

Exhibit No. JH-1T
Dockets UE-090704/UG-090705
Witness: Joanna Huang

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET UE-090704

DOCKET UG-090705

TESTIMONY

OF

JOANNA HUANG

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

***Revenue Requirement Adjustments:
Wage Increases, Investment Plan, and Employee Insurance***

**November 17, 2009
Revised February 4, 2010**

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LIST OF EXHIBITS

- Exhibit No. JH-2 Staff Wage Increase Adjustments
- Exhibit No. JH-3 Staff Investment Plan Adjustments
- Exhibit No. JH-4 Staff Employee Insurance Adjustments

1 I. INTRODUCTION

2

3 **Q. Please state your name and business address for the record.**

4 A. My name is Joanna Huang. My business address is the Richard Hemstad Building, 1300
5 S. Evergreen Park Dr. SW, Olympia, WA 98504-7250. My e-mail address is
6 jhuang@utc.wa.gov.

7

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by the Washington Utilities and Transportation Commission
10 (“Commission”) as a Regulatory Analyst.

11

12 **Q. What is your educational and professional background?**

13 A. I received my B.B.A. degree majoring in Accounting from National Chung-Hsing
14 University, Taiwan, in 1987 and a Master of Accounting degree from Washington State
15 University in 1991. Prior to my employment at the Commission, I was employed by the
16 Washington State Department of Revenue as an Excise Tax Examiner. I performed desk
17 audits on Business & Occupation tax returns.

18 I began my employment with the Commission in 1996. My work generally
19 includes financial, accounting and other analyses for general rate case proceedings and
20 other tariff filings by the electric and natural gas utilities regulated by the Commission. I
21 have attended the National Association of Regulated Utility Commissioners Annual
22 Utility School in 1996 and 2001. In addition, I have attended numerous training seminars
23 and conferences regarding utility regulations and operations.

1 **Q. Have you testified previously before the Commission?**

2 A. Yes. I testified in a Puget Sound Energy, Inc (“PSE” or “the Company”) general rate
3 case, Docket UE-072300 and UG-072301, a PacifiCorp general rate case, Docket UE-
4 032065, and an Avista general rate case, Dockets UE-991606 and UG-991607. I have
5 also participated in Staff’s investigation in the following general rate cases: Dockets UE-
6 070804 and UG-070805, UE-090704 and UG-090705 (Avista); Dockets UE-050482 and
7 UG-050483 (Avista); Docket UE-011595 (Avista); Docket UG-060256 (Cascade);
8 Docket UG-080546 (Northwest Natural), and UG-031885 (Northwest Natural).

9

10 **II. SCOPE AND SUMMARY OF TESTIMONY**

11

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. My testimony presents Staff’s review of eight adjustments proposed by the Company for
14 its electricity and natural gas results of operations.

15

16 **Q. Which adjustments have you reviewed that are uncontested by Staff?**

17 A. The following two adjustments are uncontested by Staff:

- 18
 - Adjustments 10.28 and 9.21, Incentive Pay

19

20 **Q. Which adjustments have you reviewed that are contested by Staff?**

21 A. The following six adjustments are contested by Staff:

- 22
 - Adjustments 10.25 and 9.18, Wage Increases

23
 - Adjustments 10.26 and 9.19, Investment Plans

- 1 • Adjustments 10.27 and 9.20, Employee Insurance

2

3 **Q. Are you sponsoring any Exhibits in support of your testimony?**

4 A. Yes. I sponsor the following exhibits in support of my testimony:

- 5 • Exhibit No. JH-2, Staff Wage Increase Adjustments
- 6 • Exhibit No. JH-3, Staff Investment Plan Adjustments
- 7 • Exhibit No. JH-4, Staff Employee Insurance Adjustments.

8

9

III. DISCUSSION

10

11 **A. Adjustments 10.25 and 9.18, Wage Increases**

12

13 **Q. Please describe the Company's wage adjustments for union and non-union**
14 **employees.**

15 A. The Company estimated wage increases for both union and non-union employees to
16 March 31, 2011. To make these estimates, the Company simply applied the same wage
17 increases from 2009 to 2010 for both union and non-union employees.

18

19 **Q. How long will the Company's current contracts run for both International**
20 **Brotherhood of Electrical Workers ("IBEW") and United Association of Plumbers**
21 **and Pipefitter ("UA") union employees?**

22 A. The current contract for IBEW will run through March 31, 2010 and the UA contract will
23 run through September 30, 2010.

1 **Q. Please explain why Staff contests the Company’s proposed adjustments for union**
2 **and non-union employee wage increases?**

3 A. The Company’s proposed wage increase adjustment for union and non-union employees
4 does not meet the Commission’s criteria for a pro forma adjustment.

5
6 **Q. What are the Commission’s criteria for a pro forma adjustment?**

7 A. WAC 480-07-510 specifies that pro forma adjustments “...give effect for the test period
8 to all known and measurable changes that are not offset by other factors.” Since the
9 current contract for IBEW will run through March 31, 2010 and the current UA contract
10 will run through September 30, 2010, any wage increase adjustment beyond March 31,
11 2010 for IBEW members and beyond September 30, 2010 for UA members is not known
12 and measurable. Likewise, any wage increase for non-union employees beyond ~~March~~
13 ~~31~~ February 28, 2010 is also not known and measurable. The estimated wage increases
14 to March 31, 2011 that are added to test year results by the Company are merely a boost
15 to the revenue requirement for the Company.

16
17 **Q. What is the basis for Staff’s wage increase adjustments for union and non-union**
18 **employees?**

19 A. As stated above, potential wage increases beyond the current employee contract
20 expiration dates are not known and measurable. Therefore, Staff adjusts wage increases
21 to March 31, 2010 for non-union employees. Staff also adjusts wages increases to
22 March 31, 2010 for IBEW members and to September 30, 2010 for UA members
23 according to the Company’s current contract with those unions. This treatment ensures

1 that Staff's wage increases adjustments for union and non-union employees are based on
2 known and measurable changes that are not offset by other factors.

3
4 **Q. Are there any other reasons for the Commission to reject the Company's Wage
5 Increase Adjustments 10.25 and 9.18?**

6 A. Yes. There is a double counting error in PSE's calculation of its adjustments with regard
7 to the percentage of wage increases to IBEW employees. First the Company proposed a
8 3.25 percent wage increase to IBEW employees from April 1, 2009, to March 31, 2010.
9 Later, the Company also proposed a 3 percent wage increase to IBEW employees from
10 January 1, 2010, to December 31, 2010. Therefore, the IBEW employees wage increase
11 from January 1, 2010 to March 31, 2010, was counted twice, as can be seen in Company
12 witness Story's Wage Increase Adjustment work papers.

13 To eliminate the double counting issue, I simply removed the Company's
14 proposed 3 percent wage increase to IBEW employees from January 1, 2010, to
15 December 31, 2010, leaving the increase in place from April 1, 2009, to March 31, 2010.

16
17 **Q. What is the impact of Staff's Wage Increase Adjustments 10.25 and 9.18?**

18 A. For electric operations, Staff's adjustment increases expense by \$2,760,576 and reduces
19 net operating income by \$1,794,374. For gas operations, Staff's adjustment increases
20 expense by \$1,804,282 and reduces net operating income by \$1,172,783.

21 These amounts are calculated in Exhibit No. JH-2, Staff Wage Increase
22 Adjustments. They are also reflected in Exhibit No. KHB-2, page 2.32 and Exhibit No.
23 KHB-3, page 3.23, for the electric and gas operations, respectively.

1 **Q. Did the Company include any adjustment for salary increases for executives?**

2 A. No, the Company did not propose any wage increases for executives and did not make
3 adjustment to the test year level of salary for the executives.

4

5 **B. Adjustments 10.26 and 9.19, Investment Plan**

6

7 **Q. Please explain Staff's Investment Plan adjustments.**

8 A. The Investment Plan adjustments adjust the Company's portion of the investment plan
9 expense to reflect the additional expense associated with wage increases. According to
10 PSE's 401(k) Investment Plan, the Company makes matching contributions to
11 employee's retirement. In addition, the Company contributes to each employee's
12 retirement account in an amount equal to 1 percent of each employee's base pay. This
13 adjustment merely reflects the increase in PSE's contribution to the investment plan,
14 given Staff's recommended level of wage increases.

15

16 **Q. What is the impact of Staff's Investment Plan adjustments?**

17 A. For electric operations, Staff's adjustment increases expense by \$142,370 and reduces net
18 operating income by \$92,541. For gas operations, Staff's adjustment increases expense
19 by \$86,220 and reduces net operating income by \$56,043.

20

21 These amounts are calculated on Exhibit No. JH-3, Staff Investment Plan
Adjustment. They are also reflected in Exhibit No. KHB-2, page 2.33 and Exhibit No.

22

KHB-3, page 3.24, for the electric and gas operations, respectively.

23

1 **C. Employee Insurance Adjustments 10.27 and 9.20**

2

3 **Q. Please explain the Company's adjustments for Employee Insurance.**

4 A. PSE uses a current Flex Credit amount per employee from 2009 to apply to 2010. The
5 Company estimates that the Flex Credit amount per employee will be 8 percent, which is
6 the same amount as used in 2009.

7

8 **Q. Please explain why Staff contests the Company's adjustments for Employee**
9 **Insurance.**

10 A. PSE's proposed adjustments to Employee Insurance are estimates based on a forecast
11 and, thus, they do not meet the Commission's criteria of a pro forma adjustment.

12

13 **Q. Please explain Staff's adjustments for Employee Insurance?**

14 A. Staff used the actual, negotiated Flex Credit amount per employee of 4.75 percent for
15 2010 to adjust Employee Insurance. This Flex Credit amount is based on known and
16 measurable changes that are not offset by other factors.

17 For electric operations, Staff's adjustment increases expense by \$1,191,560 and
18 reduces net operating income by \$774,514. For gas operations, Staff's adjustment
19 increases expense by \$643,303 and reduces net operating income by \$418,147.

20 These amounts are calculated on Exhibit No. JH-4, Staff Employee Insurance
21 Adjustment. They are also reflected in Exhibit No. KHB-2, page 2.34 and Exhibit No.
22 KHB-3, page 3.25, for the electric and gas operations, respectively.

23

1 **Q. Does that complete your direct testimony?**

2 A. Yes, it does.

3