

**EXHIBIT NO. \_\_\_(KJB-8T)  
DOCKET NO. UE-130617  
2013 PSE PCORC  
WITNESS: KATHERINE J. BARNARD**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-130617**

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY  
(NONCONFIDENTIAL) OF KATHERINE J. BARNARD  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**JULY 2, 2013**

**PUGET SOUND ENERGY, INC.**

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY  
(NONCONFIDENTIAL) OF KATHERINE J. BARNARD**

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1 **PUGET SOUND ENERGY, INC.**

2 **PREFILED SUPPLEMENTAL DIRECT TESTIMONY**  
3 **(NONCONFIDENTIAL) OF KATHERINE J. BARNARD**

4 **I. INTRODUCTION**

5 **Q. Are you the same Katherine J. Barnard who provided prefiled direct**  
6 **testimony in this docket on behalf of Puget Sound Energy, Inc. (“PSE”)?**

7 A. Yes, I filed prefiled direct testimony, Exhibit No. \_\_\_\_ (KJB-1T), and six  
8 supporting exhibits, Exhibit No. \_\_\_\_ (KJB-2) through Exhibit No. \_\_\_\_ (KJB-7).

9 **Q. What topics are you covering in your prefiled supplemental direct**  
10 **testimony?**

11 A. This prefiled supplemental direct testimony presents:

- 12 1. the update to the power cost pro forma adjustment for the new  
13 power cost projections discussed by Mr. David E. Mills in his  
14 prefiled supplemental direct testimony, Exhibit No. \_\_\_\_ (DEM-  
15 5CT);
- 16 2. a correction to the original filing to include property insurance  
17 premiums for the Colstrip facility;
- 18 3. an increase to transmission revenues for a change to PSE’s  
19 Open Access Transmission (“OATT”) tariff that became  
20 effective June 1, 2013;
- 21 4. the transfer of a portion of transmission credits that were made  
22 under a Large Generator Interconnection Agreement (“LGIA”)  
23 with the Bonneville Power Authority (“BPA”) associated with  
24 the sale of the Lower Snake River (“LSR”) Phase 2  
25 development rights, which is addressed in the prefiled

1 supplemental direct testimony of Mr. Michael Mullally,  
2 Exhibit No. \_\_\_\_ (MM-8T); and

- 3 5. the update for the after-tax weighted average cost of capital  
4 that became effective July 1, 2013 as a result of PSE's  
5 Expedited Rate Filing that was approved in Order 07 in Docket  
6 Nos. UE-130137 and UG-130138 (consolidated). The after-tax  
7 weighted average cost of capital changed from 6.71% to  
8 6.69%.

9 I will also provide updated exhibits that are impacted as a result of these changes.

10 These changes to the pro forma and restating adjustments result in a revenue  
11 deficiency of \$491,934, as compared to the revenue surplus of \$618,683 set forth  
12 in PSE's April 25, 2013, filing. The increase requested in this supplemental filing  
13 is an average 0.02 percent increase in the PCA-related rates that became effective  
14 May 14, 2012 in Docket UE-111048.

## 15 II. UPDATE TO REVENUE REQUIREMENT

16 **Q. Please explain Exhibit No. \_\_\_\_ (KJB-9).**

17 A. Exhibit No. \_\_\_\_ (KJB-9) presents similar information as Exhibit No. \_\_\_\_ (KJB-4)  
18 in this proceeding, after being updated for the revisions described later in my  
19 prefiled supplemental direct testimony. The first column in this exhibit provides  
20 the rate base and production costs from the test year that will be considered in  
21 setting the Power Cost Baseline Rate. The column titled, "Test Year Actual 12  
22 months ended September 30, 2012", sets forth the rate base and actual production  
23 costs for the test year ended September 2012. The columns to the right of this  
24 first column show the impact of the pro forma and restating production cost

1 adjustments PSE is proposing for the pro forma rate year. For the adjustments  
2 that have changed since the April 25, 2013 filing, the columns have been marked  
3 as **“REVISED”**.

4 Each adjustment is presented in more detail on the succeeding pages referenced in  
5 the title of a particular column. The total of the test year amounts plus the pro  
6 forma and restating adjustments is shown in the column titled “Adjusted 12  
7 months ended September 30, 2012”, on page three of Exhibit No. \_\_\_(KJB-9).  
8 This column represents the costs included in determining the Power Cost Baseline  
9 Rate, which is then used to calculate the required rate increase. These are the  
10 same amounts shown in the first column of Exhibit No. \_\_\_(KJB-10), “Exhibit A-  
11 1 Power Cost Baseline Rate”.

12 The work papers supporting the April 25, 2013 adjustments were provided to  
13 Commission Staff and intervenors on April 25, 2013. For each adjustment that is  
14 marked **“REVISED”** in Exhibit No. \_\_\_(KJB-9), a new set of hard copy work  
15 papers has been prepared. A full set of electronic work papers for all adjustments,  
16 regardless of whether or not they are different from the original filing, will be  
17 provided to Commission Staff and intervenors. The numbers that changed on  
18 each work paper lead sheet as a result of this supplemental filing have been  
19 identified within the work papers.

1 **Q. Have you prepared a reconciliation between the revenue surplus filed in**  
2 **April 2013 and the current revenue deficiency?**

3 A. Yes. The following table shows the impact of each of the pro forma and restating  
4 adjustments on the April 2013 revenue surplus.

Description	Adjustment(s)	(Surplus) Deficiency (thousands)
Surplus filed April 25, 2013		\$(618.7)
Power Costs	9.01, 9.02	4,295.8
Transmission Revenues	9.01	(953.3)
LSR BPA LGIA Credits	9.21	(2,246.9)
Rate of Return Change	Adjustments w/ rate base	(894.4)
Property Insurance - Colstrip	Test Year & 9.14	909.4
Deficiency filed July 2, 2013		\$491.9

5 **Q. Please explain the changes for each of the pro forma and restating**  
6 **adjustments.**

7 A. **Test Year,** Certain amounts on page one of Exhibit No. \_\_\_(KJB-9) have been  
8 changed since the original filing. The amounts shown on line 15b for property  
9 insurance have been revised to include the test year amount of property insurance  
10 associated with the Colstrip facility, which was inadvertently excluded from the  
11 original filing. Additionally, amounts shown on lines 10 through 12 have been  
12 changed to reflect the reduction in the after-tax weighted average cost of capital.  
13 Baseline Power costs for the test year, shown on row 29 labeled "Subtotal and  
14 Baseline Rate," are now \$1,328,596,008.

1           **Adjustment 9.01, Power Costs**, was updated to reflect the power cost changes  
2 discussed in the prefiled supplemental direct testimony of David E. Mills, Exhibit  
3 No. \_\_\_(DEM-5CT). Additionally, variable transmission income was increased  
4 to reflect the new formula driven OATT rates, which were reset for the June 2013  
5 to May 2014 rate year. These rates, filed in May, were approved by FERC and  
6 went into effect on June 1, 2013. The Subtotal and Baseline Rate amount  
7 reflected on page one of Exhibit No. \_\_\_(KJB-9) is now decreased by  
8 \$134,381,664 for this adjustment.

9           **Adjustment 9.02, Montana Energy Tax**, has been changed as a result of the  
10 change to the rate year generation from the Colstrip facility as supported by Mr.  
11 Mills. The Subtotal and Baseline Rate amount reflected on page one of Exhibit  
12 No. \_\_\_(KJB-9) is now increased by \$918,448 for this adjustment.

13           **Adjustment 9.03, Lower Snake River Project**, The adjustment to rate base and  
14 expenses remains unchanged from the original filing. The change to the Subtotal  
15 and Baseline Rate amount reflected on page one of Exhibit No. \_\_\_(KJB-9)  
16 results from the change in the after-tax weighted average cost of capital. The  
17 Subtotal and Baseline Rate amount is now increased by \$35,452,003 for this  
18 adjustment.

19           **Adjustment 9.04, Snoqualmie License Upgrade**, The adjustment to rate base  
20 and expenses remains unchanged from the original filing. The change to the  
21 Subtotal and Baseline Rate amount reflected on page one of Exhibit  
22 No. \_\_\_(KJB-9) results from the change in the after-tax weighted average cost of

1 capital. The Subtotal and Baseline Rate amount is now increased by \$36,083,888  
2 for this adjustment.

3 **Adjustment 9.05, Snoqualmie Deferral:** The rate base balance and amortization  
4 expense have been updated to adjust the deferred carrying charges for the change  
5 in the after-tax weighted average cost of capital effective July 1, 2013.

6 Additionally, the change to the Subtotal and Baseline Rate amount reflected on  
7 page one of Exhibit No. \_\_\_(KJB-9) includes the impact from the change in the  
8 after-tax weighted average cost of capital applied to the revised rate base balance.  
9 The Subtotal and Baseline Rate amount is now increased by \$3,070,359 for this  
10 adjustment.

11 **Adjustment 9.06, Baker License Upgrade,** The adjustment to rate base and  
12 expenses remains unchanged from the original filing. The change to the Baseline  
13 Subtotal and Baseline Rate amount reflected on page one of Exhibit  
14 No. \_\_\_(KJB-9) results from the change in the after-tax weighted average cost of  
15 capital. The Subtotal and Baseline Rate amount is now increased by \$17,371,936  
16 for this adjustment.

17 **Adjustment 9.07, Baker Deferral,** The rate base balance and amortization  
18 expense have been updated to adjust the deferred carrying charges for the change  
19 in the after-tax weighted average cost of capital effective July 1, 2013.

20 Additionally, the change to the Subtotal and Baseline Rate amount reflected on  
21 page one of Exhibit No. \_\_\_(KJB-9) includes the impact from the change in the  
22 after-tax weighted average cost of capital applied to the revised rate base balance.



1 The Subtotal and Baseline Rate amount is now increased by \$1,000,611 for this  
2 adjustment.

3 **Adjustment 9.08, Ferndale Plant,** The adjustment to rate base and expenses  
4 remains unchanged from the original filing. The change to the Subtotal and  
5 Baseline Rate amount reflected on page one of Exhibit No. \_\_\_\_ (KJB-9) results  
6 from the change in the after-tax weighted average cost of capital. The Subtotal  
7 and Baseline Rate amount is now increased by \$10,739,289 for this adjustment.

8 **Adjustment 9.09, Ferndale Deferral,** The rate base balance and amortization  
9 expense have been updated to adjust the deferred carrying charges for the change  
10 in the after-tax weighted average cost of capital effective July 1, 2013.

11 Additionally, the change to the Subtotal and Baseline Rate amount reflected on  
12 page two of Exhibit No. \_\_\_\_ (KJB-9) includes the impact from the change in the  
13 after-tax weighted average cost of capital applied to the revised rate base balance.  
14 The Subtotal and Baseline Rate amount is now increased by \$5,731,748 for this  
15 adjustment.

16 **Adjustment 9.10, Wild Horse Solar,** The adjustment to rate base and expenses  
17 remains unchanged from the original filing. The change to the Subtotal and  
18 Baseline Rate amount reflected on page two of Exhibit No. \_\_\_\_ (KJB-9) results  
19 from the change in the after-tax weighted average cost of capital. The Subtotal  
20 and Baseline Rate amount is now decreased by \$492,352 for this adjustment.

1           **Adjustment 9.11, Remove Tenaska Regulatory Asset,** The adjustment to rate  
2 base and expenses remains unchanged from the original filing. The change to the  
3 Subtotal and Baseline Rate amount reflected on page two of Exhibit  
4 No. \_\_\_(KJB-9) results from the change in the after-tax weighted average cost of  
5 capital. The Subtotal and Baseline Rate amount is now decreased by \$10,281,888  
6 for this adjustment.

7           **Adjustment 9.12, Sale of Electron,** The assumed closing date of this transaction  
8 has been changed from July 1, 2013, as stated in PSE's original filing, to  
9 September 1, 2013. The new closing date is more realistic based on the status of  
10 PSE's pending application for authorization to sell water rights and associated  
11 assets, filed in Docket UE-131099. Such authorization must occur prior to the  
12 transaction's closing date. This change has no impact on overall rate base or  
13 amortization expense. The change to the Subtotal and Baseline Rate amount  
14 reflected on page two of Exhibit No. \_\_\_(KJB-9) results from the change in the  
15 after-tax weighted average cost of capital. The Subtotal and Baseline Rate  
16 amount is now decreased by \$5,230,347 for this adjustment.

17           **Adjustment 9.13, Property Taxes,** has not changed from the April 25, 1013  
18 filing.

19           **Adjustment 9.14 Property Insurance,** has been corrected to include property  
20 insurance for Colstrip Units 1-4 for the test year and rate year. The Colstrip  
21 insurance costs were inadvertently excluded from the April 25, 2013 filing. The

1 total adjustment now increases the Subtotal and Baseline Rate amount reflected  
2 on page two of Exhibit No. \_\_\_\_ (KJB-9) by \$41,621.

3 **Adjustments 9.15 through 9.20 Various Regulatory Asset and Liability**

4 **adjustments,** The change to the Subtotal and Baseline Rate amounts reflected on  
5 pages two through three of Exhibit No. \_\_\_\_ (KJB-9) for these adjustments result  
6 from the change in the after-tax weighted average cost of capital.

7 **Adjustment 9.21 Lower Snake River Prepaid Transmission and Deferred**

8 **Carrying Charges,** The rate base and amortization expense for this regulatory  
9 asset have been changed to reflect the regulatory treatment for a transfer of BPA  
10 LGIA credits to Portland General Electric (“Portland General”). Such regulatory  
11 treatment has been requested in Docket UE-131230 filed on June 28, 2013. The  
12 background and overview of the transaction with Portland General is further  
13 discussed in this proceeding in the prefiled supplemental direct testimony of Mr.  
14 Michael Mullally, Exhibit No. \_\_\_\_ (MM-8T). Under the terms of the contract,  
15 Portland General will, after closing and within two business days after BPA’s  
16 notice to Portland General that BPA has completed its processing of PSE’s  
17 assignment to Portland General of the BPA Transferred Transmission Credits, pay  
18 PSE an amount equal to \$20,500,000 in consideration of such assignment. PSE  
19 proposes to record this \$20,500,000 payment as a regulatory liability and accrue  
20 interest on it at PSE’s authorized net of tax rate of return grossed up for federal  
21 income tax from the date of receipt through the date rates become effective in this  
22 proceeding. PSE anticipates that BPA will notify Portland General that the BPA

1 Transferred Transmission Credits have been completed two months after close.  
2 Therefore, if the transaction closes as expected on August 1, 2013, PSE expects to  
3 be in receipt of the payment from Portland General on or about October 1, 2013.  
4 The monthly interest accrual is expected to be \$175,000. For purposes of this  
5 adjustment, I have assumed the rates effective date of November 1, 2013, which  
6 aligns with all other adjustments currently reflected in my exhibits based on  
7 assumptions included in the original filing. Such timing assumptions result in the  
8 regulatory liability for accrued interest to be equal to one month of interest, or  
9 \$175,000. In lieu of tracking a regulatory liability separately for this minimal  
10 amount, PSE proposes that the \$175,000 be offset against a related regulatory  
11 asset. PSE has an existing regulatory asset currently being recovered in the PCA  
12 for the original accrued carrying charges on the full balance of the transmission  
13 credits. This regulatory asset was approved in Dockets UE-111048 and UE-  
14 100882 and is included in this same adjustment, as is reflected on line three of  
15 page 25 of Exhibit No. \_\_\_(KJB-9). Accordingly, the changes reflected on lines  
16 three and eight of this adjustment relate to the offsetting of the \$175,000 of  
17 accrued interest payable against the existing regulatory asset balance. These  
18 changes to rate base discussed above and the commensurate changes to  
19 amortization expense along with the change resulting from the decrease in the  
20 after-tax weighted average cost of capital make up the difference in this  
21 adjustment between the original and supplemental filings. The Subtotal and  
22 Baseline Rate amount shown on page three of Exhibit No. \_\_\_(KJB-9) is now  
23 increased by \$1,048,880 for this adjustment.

1           **Adjustment 9.22, Hedging Line of Credit**, has not changed from the April 25,  
2           2013 filing, and continues to decrease the Subtotal and Baseline Rate amount  
3           reflected on page three of Exhibit No. \_\_\_(KJB-9) by \$52,144.

4           **Adjustment 9.23, Production Adjustment**, is being updated to reflect the  
5           changes to the production related adjustments discussed above. The Subtotal and  
6           Baseline Rate amount shown on page three of Exhibit No. \_\_\_(KJB-9) is now  
7           decreased by \$7,734,880.

8           **Adjustment 9.24, Temperature Normalization**, has not changed from the  
9           original filing.

10          **Adjustment 9.25, Conversion Factor**, has not changed from the original filing.

11   **Q.    Have you prepared a new exhibit that calculates the Power Cost Baseline**  
12   **Rate for the PCA in light of the changes to the fixed and variable power costs**  
13   **described earlier?**

14   A.    Yes. Exhibit No. \_\_\_(KJB-10) is similar to Exhibit No. \_\_\_(KJB-5) but reflects  
15   the updates discussed above, which are prepared in the same manner as Exhibit A  
16   to the PCA Settlement. *See* Exhibit No. \_\_\_(KJB-3) at page 15. On the first page  
17   of Exhibit No. \_\_\_(KJB-10), the costs included in the Power Cost Baseline Rate  
18   have been allocated between fixed and variable costs in the same manner as  
19   discussed in the PCA Settlement Agreement. Following the same methodology  
20   set forth in Exhibit A to the PCA Settlement, this result is then divided by the test  
21   year delivered load to calculate the new Power Cost Baseline Rate of \$61.237 per

1 MWh. Once approved by the Commission, this would be the Power Cost  
2 Baseline Rate used in tracking the PCA periods following this proceeding.

3 **Q. Please explain the remaining pages included in Exhibit No. \_\_\_(KJB-10).**

4 A. The remaining pages of Exhibit No. \_\_\_(KJB-10) are equivalent to Exhibits A-2  
5 through D included in the PCA Settlement and have been updated to reflect the  
6 changes in power and production related costs as well as the authorized change to  
7 after-tax weighted average cost of capital presented by PSE. In the upper left  
8 hand corner of each of these pages is the reference to the exhibit being replaced in  
9 the PCA.

10 **Q. Please explain how PSE calculated the rate increase required after taking**  
11 **into consideration the revised pro forma and restating adjustments.**

12 A. The rate increase was calculated in the same manner as the original filing. This  
13 calculation is shown in Exhibit No. \_\_\_(KJB-11), which is similar to my Exhibit  
14 No. \_\_\_(KJB-6). As shown on line 16 of Exhibit No. \_\_\_(KJB-11), the new rate  
15 is \$64.122 per MWh, versus the rate currently in effect of \$64.099. The  
16 difference between these two rates is multiplied by the normalized delivered load  
17 for the test period. The result of this calculation is the requested revenue  
18 requirement deficiency of \$491,934 after revenue sensitive items. This change in  
19 rates results in an average increase of approximately 0.02 percent.

1 **Q. Have new rate spread and rate design exhibits been prepared for this revised**  
2 **revenue requirement deficiency?**

3 A. No. PSE will update the tariff pages and the exhibits that were supported by Mr.  
4 Jon A. Piliaris in the original filing during the compliance filing in this  
5 proceeding.

6 **III. CONCLUSION**

7 **Q. Does that conclude your prefiled supplemental direct testimony?**

8 A. Yes, it does.