okay. Again one of your differences with
10 Public Counsel witness Norwood was that he failed in
11 your view to consider the qualitative factors which
12 Puget considered in selecting Mint Farm; isn't that
13 correct?

14 A. I believe what we said was failed to consider
15 all of the factors.

16 Q. Let's take a look at this page 110 of Exhibit
17 RG-3. I don't believe the headings on this page are
18 confidential, are they?

19 A. No.

20 Q. Actually the other information is primarily
21 -- is marked highly confidential, so we'll have to be
22 careful here.

23 JUDGE MOSS: Ms. Carson, if you could confirm
24 for us, I think the only confidential information on
25 this page, Mr. ffitich, is the identity of various

0221

1 options as highlighted in addition to being on blue
2 paper.

3 MS. CARSON: That's correct.

4 JUDGE MOSS: Thank you.

5 BY MR. FFITCH:

6 Q. And if we take a look at the -- well, I guess
7 let's just back up a second. What are we looking at
8 here? This is a qualitative evaluation display or
9 depiction showing 4 key risks and comparing different
10 types of resource acquisitions, correct, or different
11 specific resource acquisitions and comparing them to
12 Mint Farm, correct?

13 A. For the particular risks that are shown here.

14 Q. All right. And if we take a look at Mint
15 Farm and then compare it to the resource acquisition
16 immediately to the left of it, it's true, is it not,
17 that there's no distinguishable difference between the
18 risk level shown for those choices?

19 A. With respect to these particular risks.
20 There are differences in other areas.

21 Q. All right. Except for the lower right-hand
22 corner item where it appears that Mint Farm has a higher
23 risk, correct?

24 A. Yes.

25 Q. And could you please turn now to

0222

1 Cross-Examination Exhibit 57HC. Do you have that?

2 A. I do.

3 Q. And in that data request, Public Counsel
4 asked Puget to provide the numerical values for each of
5 the rankings on this page, did we not?

6 A. Yes.

7 Q. And the response indicates that "risk factors
8 are impossible to quantify", and therefore Puget's
9 qualitative analysis "is only meant to convey a relative
10 difference in perceived risk between the different
11 options"; is that correct?

12 A. Yes.

13 Q. Now I'm going to direct you to pages 10 and
14 12 of your rebuttal just generally. In that section of
15 your rebuttal, you're criticizing Mr. Norwood for
16 focusing solely on portfolio benefits and on benefit
17 ratio results of the quantitative analysis; isn't that
18 right?

19 A. Again, I would not use the word criticize,
20 but.

21 Q. Okay.

22 A. The point of this section is to talk about
23 how we use a variety of metrics and evaluation criteria
24 to make a decision.

25 Q. All right, well, the testimony speaks for

0223

1 itself.

2 Let's talk about portfolio benefit for a
3 moment. Can you define portfolio benefit, please, what
4 does that measure?

5 A. Well, as Ms. Harris said, Mr. Elsea is
6 probably the best company witness to define that
7 particular term, but in general it -- we run our models
8 using a selected resource that we're evaluating, and
9 then we run the model using what we call the wallpaper
10 of generic resources, and the portfolio benefit is the
11 difference in the total portfolio costs between those
12 two runs.

13 Q. All right.

14 Can we look at page 13 of your rebuttal,
15 please. That's Exhibit RG-53. Do you have that?

16 A. I do.

17 Q. And that shows a list of costs, a list of
18 costs at the top of the page from lines 1 through 17,
19 correct?

20 A. Yes.

21 Q. And it's true, isn't it, that the portfolio
22 benefit analysis considers all the costs of a resource
23 or portfolio including all of these costs that you have
24 listed here?

25 A. I would say it attempts to consider all of

0224

1 those costs that are in its -- and it's because no
2 particular tool or metric is perfect that we attempt to
3 come at this through a variety of ways in a much more
4 comprehensive process.

5 Q. Can you turn, please, to Cross Exhibit RG-62.
6 That's a response to Public Counsel Data Request 579.
7 Do you have that?

8 A. Yes.

9 Q. In this request we actually refer to the
10 rebuttal page we were just looking at, and we asked
11 Puget to confirm that all the listed factors were
12 considered in evaluating the system production cost
13 benefits, and the answer is set out below with a couple
14 of exceptions stated where things are not applicable to
15 this type of plant. But in the final sentence it states
16 that Puget considered all other costs identified in the
17 list provided on page 13, correct?

18 A. It does say that, yes.

19 Q. All right. And is it also correct that the
20 lower levelized cost per megawatt hour of the Mint Farm
21 facility is in fact reflected in the results of Puget's
22 analysis of portfolio benefits?

23 A. I would say that that levelized cost is a
24 distinct and separate metric.

25 Q. So it's your testimony that that's not

0225

1 included in the portfolio, in the costs that are
2 included in the portfolio benefit analysis?

3 A. Both the portfolio benefit and levelized cost
4 are metrics that come out of the analysis, so some of
5 this -- many of the same costs go into the equation, but
6 what we're talking about is results that come out of an
7 evaluation, so I don't think it's fair to say that
8 levelized cost goes into a portfolio benefit
9 calculation. I don't think that's a correct statement.

10 Q. I understand that Puget identifies these as
11 different metrics and that they are generally used as
12 different metrics, meaning portfolio benefit versus
13 levelized cost versus other metrics. My question is,
14 isn't it the case that the cost ingredients that go to
15 make up the levelized cost analysis are also
16 incorporated in the portfolio benefit analysis?

17 A. They are -- so I would say they are similar
18 cost ingredients, but the result is a different way of
19 looking at the evaluation. And it's an important way to
20 look at the evaluation, because we've said in our
21 testimony that we don't think it's proper to focus on
22 any one of these metrics, that it's important to focus
23 on all three of them as well as to focus on all the
24 qualitative evaluation criteria as well.

25 Q. Puget does not deny that the portfolio

0226

1 benefit analysis showed that the alternative PPA was
2 expected to provide significantly higher benefits than
3 the Mint Farm project over a wide range of scenarios,
4 does it?

5 A. I would say the portfolio benefits numbers
6 speak for themselves with respect to that particular
7 ranking. That was not the reason that the alternative
8 PPA is in the position that it's in.

9 Q. Can I get you to turn to your Exhibit 3,
10 RG-3.

11 A. This is the rebuttal testimony, correct?

12 Q. No, this is your direct, and it's Exhibit 3,
13 it's the same large exhibit you were just looking at.
14 We were looking at page 110, we're going to move to page
15 119. It's highly confidential. Do you have that?

16 A. I do.

17 Q. And that says quantitative at the top of the
18 page?

19 A. Yes.

20 Q. Is that correct? And this, just to sort of
21 describe what we're looking at here, this page shows the
22 results of the three metrics we've been discussing,
23 levelized costs, portfolio benefit, and benefit ratio
24 under various scenarios such as current trends, Monte
25 Carlo, Green World, et cetera, correct?

0227

1 A. Yes.

2 Q. And if we look down for example under
3 portfolio benefit and we look down in the second half of
4 the page opposite, we see a line for the alternative
5 PPA, do we not?

6 A. Yes.

7 Q. And then the very bottom shows the analysis
8 result for Mint Farm, correct?

9 A. Yes.

10 MR. FFITCH: And are those two numbers
11 confidential? I confess I copied this on white paper at
12 the office, this worksheet that I have.

13 MS. CARSON: The levelized cost number is
14 confidential, the portfolio benefit is not.

15 MR. FFITCH: All right.

16 BY MR. FFITCH:

17 Q. So we can see that the portfolio benefit of
18 the alternative PPA is 111.4 versus Mint Farm is 45,
19 correct?

20 A. Yes.

21 Q. And can you explain what that means in terms
22 of the definition of a portfolio benefit, or do we need
23 to ask Mr. Elsea that question?

24 A. I think again Mr. Elsea would be a better
25 witness to answer that question.

0228

1 Q. Can you tell us if that indicates that the
2 alternative PPA is a preferred choice or has a better
3 number than Mint Farm or a worse number; do you
4 understand the ratings to that extent?

5 MS. CARSON: I would ask that you rephrase
6 the question.

7 Q. Which has the better number here in terms of
8 choosing between the two, Mint Farm or the alternative
9 PPA?

10 A. With respect to this particular --

11 Q. To this specific metric I mean. If you were
12 only looking at the specific metric. I understand you
13 have another argument.

14 MS. CARSON: And can we clarify which metric
15 you're talking about.

16 Q. Portfolio benefit.

17 A. With respect to this particular metric and --
18 the alternate PPA has a larger number, and a larger
19 number is better with respect to this metric.

20 Q. All right. And so we won't walk you through
21 all of these now, but if a reader walks through each of
22 these scenarios for each of these metrics, you can do a
23 comparison between the alternative PPA and Mint Farm for
24 each of these items, correct?

25 A. With respect to those metrics, that's true.

0229

1 With respect to other metrics, it becomes much more
2 subjective and requires much more management judgment to
3 differentiate.

4 Q. Okay. And just looking at this page and the
5 next several pages where these metrics are shown, can
6 you point me to any place where the Mint Farm, other
7 than levelized costs, where the Mint Farm rating or
8 number is better than the alternative PPA number?

9 A. I think Mr. Elsea would be a better witness
10 for that question.

11 Q. Okay. You don't know?

12 A. Certainly Mr. Elsea has a lot more
13 familiarity with the quantitative evaluation than I do.

14 Q. All right. This was an exhibit to your
15 testimony, right?

16 A. Yes.

17 Q. These same pages that we've just been looking
18 at also contain the benefit ratio metric, do they not?

19 A. Yes.

20 Q. And I could ask you to define what the
21 benefit ratio is, do you want me to direct those
22 questions to Mr. Elsea?

23 A. Yes, please.

24 Q. Are you contesting the fact that Puget's own
25 studies show that the alternative PPA had a

0230

1 significantly higher benefit ratio than the Mint Farm
2 facility?

3 A. We do not -- I do not disagree with that.
4 Again the point of my testimony is that there were other
5 factors, particularly strategic and financial factors
6 and compatibility with need factors that were the basis
7 for the decisions we made.

8 Q. All right. Is one of the factors that was
9 considered by you the fact that the Mint Farm
10 acquisition provided the opportunity to earn a rate of
11 return on rate base which was not provided by the
12 alternative PPA?

13 A. Not in respect to earnings per se. As we
14 evaluate a resource, a potential acquisition such as
15 Mint Farm or any sort of acquisition where we would be
16 investing the company's money, what we do is create a
17 detailed pro forma for that particular project, and in
18 that pro forma we model all of the forecasted costs.
19 And so as part of that, we take into account returns as
20 a calculation that we're making to determine revenue
21 requirements associated with that particular
22 alternative. So in that respect, we do. But as between
23 say a PPA and an alternative, we don't give some
24 additional weight or credit to the fact that there is a
25 return. As Ms. Harris talked about, we really try and

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1 focus all of our effort on looking at this from the
2 perspective of the customer.

3 Q. Has that pro forma analysis that you just
4 mentioned been provided to any party as discovery in
5 this case or offered as an exhibit in support of the
6 prudence case that you've presented or the other
7 witnesses presented, is that in the record?

8 A. I know of at least one place that it's there,
9 and it may be in other places as well. So in the board
10 of directors presentation, and I'm trying to find the
11 exhibit number.

12 Q. It's Exhibit 7 I believe.

13 MR. FFITCH: Is that correct?

14 MS. CARSON: Yes.

15 A. Yes, so in RG-7HC it is contained in there,
16 and it's within the context of the entire 230 page board
17 presentation, it is an exhibit to that, so not -- or we
18 use the term exhibit within our board presentation. So
19 that showed our pro forma analysis at the time that we
20 presented it to the board. It probably doesn't line up
21 perfectly with the numbers in this case just because I
22 suspect things evolved somewhat between when we prepared
23 the book in July and when we ultimately closed on the
24 transaction and then filed the general rate case.

25 BY MR. FFITCH:

0232

1 Q. And you provided --

2 A. But you could, I'm sorry, but just by looking
3 at what we presented in the board of directors
4 presentation, you could get a flavor for how detailed
5 the analysis is that we do as we look at acquisitions.

6 JUDGE MOSS: Do you have more than another
7 couple of questions, Mr. ffitch? We need to break for
8 our noon activities.

9 MR. FFITCH: Actually, Your Honor, I think
10 that other than asking for a page reference for where
11 that report is, which counsel could provide, I don't
12 have any further questions for the witness.

13 JUDGE MOSS: Counsel can provide you that
14 during the break then. All right, let's do that.

15 And then Mr. Furuta, do you still have
16 questions for this witness?

17 MR. FURUTA: Yes, Your Honor. Well, I may be
18 very brief, and it concerned the exhibit identified for
19 Matthew Marcellia, MRM-12. I intended to cross
20 Mr. Marcellia about that, but on the -- it's a data
21 request response from the company, and it said the
22 witness knowledgeable is this witness, so I didn't want
23 this to become orphaned. If counsel could assure me
24 that Mr. Marcellia can answer questions regarding the tax
25 benefits to Wild Horse wind projects expansion, then I

0233

1 can direct those questions to Mr. Marcelia.

2 MS. CARSON: Yes, Mr. Marcelia can answer
3 those questions.

4 MR. FURUTA: With regard to this exhibit?

5 MS. CARSON: Yes.

6 MR. FURUTA: I have no questions then.

7 JUDGE MOSS: Any questions from the Bench for
8 this witness?

9 All right, apparently not.

10 Any redirect? It has to be very brief though
11 if you have any.

12 MS. CARSON: I do have some redirect.

13 JUDGE MOSS: More than 3 minutes?

14 MS. CARSON: It may be more than 3 minutes.

15 JUDGE MOSS: All right, then we're going to
16 have to have Mr. Garratt back I think after the break,
17 because we're going to need to take a few minutes
18 between this and the public comment hearing at 12:00.

19 So with apologies to you, Mr. Garratt, have
20 to have you back after the lunch hour. I hope that will
21 not be a matter for indigestion.

22 This proceeding, the evidentiary proceeding
23 will be in recess until 1:30. If we finish early then
24 we'll all get something to eat. And if we don't, then I
25 will let you know when you return, but I would like you

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1 all back by 1:30 to resume our evidentiary proceedings.

2 (Hearing adjourned at 11:50 a.m.)

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