

REDACTED VERSION

Puget Sound Energy, Inc's Hearing Transcript Corrections

PAGE	LINE	CORRECTION
242	23	[REDACTED]
249	17-21	[REDACTED]
266	3	[REDACTED]
275	20	[REDACTED]
284	9, 11	[REDACTED]
301	2	[REDACTED]
301	14	[REDACTED]
632	21	Change "say" to "se"
635	12	Change "and" to "in"
677	5	Change "eloquent" to "elegant"
679	2	Change "low-income customer, a senior discount" to "low-income customer or senior customer a discount"
826	10	Change "not just" to "just not"
833	25	Delete the number 38.
902	17	Change "Mactoral (phonetic)" to "MACT rule"
905	7	Change "plant" to "plan"
923	14	Change "in" to "and"
932	4	Change "Mr. Cedarbaum" to "Judge Friedlander"
946	7	Delete "the add"
1006	23	Change "damaged" to "to the value of"

1 A. The CSA only captures the effects of
2 Company-sponsored conservation. It does not capture the
3 effects of any weather-related or economic-related losses
4 of load.

5 Q. Can you turn to your prefiled direct testimony,
6 JAP-1T, and page 33?

7 A. I'm there.

8 Q. On line 16, you indicate that the recovery of
9 costs will be contingent upon third-party verification of
10 the savings.

11 Is that an accurate reflection of your
12 testimony?

13 A. Yes.

14 Q. Is it this third-party verification process
15 that will ensure that only the conservation savings are
16 included and that it doesn't include other factors like
17 economic factors or weatherization or weather
18 normalization?

19 A. I don't think that this third-party
20 verification was intended necessarily to verify the
21 calculations of the CSA per ~~say~~^{SC}. This was more to verify
22 the reported savings that were used to derive the CSA,
23 that those were accurate.

24 I think it would be fairly clear that if it's
25 only from the math supporting the CSA rate development,

1 Is the CSA designed to address financial harm
2 to Puget Sound Energy caused by factors beyond its
3 conservation efforts?

4 A. No.

5 Q. Thank you. Then is it correct that under the
6 CSA there are growing expenses per customer that then
7 remain unaddressed?

8 A. I'm not sure that you can necessarily draw that
9 conclusion in absolute terms. It only addresses -- the
10 CSA only addresses the reductions in revenue associated
11 with Company-sponsored conservation. It does not in any
12 way take into consideration the growth ⁱⁿ ~~and~~ expenses for
13 the Company outside of the earnings test.

14 Q. Okay. There is a cross-examination exhibit,
15 45 CX, that you were just referred to by counsel where
16 your answer was that Puget Sound's energy efficiency
17 programs are not the sole cause of expense per customer
18 growing faster than its revenue per customer.

19 Do you see that? It's 45 CX.

20 A. Which data response is that?

21 Q. I'm sorry. That's Public Counsel Data Request
22 No. 242.

23 A. Correct.

24 Q. So then that is a correct statement?

25 A. Yes.

1 size of the customers is fairly great.

2 So handling them through demand charges is a
3 reasonable proxy for the largest customers, but for the
4 smallest customers, certainly the basic charge would be a
5 far more ~~elegant~~ ^{elegant} solution.

6 COMMISSIONER JONES: Just finally, I don't mean
7 to focus just on SFV this morning with my questioning,
8 and I don't mean to give the impression that that's the
9 only area of interest, because it's not before us as a
10 specific proposal in this case.

11 So back to your CSA mechanism as proposed, what
12 is the duration? And I'm referring to our policy
13 statement again. What is the duration that you propose
14 for a CSA?

15 THE WITNESS: I propose that it be a permanent
16 mechanism. To the extent that perhaps an SFV-type rate
17 structure were adopted in the future, effectively that
18 would render the CSA moot at that point, but until the
19 issue is resolved, the Company would propose that the CSA
20 remain in effect.

21 COMMISSIONER JONES: Then I'm looking at these
22 other criteria in our policy statement, and I think the
23 only ones I would like to inquire on are -- incremental
24 conservation, I think you answered my question. It's
25 basically a price elasticity argument, right?

1 that they were looking into was essentially giving the
2 customer, the low-income customer, ^{or} ~~a~~ senior ^{customer a} discount,
3 basically absolving them of the basic charge altogether,
4 just we'll give you the basic charge, just pay the energy
5 charge, which seems to be a fairly straightforward way of
6 handling the problem as well.

7 It doesn't get around to the fact that you have
8 to identify who those customers are and, you know, all of
9 the tracking involved with that.

10 But it really varies. I mean some of them,
11 they don't -- some of them, for example, in the coop
12 service territories, they're very self-sufficient-minded.
13 They're not so -- they're not of the mind that electric
14 ratemaking should address these issues, so they generally
15 don't for the most part.

16 COMMISSIONER JONES: You heard the testimony
17 from Mr. Howat yesterday on the Federal LIHEAP program,
18 did you not?

19 THE WITNESS: I tuned in and out of it, yes.

20 COMMISSIONER JONES: And there was a 34 percent
21 reduction last year and there's projected to be, based on
22 how Congress acts, another 15, 16 percent reduction this
23 year.

24 THE WITNESS: I got that sense, yes.

25 COMMISSIONER JONES: So if some of those

1 looked at the quarters, let's just -- and they're not in
2 the exhibit, Mr. Cedarbaum, or not in the materials here,
3 but I think if we looked at the quarterly Q's, for the
4 quarters leading up to the year, you would see the bulk
5 of the dividends that Puget Sound Energy paid to Puget
6 Energy were probably paid in the first and second
7 quarters and not a lot in the third and fourth quarters.

8 Q. When will it be known the amount of the
9 dividend for the fourth quarter of 2011?

10 A. It's probably known now, ~~not~~ just ^{not} by me. Our
11 financial statements will be released in a couple of
12 weeks on March, say, 4th, so we will know then.

13 We can subtract the annual number again, or the
14 first nine months' number from the annual number. And we
15 could do a record requisition, or however you want, and
16 get board minutes.

17 MR. CEDARBAUM: Your Honor, I'm wondering if
18 you want to make it a bench request or a record
19 requisition for the Company to provide the fourth quarter
20 2011 dividend paid by Puget Sound Energy to Puget Energy.

21 JUDGE MOSS: Seeing it's already been paid, so
22 somewhere somebody in your company has the number.

23 THE WITNESS: We can get it from the board
24 minutes or actual journal entries.

25 JUDGE MOSS: Why don't we provide that for the

1 Q. So that would include the equity infusion that
2 we just discussed; is that correct?

3 A. Yes, it would.

4 MR. CEDARBAUM: Thank you. Those are all my
5 questions.

6 JUDGE MOSS: Do we have questions for the bench
7 for Mr. Gaines?

8 COMMISSIONER JONES: Just one follow-up
9 question, Judge Moss.

10 Mr. Gaines, let's go back to DEG-22, where it
11 talks about dividends being paid out.

12 THE WITNESS: Yes.

13 COMMISSIONER JONES: And I note in the two
14 columns, 2008 is 145,840 and then 2009 is 183,071?

15 THE WITNESS: Yes.

16 COMMISSIONER JONES: That's an increase of
17 \$38 million?

18 THE WITNESS: Yes.

19 COMMISSIONER JONES: What's the math on that,
20 since you are so good at doing calculations?

21 THE WITNESS: What you say "the math," what is
22 the reason for the increase?

23 COMMISSIONER JONES: No, the percentage
24 increase.

25 THE WITNESS: ~~38,~~ It's about 20 percent,

1 Club has raised the issue of a forward-looking principle
2 study.

3 So I feel that it is relevant, but I limit the
4 cross-exam to only the final EPA regs that have actually
5 been published. We are not talking about future rules.
6 So with that limitation, we can proceed.

7 Yes, Ms. Carson.

8 MS. CARSON: I wanted to clarify. When you say
9 that have been published, does this mean adopted?

10 JUDGE FRIEDLANDER: Published in the Register.

11 MS. CARSON: My understanding is sometimes they
12 are published in the record but not yet -- they are
13 proposed rules and not yet final rules.

14 JUDGE FRIEDLANDER: That's not my understanding.

15 COMMISSIONER JONES: Ms. Carson, if I could,
16 because I was on a panel on this issue just last week.

17 For example, the utility ~~Maetoral~~ ^{MACT rule} (phonetic),
18 it was published in draft form earlier in the year. It
19 was issued by the EPA with a press release December 16th.
20 That was the final rule, and it was published in the
21 Federal Register two days ago.

22 So that's fair game, but the other rules, CCR,
23 cooling water, GHG, those are not final. They have not
24 been published.

25 MS. CARSON: Thank you.

1 status of that is?

2 A. Yes. Montana's process is actually a lack of
3 process. They several years ago wrote back to EPA
4 regarding the requirement, indicating they did not have
5 the manpower and staff to deal with all the requirements
6 of the rule, and as a result, EPA Region 8 has taken over
7 the Montana plant and will be writing a federal
8 implementation plan for the state of Montana.

9 Q. So that's a FIP instead of a SIP?

10 A. Correct.

11 Q. Now, Mr. Jones, if I could please direct you to
12 Cross-Exhibit MLJ-7.

13 MR. RITCHIE: Your Honor, I might add Sierra
14 Club distributed this cross-exam exhibit at the deadline
15 for pre-distribution.

16 At that time, the only copy we had was one
17 where the entire exhibit had been designated as
18 confidential. We had requested and PSE quickly responded
19 with a redacted version. So there are now portions of
20 that that are not confidential.

21 I have copies here with me, if anyone would
22 like to see the redacted version. The numbers I am going
23 to refer to now are on a nonconfidential page.

24 JUDGE FRIEDLANDER: I appreciate that, and our
25 rules do require that if you do have a confidential

1 then the environmental requirement could be adjusted?

2 A. There is an economic component in the BART
3 rule. Unlike the MACT rule, which says money is no
4 object, you must control these pollutants to the levels
5 that are set, the BART rule has a combination of criteria
6 that must be satisfied, and cost-effectiveness should be
7 one of those criteria.

8 Q. Is it true that under the regional haze rule
9 Colstrip would only require BART if it would be found to
10 impair visibility?

11 A. Not necessarily. The analysis that EPA will do
12 looks at emissions from a number of sources within the
13 state of Montana and their contribution to visibility at
14 several national parks ~~in~~^{and} wilderness areas.

15 So while Colstrip may be identified to have an
16 impact on those, it may be that the federal implementation
17 plan to remove those impacts could or could not involve
18 Colstrip.

19 Q. Thank you.

20 MS. CARSON: No further questions.

21 JUDGE FRIEDLANDER: Thank you. Mr. Ritchie.

22 MR. RITCHIE: I have one just follow-up
23 question in response to that redirect.

24 JUDGE FRIEDLANDER: We don't usually allow
25 recross.

1 are about to give is the truth, the whole truth and
2 nothing but the truth?

3 THE WITNESS: Yes.

Judge Friedlander

4 MR. CEDARBAUM: Thank you. You can be seated.

5 Ms. Carson.

6 MS. CARSON: Thank you, Your Honor.

7
8 THOMAS HUNT, witness herein, having been
9 first duly sworn on oath,
10 was examined and testified
11 as follows:

12
13 DIRECT EXAMINATION

14 BY MS. CARSON:

15 Q. Good morning, Mr. Hunt.

16 A. Good morning.

17 Q. Please state your name and title and spell your
18 last name for the court reporter.

19 A. My name is Thomas Hunt. I'm director of
20 compensation and benefits at Puget Sound Energy. My last
21 name is spelled H-U-N-T.

22 Q. Mr. Hunt, do you have before you what has been
23 marked for identification as Exhibit Nos. TMH-1T through
24 TMH-12?

25 A. Yes.

1 The cash balance formula is a type of defined
2 benefit pension plan, which is sometimes called a hybrid
3 plan, and many companies are moving to that because it is
4 more like a defined contribution plan, in that it's --
5 the company is putting in a certain amount and it's
6 not -- whereas the final average formula is a guaranty of
7 a certain amount of payment at ~~the add~~ retirement.

8 So the non, nonunion employees and the gas
9 union employees have been on the cash balance program
10 since the merger between Puget Power and Washington
11 Natural Gas.

12 With the 2010 contract for the IBEW employees,
13 all IBEW employees with five years of service or less, as
14 well as all new IBEW employees move to the cash balance
15 plan. So any new employee coming to PSE is on a cash
16 balance approach now.

17 Q. So just to clarify, when I asked you if PSE
18 offers new employees defined pension plans, that's
19 separate from the cash balance plan, isn't it?

20 A. No. The term "pension plan" generally refers
21 to a defined benefit plan, and the cash balance formula
22 is a formula within the defined benefit plan.

23 It operates like, more like a cash, like a --
24 like a typical pension, but it's a different formula than
25 what -- some of the IBEW employees elected to remain on

1 property taxes on a companywide basis, we're not focused
2 on any particular jurisdiction or any particular property
3 location, because if you look at a specific parcel that
4 is subject to a particular hospital rate, a library
5 district, a county number, there's a whole bunch of
6 particulars to that unit, but as you step back and you
7 look at a more companywide basis, and we do ours on an
8 electric basis and a gas basis, we develop a companywide
9 levy rate that kind of blends it all together. When
10 we're doing something specific --

11 COMMISSIONER JONES: So wait a minute. Just
12 stop there for a minute. When you say blend it all
13 together, it would be blend county rate X with county
14 rate, levy rate, different county rates, and you would
15 blend them somehow all together?

16 THE WITNESS: What we do is, we do on a
17 per-county basis, we factor in -- for example, take a
18 number like 2009. We know all the information for 2009,
19 and we analyze it on a per-county basis and we develop a
20 weighted average levy rate applicable for 2009, all
21 electric property, okay?

22 It factors in all the counties, relative
23 ~~damaged~~ ^{to the value of} properties in the county. Weighted average gives
24 you a total aggregate you can apply to total property.

25 We do that analysis, and we have that analysis