

**Exh. JLB-12T  
Dockets UE-170033/UG-170034  
Witness: Jason L. Ball**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**DOCKETS UE-170033 and  
UG-170034 (*Consolidated*)**

**TESTIMONY OF**

**Jason L. Ball**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Cross Answering Testimony*

**August 9, 2017**

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3 **I. INTRODUCTION**

4 **Q. Are you the same Jason Ball who filed direct testimony in this case?**

5  
6 **A. Yes.**

7 **Q. What is the purpose of your cross-answering testimony?**

8 **A. My cross-answering testimony responds to the cost of service (COS) and rate design**  
9 **proposals presented by Public Counsel, NW Energy Coalition (NVEC), The Energy**  
10 **Project, the Federal Executive Agencies (FEA), the Industrial Customers of**  
11 **Northwest Utilities (ICNU).**

12 **II. ELECTRIC COST OF SERVICE**

13  
14 **Q. Does any party oppose the use of updating the 2014 Electric Cost of Service and**  
15 **Rate Design Collaborative (Rate Design Settlement) with new information?**

16 **A. Yes. FEA<sup>1</sup> and ICNU<sup>2</sup> each oppose the updates proposed by the Company to use**  
17 **2017 Integrated Resource Plan data. They argue that the settlement agreement**  
18 **explicitly established a 25% Demand and 75% Energy split for the instant**  
19 **proceeding.**

20  

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<sup>1</sup> Al-Jabri, Exh. No. AZA-1T at 26:1-12.

<sup>2</sup> Gorman, Exh. No. MPG-1T at 27:10-23.

1 **Q. Do you continue to support the use of the updated data?**

2 A. Yes. Staff's intent in agreeing to the Rate Design Settlement, which I personally  
3 participated in, was to update the COS Study in the next GRC with more recent and  
4 relevant data. Using the updated 2017 IRP data is wholly consistent with Staff's  
5 intent, and it is also consistent with the spirit of the Rate Design Settlement as Staff  
6 understood it. According to the Settlement Stipulation:

7 PSE will continue to use a "peak credit" classification methodology in  
8 regard to electric production and transmission cost allocation; however,  
9 the Company will update the following underlying assumptions and  
10 data used in "peak credit" analysis, which have not been updated since  
11 the 2011 general rate case[.]

12 . . .

13 Consistent with the foregoing updates to peak credit classification  
14 assumptions, PSE will adjust demand/energy cost allocation  
15 percentages to 25% demand and 75% energy.<sup>3</sup>

16  
17 As noted in my direct testimony, using more recent information is consistent with the  
18 objective to use more recent information to inform cost of service and will provide a  
19 cost of service study that is more reflective of the present day costs to serve  
20 customers.<sup>4</sup>

21

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<sup>3</sup> *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy, Inc.*, Docket UE-141368, Order 03, Appendix A: Settlement Stipulation, ¶¶ 9-10 (Jan. 29, 2015).

<sup>4</sup> Ball, Exh. No. JLB-1T at 8:2-7.

1 **III. RATE DESIGN - BASIC CHARGE**

2

3 **Q. Do any of the intervening parties that address residential rate design support**  
4 **including transformers in the basic charge?**

5 A. No. Public Counsel, The Energy Project, and the NW Energy Coalition each opposed  
6 including transformers in the basic customer method. Each of these intervenors cite  
7 the 2014 Pacific Power general rate case (GRC) as precedent for rejecting the  
8 Company's proposal, and by extension, Staff's. Specifically, the intervenors assert  
9 that the Commission has already rejected increased basic charges and the inclusion  
10 of transformers in the basic customer method.

11

12 **Q. Do you agree that the 2014 Pacific Power GRC provides precedent to reject**  
13 **including transformers in the basic customer method?**

14 A. No. In the 2014 case, the Commission rejected the increased basic charge because:  
15  
16 [I]ncreasing [the basic charge] 81 percent, as the Company propose[d]  
17 . . . does not promote, and may be antithetical to, the realization of  
18 conservation goals. . . . [R]ate restructuring might promote  
19 conservation to a degree that offsets the incentive to use more  
20 electricity that may be caused by a high basic charge but we are not  
21 convinced on the record in this case that this is so.

22

23 Importantly, the Commission made no reference to transformers in its rejection of  
24 the increased basic charge in 2014. As I explain in my response testimony, line  
25 transformers should be included in the Basic Customer Method because they are  
26 customer dedicated facilities that are required to provide service for each customer

1 and they have more in common with meters and service drop than overall  
2 distribution plant.<sup>5</sup>

3 In addition, Staff's proposal in the 2014 case was an alternative to  
4 implementing a full decoupling mechanism, which eliminates uncertainty in the  
5 Company's recovery of revenue related to fixed costs as a way to promote  
6 conservation. It is inappropriate to relate the Commission's response to an alternative  
7 decoupling mechanism to the present case, which has an existing decoupling  
8 mechanism.

9  
10 **Q. Does Staff's residential rate design proposal address the concerns of the**  
11 **Commission?**

12 A. Yes. Staff has proposed a minimum bill methodology with an increased seasonal  
13 second block that actively encourages conservation by amplifying the conservation  
14 incentive during the time of the year when demand is higher, and thus, conservation  
15 is most needed. This approach encourages conservation while appropriately aligning  
16 customer related costs with a customer bill. This is discussed fully in my direct  
17 testimony.<sup>6</sup>

18  
19 **Q. Are there additional reasons offered by the intervenors to maintain the current**  
20 **basic charge?**

21 A. Yes. I will address a few of the arguments presented by Public Counsel and NWECC.  
22 However, my silence on arguments provided by other parties should not be taken as

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<sup>5</sup> Ball, Exh. No. JLB-1T at 26:1-28:10.

<sup>6</sup> Ball, Exh. JLB-1T at 31:1-14.

1 an endorsement of their position. I stand by my responsive testimony that  
2 transformers are properly included in the basic customer method and that Staff's  
3 proposed rate structure provides an appropriate balance of the five goals of  
4 residential rate design.

5  
6 **Q. What arguments do you wish to respond to?**

7 A. I am responding to three assertions from Public Counsel and NWECC:

- 8 1) It is a logical fallacy to extend the customer basic charge to include  
9 transformers;<sup>7</sup>  
10 2) Transformers are uniformly sized based on peak load requirements;<sup>8</sup> and  
11 3) The Company's line extension tariff, Schedule 85, precludes service lines from  
12 being included in the basic charge.<sup>9</sup>

13  
14 **Q. Is it a logical fallacy to treat transformers as customer related costs because  
15 they are necessary to provide service to a customer?**

16 A. Absolutely not. This misses the entire point of why transformers should be included  
17 in the basic charge: a customer needs the transformer; the distribution line does not.

18 Without the customer, the distribution line would just continue on and provide  
19 service to the next customer or group of customers on the distribution line. As  
20 explained in my direct testimony, transformers are a customer related cost that  
21 provide a customer related service. Their costs should be treated accordingly.

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<sup>7</sup> Watkins, Exh. No. GAW-1T at 44:6-10.

<sup>8</sup> *Id.* at 44:10-13; Levin, Exh. No. AML-1T at 5:21-7:14.

<sup>9</sup> *Id.* at 46:18-47:22.

1 **Q. Do you agree that transformers are sized solely based on peak load**  
2 **requirements?**

3 A. No. This is inconsistent with the information provided by PSE. Transformers are  
4 sized based on design requirements related to voltage drops as well as load from the  
5 customers.<sup>10</sup> As Figure 9 below shows, the load profile of the majority of  
6 transformers falls within a very narrow range.<sup>11</sup>

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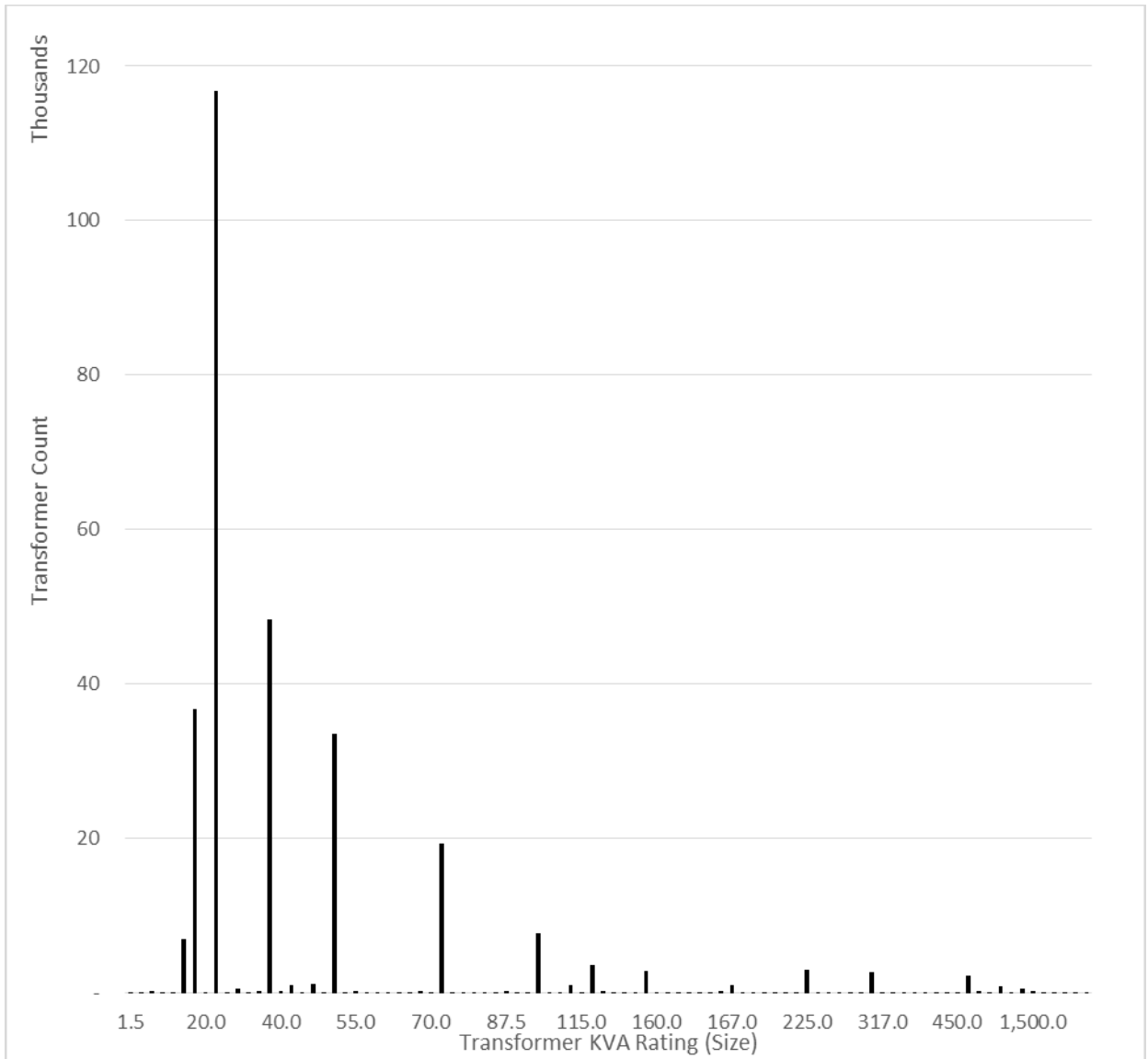
<sup>10</sup> PSE Response to Staff Data Request No. 424.

<sup>11</sup> This Figure shows all transformers across the Company's system, including those sized and installed to serve commercial, industrial, and direct loads.



1

Figure 9 – Transformer Count by Size



2

3

As this chart shows, transformers are a fairly standardized piece of equipment with

4

very narrow variation as a result of load.

5

1 **Q. Do you agree that the treatment of service lines in the line extension tariff**  
2 **results in double counting?**

3 A. No. I find no evidence supporting this statement. When a new customer connects to  
4 the system through a line extension, the service line is explicitly excluded from any  
5 margin allowance reimbursement. Therefore, the customer reimburses PSE for the  
6 full cost of the service line. The service line then becomes a PSE owned and  
7 operated asset that, when necessary, must be repaired or replaced. These repairs or  
8 replacements are considered rate base while the initial line is not. Mr. Watkins  
9 argument that these service line costs should be excluded from the basic charge and  
10 allocated on a demand basis is inconsistent with the treatment of service lines in the  
11 tariff, which assigns them on a per customer basis.

12  
13 **Q. Does this conclude your testimony?**

14 A. Yes

15