Exhibit No. BCC-5T
Dockets UE-170033 and UG-170034 (Cons.)
Witness: Brian C. Collins

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	
Complainant,	)	
v.	)	**DOCKETS UE-170033 and UG-170034 (Consolidated)**
PUGET SOUND ENERGY,	)	
Respondent.	)	

CROSS-ANSWERING TESTIMONY OF BRIAN C. COLLINS

ON BEHALF OF

THE NORTHWEST INDUSTRIAL GAS USERS

August 9, 2017

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q. ARE YOU THE SAME BRIAN C. COLLINS WHO PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes. On June 30, 2017, I filed Response Testimony on behalf of the Northwest Industrial Gas Users ("NWIGU").

Q. HAVE YOU REVIEWED THE TESTIMONIES OF WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION ("WUTC" OR "COMMISSION") STAFF AND INTERVENOR WITNESSES AS THEY RELATE TO THE ISSUES THAT YOU ADDRESSED IN YOUR RESPONSE TESTIMONY?

A. Yes, I have.

Q. DO THE RESPONSE TESTIMONIES OF STAFF OR INTERVENOR WITNESSES CAUSE YOU TO CHANGE ANY OF THE POSITIONS THAT YOU TOOK IN YOUR RESPONSE TESTIMONY?

A. No, they do not.

Q. WHAT IS THE PURPOSE OF YOUR CROSS-ANSWERING TESTIMONY?

A. I will specifically address the June 30, 2017 response testimonies of Staff witness Jason L. Ball and Washington State Office of the Attorney General, Public Counsel Unit ("Public Counsel") witness Glenn Watkins as they relate to natural gas cost of service and rate spread.

The fact that I do not address any particular issue should not be interpreted as tacit approval of any position taken by Puget Sound Energy ("PSE" or the "Company") or any other party.

Q. PLEASE SUMMARIZE YOUR CROSS-ANSWERING TESTIMONY.

A. My cross-answering testimony can be summarized as follows:

1. Consistent with my response testimony position and for the reasons explained in that testimony, I continue to disagree with the Company's proposed Peak & Average ("P&A") distribution main cost allocation methodology because it double counts the average demand in the methodology. I continue to recommend that distribution main costs be allocated based on classes' contribution to Design Day Demand as opposed to the Company's proposed P&A method.

2. Further, I disagree with Staff's recommendation to reject the Company's use of Design Day Demand for the peak component of the Company's P&A allocation factor because it makes the flawed P&A methodology worse.

3. Design Day Demand best reflects cost causation on the Company's system and reflects the Company's capacity planning process.

4. Both Staff and Public Counsel accept the Company's proposed rate spread methodology. Consistent with my response testimony position and for the reasons explained in that testimony, I continue to disagree with the Company's proposed rate spread.

5. Although my primary recommendation with respect to rate spread is to allocate any margin revenue increase as proposed in my response testimony and shown in Exhibit BCC-4, a reasonable compromise would be to allocate any proposed margin revenue increase on an equal percent of margin basis to the Company's customer classes. This is reasonable in light of the Commission's pending collaboration process to discuss cost allocation policies for Washington gas and electric local distribution companies ("LDCs").

Cost of Service

Q. WHAT IS TYPICALLY THE LARGEST COST ITEM IN A NATURAL GAS CLASS COST OF SERVICE STUDY UPON WHICH THE COMMISSION COULD PROVIDE GUIDANCE?

A. The classification and allocation of distribution main fixed costs is typically the largest cost item in a natural gas class cost of service study. As a result, the classification of distribution main costs as demand or customer related as well as the allocation methods for distribution main costs are particularly important factors in determining the cost of service.

Q. PLEASE SUMMARIZE YOUR CONCERNS WITH THE COMPANY'S PEAK & AVERAGE COST OF SERVICE STUDY AS DESCRIBED IN YOUR RESPONSE TESTIMONY.

A. As explained in my response testimony, the Company's proposal to allocate distribution main and regulating equipment costs on the P&A method fails to meet the cost of service principle of cost causation and it double counts the average demand. The P&A method is inappropriate because it does not appropriately reflect how the capacity related costs associated with distribution mains and regulating equipment, including both rate base and expenses, are incurred by the Company.

The Company's distribution mains and regulating equipment are designed to meet customers' contribution to the system peak day demand and not average demand or annual use. Distribution mains are also designed taking into account the location of all customers on the system to ensure that they are connected to the Company's system of mains. Designing the distribution system in this way ensures that there is adequate capacity to provide customers service every day of the year, including the day of coincident peak day demand, and also ensures that all customers are connected to the system of gas distribution mains. Sizing the system to meet peak day demand and connecting all customers to the system effectively ensures the Company's ability to offer firm service on all high demand days to all customers that desire firm service.

Because distribution main and regulating equipment related costs are incurred to meet the system peak day demand, capacity related costs should be allocated to customers based on their coincident contribution to the system peak day demand. Allocation of distribution main capacity related costs on coincident demand reflects cost causation and properly allocates costs to customers based on their contribution to system load characteristics that caused the Company to incur these costs to provide

firm gas delivery. Coincident demand allocation is also consistent with the Company's Integrated Resource Planning ("IRP") which develops a plan for meeting design day peak demand.

Q. WHAT IS STAFF'S PROPOSAL FOR THE ALLOCATION OF DISTRIBUTION MAIN CAPACITY COSTS?

A. As discussed at page 12 of Mr. Ball's testimony, for allocating capacity cost, it is my understanding that Staff proposes to use the average class use in the highest five-day period for each of the last three years for the peak component of the P&A allocator.

Q. DO YOU AGREE WITH STAFF'S PROPOSAL?

A. No, I do not. Staff claims that this results in a fairer cost allocation between customers classes because it utilizes recent historical data to reflect how the system is really used. However, Staff's proposal further erodes the allocation of costs associated with the capacity necessary to meet classes' design day demands. As indicated in my response testimony, the Company's distribution mains are designed to meet customers' contribution to the system peak day demand, which ensures there is adequate capacity to provide customers delivery service every day of the year. Because distribution main related costs are incurred to meet the system peak day demand, capacity related costs should be allocated to customers based on their coincident contribution to the system peak day demand. This best reflects cost causation.

Mr. Ball has taken the Company's P&A study which does not best reflect cost causation and made it even worse with respect to allocating costs to classes based on cost causation. As a result, Mr. Ball's modification to the Company's Peak & Average study makes it even less reflective of cost causation and should be rejected.

Q. HOW DOES MR. BALL'S REJECTION OF DESIGN DAY DEMAND MAKE THE P&A STUDY EVEN LESS REFLECTIVE OF COST CAUSATION?

A. Mr. Ball proposes to allocate capacity cost using the average class use in the highest five-day period for each of the last three years for the peak component of the P&A method. As indicated in my response testimony, the actual physical sizes of mains are based on customers' contributions to the system peak day demand. Volumes or average demands or average use do not describe the main size or system capacity that is necessary to provide firm uninterruptible service to all customers every day of the year. The system's capacity must be sized for peak day demand. Allocating costs on usage as opposed to contribution to design peak day demands does not reflect cost of service. Mr. Ball's proposal for the peak component of the P&A component results in the P&A allocator becoming even more reflective of volume and less reflective of peak demand, and as a result, his proposed P&A allocator moves further away from cost of service. Because of this, his proposal for allocating distribution main costs is even less reflective of cost of service as compared to the Company's P&A allocator.

Furthermore, to the extent the historical usage used in formulating his P&A allocator is not reflective of normal weather, his proposal will not properly reflect the system capacity necessary for meeting classes' peak day demands. Because the Company's system of mains is designed to meet peak day demand based on expected cold weather, Mr. Ball's proposal will not reflect how the cost of system capacity is incurred nor will it properly allocate those capacity costs to classes. As a result, his proposal does not best reflect cost causation. Mr. Ball's proposal is also inconsistent with the Company's capacity planning process as developed through the IRP.

Q. WHAT WAS THE COMPANY'S BASIS FOR USING DESIGN DAY DEMAND AS THE PEAK COMPONENT OF ITS PROPOSED P&A ALLOCATOR?

A. According to the Company's direct testimony, PSE's gas system capacity planning relies on design day weather conditions. As further indicated in the Company's testimony, cost causation is the primary consideration in cost of service analysis, and PSE designs its gas system to meet a design day peak demand, which is based on cold weather conditions. Regardless of how often those design day conditions occur, PSE incurs the capacity costs associated with being able to provide natural gas service on a design day. As explained in its direct testimony, PSE uses the design day standard in its gas capacity investment decisions and builds capacity to meet that standard. If PSE built its gas system based on a peak that occurred in a given historical period, the capacity might not be sufficient to serve customer needs in extreme weather. The gas design day standard was developed in PSE's IRP process and has been accepted by the Commission. An estimated peak based on historical weather conditions during a particular period would not necessarily reflect PSE's costs associated with meeting its peak demand.

Q. DO YOU AGREE WITH THE USE OF DESIGN DAY DEMAND IN THE PEAK COMPONENT OF THE P&A COST ALLOCATION METHOD?

A. Yes. Although I disagree with the use of the P&A cost allocation method, I agree that the demand allocator used in the Company's P&A cost of service study should be based on classes' contribution to design day demand because it reflects how the system is designed and as a result, best reflects cost causation on the Company's system.

Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE ALLOCATION OF DISTRIBUTION MAIN COSTS?

A. Consistent with my response testimony, I continue to recommend the allocation of distribution main costs to classes be based on the Design Day Demand as opposed to the Company's P&A method. Although I disagree with the Company's Peak & Average study in how it allocates the cost of distribution mains to classes, the peak component of the P&A allocator in the Company's study should continue to be based on the Design Day Demand allocator as proposed by the Company. I recommend that Mr. Ball's proposal for allocating distribution main costs be rejected.

Rate Spread

Q. HAVE YOU REVIEWED STAFF'S PROPOSED RATE SPREAD FOR GAS SERVICE?

A. Yes, I have.

Q. WHAT IS STAFF'S POSITION ON RATE SPREAD?

A. As indicated at page 4 of his testimony, Mr. Ball accepts the Company's proposed rate spread methodology.

Q. HAVE YOU REVIEWED PUBLIC COUNSEL'S PROPOSED RATE SPREAD FOR GAS SERVICE?

A. Yes, I have.

Q. WHAT IS PUBLIC COUNSEL'S POSITION ON RATE SPREAD?

A. As indicated at page 68 of his response testimony, Mr. Watkins also accepts the Company's proposed rate spread methodology.

Q. DO YOU AGREE WITH MR. BALL'S AND MR. WATKINS' POSITIONS?

A. No, I do not agree. For the reasons described in my response testimony, I continue to recommend an alternative rate spread because the Company's rate spread based on its proposed cost of service study is flawed.

Q. PLEASE SUMMARIZE YOUR POSITION ON RATE SPREAD IN YOUR RESPONSE TESTIMONY.

A. In my response testimony, I recommended that any approved class margin revenue increase be spread to the Company's rate classes based on my proposed class cost of service. Specifically, I proposed to move those classes receiving decreases under my proposed cost of service study to 25% of their calculated cost of service. This was shown in Exhibit No. BCC-4.

The 25% proposed rate adjustment would be applied to those customer classes receiving rate decreases under my proposed class cost of service study. Under my proposed margin revenue allocation, each rate class receiving a decrease under my proposed class cost of service study would be moved 25% toward its respective class cost of service. The remaining margin revenue that otherwise would have been used to reduce those classes' current rates to 100% of their respective cost of service is used to reduce the margin revenue increase for the Rate 31/31T class. Under my proposal, the Rate 41/41T class would be brought to cost of service.

Q. DO YOU HAVE AN ALTERNATIVE PROPOSAL FOR RATE SPREAD?

A. I continue to recommend the allocation of any margin revenue increase as described in my response testimony. However, in light of the Commission's continued review of cost of service methodologies and the collaborative that has been started with all

Washington LDCs and interested parties to review these issues, the Commission could reasonably allocate any margin revenue increase to the classes on an equal percent of margin basis. This is a reasonable approach and does not favor any one cost of service methodology recommended by any particular party upon which rate spread is based.

Q. DOES THIS CONCLUDE YOUR CROSS-ANSWERING TESTIMONY?

A. Yes, it does.

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