

**PUGET SOUND ENERGY, INC.'S
CROSS-EXAMINATION EXHIBIT LIST**

Docket No. UE-132027

NUMBER	WITNESS	A/R	DATE	DESCRIPTION
	DITTMER, James			Public Counsel Response to PSE Data Request No. 1
				Public Counsel Response to PSE Data Request No. 5
				Public Counsel Response to PSE Data Request No. 6
				Public Counsel Response to PSE Data Request No. 7
				Public Counsel Response to PSE Data Request No. 8
				Public Counsel Response to PSE Data Request No. 10
				<i>18 CFR Part 101-Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act, Definitions, No. 12 "Depreciation"</i>

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**Petition of Puget Sound Energy, Inc. for an Accounting Order Approving the
Allocation of Proceeds of the Sale of Certain Assets to
Public Utility District #1 of Jefferson County**

Docket UE-132027

RESPONSE OF PUBLIC COUNSEL TO PSE DATA REQUEST NO. 1

Request No: 1
Directed to: Lisa W. Gafken, Assistant Attorney General
Date Received: April 4, 2014
Date Produced: April 14, 2014
Prepared by: James Dittmer

PSE DATA REQUEST NO. 1 TO PUBLIC COUNSEL:

Re: Dittmer, Exh. No. JRD-1T, 6, 2-19.

Please provide all analyses undertaken by or on behalf of Public Counsel, or relied on by Public Counsel, relating to the following statements:

- a. The “vast majority of instances” where rate payers “bear any losses and enjoy any implicit gains arising when plant is removed from service.
- b. How many of these “instances” involved the sale of assets, at fair market value, that were not fully depreciated?
- c. How many of these “instances” also involved, as a consequence of such sale, the loss of service area? Please specifically identify any and all instances considered that did involve a loss of service territory.

OBJECTION AND RESPONSE:

Public Counsel objects to PSE Data Request No. 1 to the extent it seeks information that would reveal information protected by the attorney work product doctrine or any other privilege. Without waiving the objection and subject thereto, Public Counsel responds as follows:

The quoted text in the question is not placed in the correct context. Specifically, the full quote to which part (a) of this data request refers states:

In sum, in the vast majority of instances, ratepayers effectively bear any losses and enjoy any implicit gains arising when plant is removed from utility service.

This testimony must be read in context of the overall discussion. The testimony further refers to the “vast majority of depreciable electric utility plant [that is] disposed of through normal retirement rather than outright sale of property as occurred with the Jefferson County property.” Additionally, the testimony explains that neither a gain nor loss is recognized as a result of the prescribed accounting when a normal retirement occurs. As also described in testimony, the FERC Uniform System of Accounts provides the prescribed accounting for normal retirements. The UTC has through rulemaking required Washington utilities to follow the FERC USOA. See WAC 480-90-203 and WAC 480-100-203.

Mr. Dittmer’s testimony described what occurs with depreciable property, which consists of most of utility property, and the accounting treatment that prescribes how retired depreciable property is treated. Parts (b) and (c) of the request have no applicability. The normal retirement accounting to which the first bullet point found at the top of page 6 of Mr. Dittmer’s testimony was unequivocally referring, and which is applicable to the disposal of the vast majority of utility plant, does not apply when a utility system is sold as a result of the loss of a service territory.

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RESPONSE OF PUBLIC COUNSEL TO PSE DATA REQUEST NO. 5

Request No: 5
Directed to: Lisa W. Gafken, Assistant Attorney General
Date Received: April 4, 2014
Date Produced: April 14, 2014
Prepared by: James Dittmer

PSE DATA REQUEST NO. 5 TO PUBLIC COUNSEL:

Re: Dittmer, Exh. No. JRD-1T, 15-19

Please provide all analyses undertaken by or on behalf of Public Counsel, or relied on by Public Counsel, relating to the following:

- a. The cost of service of PSE's prior service territory in Jefferson County.
- b. The revenue requirements for serving PSE's prior service territory in Jefferson County.
- c. Revenues collected from PSE's former customers in Jefferson County.
- d. "Stranded costs" (of the nature referred to at p. 16, line 3 of Mr. Dittmer's testimony) incurred as a result of the sale of the Jefferson County service area to JPUD.
- e. Differences in the cost of service among subsets of regions of customers within PSE's service area, of the nature referred to at p. 17, 6-9, within PSE's service area (including, but not limited to, PSE's former Jefferson County Service Area).

OBJECTION AND RESPONSE:

Public Counsel objects to PSE Data Request No. 5 to the extent it seeks information that would reveal information protected by the attorney work product doctrine or any other privilege. Without waiving the objection and subject thereto, Public Counsel responds as follows:

- a – c) In preparing the testimony that was filed on March 28, 2014, Public Counsel and Mr. Dittmer reviewed the data, work papers and exhibits provided by PSE through the testimony and exhibits of Mr. Jon Piliaris, as well as various data request responses provided by PSE regarding Mr. Piliaris' analysis with respect to the cost of service, revenue requirement, and revenues collected from the former customers in Jefferson County.
- d) With regard to non-power supply costs, Mr. Dittmer did no additional or incremental analysis to quantify what level of stranded costs existed on PSE's system following Jefferson County's departure, beyond that identified and quantified by PSE. Specifically, Mr. Dittmer does not take exception to the \$3.2 million of non-power supply stranded costs that existed on PSE's following Jefferson County's departure. He has accepted, as PSE pointed out in response to Public Counsel Data Request No. 34, that PSE's shareholders are currently absorbing the \$3.2 million of contributions toward common fixed costs previously paid by Jefferson County electric customers.

Regarding stranded power supply costs, Mr. Dittmer largely relies upon the early years of the 20 year power supply study sponsored by Mr. Piliaris within Exhibit No. JAP-7. As discussed within pages 31 – 33 of Mr. Dittmer's testimony, the stranded cost values set forth in the early years of Mr. Piliaris' study were incorrect inasmuch as foregone PCA revenues were not properly calculated and synchronized with forecasted increases in production costs. That mismatch has been corrected and revised results can be observed within Exhibit No. JRD-4 affixed to Mr. Dittmer's testimony.

- e) No other analysis of the cost of providing service to other regions of PSE's service territory have been undertaken as no such analysis was necessary.

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RESPONSE OF PUBLIC COUNSEL TO PSE DATA REQUEST NO. 6

Request No: 6
Directed to: Lisa W. Gafken, Assistant Attorney General
Date Received: April 4, 2014
Date Produced: April 14, 2014
Prepared by: James Dittmer

PSE DATA REQUEST NO. 6 TO PUBLIC COUNSEL:

Re: Dittmer, Exh. No. JRD-1T,

Please identify the dollar amount that is equal to the sum of any and all “stranded costs” that were quantified in “UtiliPoints’ Preliminary Feasibility Study” as stranded costs to be incurred in connection with the sale of the Jefferson County assets.

RESPONSE:

“UtiliPoints’[SIC] Preliminary Feasibility Study” did not quantify the dollar amount of the stranded costs. Specifically, as stated page 7 of the UtiliPoint study “[s]everance damages and stranded costs are left out of the current analysis because these costs will not be decided until extensive litigation is completed.”

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RESPONSE OF PUBLIC COUNSEL TO PSE DATA REQUEST NO. 7

Request No: 7
Directed to: Lisa W. Gafken, Assistant Attorney General
Date Received: April 4, 2014
Date Produced: April 14, 2014
Prepared by: James Dittmer

PSE DATA REQUEST NO. 7 TO PUBLIC COUNSEL:

Re: Dittmer, Exh. No. JRD-1T

Please identify the dollar amount that is equal to the sum of any and all "stranded costs" that were quantified in the "Hittle Study" as stranded costs to be incurred in connection with the sale of the Jefferson County assets.

RESPONSE:

The Hittle Study did not quantify the stranded costs. See pages 18 and 19 of the Hittle Study.

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RESPONSE OF PUBLIC COUNSEL TO PSE DATA REQUEST NO. 8

Request No: 8
Directed to: Lisa W. Gafken, Assistant Attorney General
Date Received: April 4, 2014
Date Produced: April 14, 2014
Prepared by: James Dittmer

PSE DATA REQUEST NO. 8 TO PUBLIC COUNSEL:

Re: Dittmer, Exh. No. JRD-1T

Please identify what portion, if any, of the \$800,000 Transition Payment PSE collected from JPUD that Public Counsel considered in connection with its assessment of "stranded costs."

RESPONSE:

Public counsel did not consider the \$800,000 Transition Payment in connection with its assessment of stranded costs. Public Counsel does not oppose PSE's proposal that such costs be deducted from the gain that will otherwise be shared between shareholders and ratepayers.

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RESPONSE OF PUBLIC COUNSEL TO PSE DATA REQUEST NO. 10

Request No: 10
Directed to: Lisa W. Gafken, Assistant Attorney General
Date Received: April 4, 2014
Date Produced: April 14, 2014
Prepared by: James Dittmer

PSE DATA REQUEST NO. 10 TO PUBLIC COUNSEL:

Re: Dittmer, Exh. No. JRD-1T 27 11-12

Please identify, explain, and provide all analyses undertaken by or on behalf of Public Counsel, or relied on by Public Counsel related to Mr. Dittmer's conclusion regarding load growth "if Jefferson County had continued to be served by PSE." Does Public Counsel assume "zero cost" to serve Jefferson County in the above-referenced hypothetical?

Does Public Counsel assume "higher than average system cost" to serve Jefferson County in this hypothetical?

OBJECTION AND RESPONSE:

Public Counsel objects to PSE Data Request No. 10 to the extent it seeks information that would reveal information protected by the attorney work product doctrine or any other privilege. Without waiving the objection and subject thereto, Public Counsel responds as follows:

The testimony found on page 27, lines 1 through 14 of Mr. Dittmer's testimony, as well as the testimony on the three preceding pages, address recovery of costs that are not specifically assigned to Jefferson County or any other specific geographic section of PSE's service territory. The noted testimony deals with costs that, within a fully distributed cost study, must be allocated on some logical and equitable basis to all benefiting customers and geographic subsets of PSE's service territory. Mr. Dittmer's

testimony refers to such costs as “relatively fixed common non-power supply costs.” Such relatively fixed common costs would include the “fixed costs such as billing systems, customer call centers, etc.” that PSE’s consultants UtiliPoint International, Inc. first stated may result in damages to remaining customers as a result of a loss of contributions formerly made by customers residing in Jefferson County. (Please see page 18 of UtiliPoint report entitled *Preliminary Feasibility Study – Public Utility District No. 1 of Jefferson County – Electric System Acquisition* dated July 2008)

The subject matter of this portion of Mr. Dittmer’s testimony, as well as page 18 of the noted UtiliPoint study, exclusively address common costs that are fixed, or certainly relatively fixed, when serving a large number of customers. PSE asks in this Data Request whether “Public Counsel assume[s] “zero cost” to serve Jefferson County in the above-referenced hypothetical.” Since the noted testimony subject matter deals exclusively with fixed common costs, the testimony assumes no incremental fixed common cost to serve Jefferson County, just as the Company’s studies provided within Exhibit No. JAP-3 assumed no cost avoidance of such common fixed costs when it analyzed the impact of the loss of the Jefferson County load. No analysis is needed to draw conclusions set forth in Mr. Dittmer’s testimony – just as there would have been no analysis required by UtiliPoint to draw similar conclusions found on page 18 of its preliminary report.

The Company’s second question in this Data Request asks whether Public Counsel assumed “higher than average system cost” to serve Jefferson County. This possible assumption has no applicability when discussing common fixed costs. By definition, “common fixed” costs would not be impacted by other events or characteristics affecting the cost to serve geographic subsections of PSE’s service territory such as the sparsely populated, rural Jefferson County area wherein PSE only provided electric service.