

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

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**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

1 **PUGET SOUND ENERGY**

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

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

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

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

11 A. Yes, I have. It is Exh. CAK-2.

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

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

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

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

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

13 The Commission should approve the Settlement Agreement because it is in the
14 public interest. It reflects the hard work of the parties, where PSE and
15 Commission Staff arrived at a mutually agreeable terms after months of
16 independent investigations, expert analyses, research, discovery, and lengthy
17 negotiations. In contrast, Mr. Coppola's recommendations are not based on any
18 independent analysis and are a result of reviewing "several documents," prepared
19 by PSE or Commission Staff.¹

¹ See Exh. SC-1T at 6, lines 20-21.

1 **Q. How does PSE respond to Mr. Coppola's assessment of the Settlement**
2 **Agreement's proposed penalty amount?**

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

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

1 should be rejected in favor of the comprehensive investigations conducted by
2 Commission Staff.

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

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

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

15 A. I disagree. The Settlement Agreement reflects meaningful dialogue and
16 acknowledges the seriousness of the issue. The Inspection Program does not
17 represent procedures and programs that “should have been done in the first
18 place.”² It is a robust inspection and remediation plan that minimizes the
19 possibility of reoccurrence by fully addressing the contributing factors and
20 incorporating lessons learned. It was developed by professionals with an in-depth

² Exh. SC-1T at 30, lines 12-13.

1 knowledge of PSE's current gas safety operations following an exhaustive
2 investigation into the Greenwood explosion. The Inspection Program contains the
3 joint recommendation of these experts, whose primary objective is preventing
4 another Greenwood explosion. PSE is committed to fully implementing the
5 Inspection Program, and the contingent penalty is the Commission's insurance
6 that PSE will do just that.

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

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

1 **Q. Does this conclude your prefiled response testimony?**

2 **A. Yes.**