**EXH. CAK-1T  
DOCKET PG-160924  
WITNESS:  CATHERINE A. KOCH**

**BEFORE THE**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,**  **Complainant,**  **v.**  **PUGET SOUND ENERGY,**  **Respondent.** | **Docket PG-160924** |

**PREFILED RESPONSE TESTIMONY (NONCONFIDENTIAL) OF**

**CATHERINE A. KOCH**

**ON BEHALF OF PUGET SOUND ENERGY**

**MAY 8, 2017**

**PUGET SOUND ENERGY**

**PREFILED RESPONSE TESTIMONY (NONCONFIDENTIAL) OF  
CATHERINE A. KOCH**

Q. Please state your name, business address, and position with Puget Sound Energy.

A. My name is Catherine A. Koch. My business address is 10885 NE 4th Street, Bellevue, Washington, 98009-5591. I am Director, Planning with Puget Sound Energy (“PSE”).

Q. Have you prepared an exhibit describing your education, relevant employment experience, and other professional qualifications?

A. Yes, I have. It isExh. CAK-2.

Q. What is the purpose of your Prefiled Response Testimony?

A. This testimony responds to the Prefiled Direct Testimony of Sebastian Coppola on behalf of Public Counsel. Mr. Coppola recommends that the Commission reject the Settlement Agreement as filed by PSE and Commission Staff in this proceeding. Mr. Coppola instead recommends that the Commission revise the Settlement Agreement to (1) increase the penalty amount from $2.75 million and (2) modify the proposed Deactivated Gas Line Inspection and Remediation Program (“Inspection Program”).

PSE’s motion to strike portions of Mr. Coppola’s Prefiled Direct Testimony that are outside the scope of this proceeding, so my response testimony will not repeat the issues raised there.

Q. How does PSE respond to the testimony filed by Public Counsel?

A. PSE disagrees with Mr. Coppola’s testimony and strongly supports Commission approval of the Settlement Agreement as it was filed. PSE recognizes the importance of providing reliable gas service in a manner that protects public safety and complies with all safety regulations. The Settlement Agreement acknowledges the seriousness of the Greenwood incident and represents a carefully crafted balance that includes significant and substantial penalties, as well as detailed improvements to PSE’s gas safety program to prevent reoccurrence of such an event.

The Commission should approve the Settlement Agreement because it is in the public interest. It reflects the hard work of the parties, where PSE and Commission Staff arrived at a mutually agreeable terms after months of independent investigations, expert analyses, research, discovery, and lengthy negotiations. In contrast, Mr. Coppola’s recommendations are not based on any independent analysis and are a result of reviewing “several documents,” prepared by PSE or Commission Staff.[[1]](#footnote-2)

Q. How does PSE respond to Mr. Coppola’s assessment of the Settlement Agreement’s proposed penalty amount?

A. Mr. Coppola’s assessment regarding the penalty amount should carry no weight with the Commission. Mr. Coppola simply restates the factors already considered by Commission Staff and concludes that the agreed-upon penalty amount is too low. PSE issued a data request to Public Counsel seeking all workpapers relied on by Mr. Coppola in drafting his direct testimony. Public Counsel responded that no workpapers exist, and that Mr. Coppola relied only on information provided by PSE and reports from Staff. A copy of Public Counsel’s response is provided as Exhibit 2 to my response testimony, Exh. CAK-3.

Public Counsel provides no new information or expertise that contradicts Commission Staff’s findings. Public Counsel’s witness has a financial background. He has a Bachelor of Science degree in accounting and a Master of Business Administration in finance. His most relevant gas operations experience appears to be limited to administrative roles in Materials Inventory and Warehousing Accounting. Based on a review of his professional qualifications exhibit, Mr. Coppola has never participated in any type of enforcement action before this Commission or any other commission. Unlike Commission Staff, Mr. Coppola does not have in-depth knowledge of gas operations or PSE’s system, nor does he appear to demonstrate a background of the Commission’s enforcement policy or history. Public Counsel’s recommendations, therefore, should be rejected in favor of the comprehensive investigations conducted by Commission Staff.

Q. Why is the penalty amount proposed in the Settlement Agreement appropriate?

A. The penalty amount in the Settlement Agreement is severe, but PSE is willing to accept it in the form proposed in the spirit of compromise of all issues in this case and to avoid further litigation. Staff and PSE agree that a portion of the penalty should be suspended on the condition that PSE fully complies with the Inspection Program.

Q. How do you respond to Public Counsel’s claims that such contingency removes incentives for a company to comply with procedures and safety regulations, “if they conclude that they can avoid penalties by agreeing to comply with procedures and programs they should have been done in the first place”?

A. I disagree. The Settlement Agreement reflects meaningful dialogue and acknowledges the seriousness of the issue. The Inspection Program does not represent procedures and programs that “should have been done in the first place.”[[2]](#footnote-3) It is a robust inspection and remediation plan that minimizes the possibility of reoccurrence by fully addressing the contributing factors and incorporating lessons learned. It was developed by professionals with an in-depth knowledge of PSE’s current gas safety operations following an exhaustive investigation into the Greenwood explosion. The Inspection Program contains the joint recommendation of these experts, whose primary objective is preventing another Greenwood explosion. PSE is committed to fully implementing the Inspection Program, and the contingent penalty is the Commission’s insurance that PSE will do just that.

Q. Should the Commission reject Public Counsel’s proposed changes to the Deactivated Gas Line Inspection and Remediation Program?

A. Yes. Public Counsel participated in every step of settlement negotiations, and the Inspection Program and Settlement Agreement include many proposals suggested by Public Counsel’s experts and attorneys. Public Counsel’s input was factored in with the understanding that Public Counsel would also sign on or at least not oppose the Settlement Agreement. Instead, it appears that Public Counsel is now using its opposition to the proposed penalty as an opportunity to take another bite at the apple with regard to the Inspection Program. The Commission should reject this attempt to upend the careful balance achieved through settlement discussions. To do otherwise may discourage settlement talks in future proceedings. The Inspection Program reflects a methodical approach that ultimately addresses any outstanding concerns regarding deactivated gas facilities. Public Counsel’s recommendations should be rejected, and the Plan proposed by Staff and PSE should be approved as filed.

Q. Does this conclude your prefiled response testimony?

A. Yes.

1. *See* Exh. SC-1T at 6, lines 20-21. [↑](#footnote-ref-2)
2. Exh. SC-1T at 30, lines 12-13. [↑](#footnote-ref-3)