

**Docket Nos. UE-240004, UG-240005, and UE-230810  
(Consolidated) - Vol. III**

**WUTC v. Puget Sound Energy / In the Matter of: Puget  
Sound Energy**

**November 5, 2024**



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BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
) )  
Complainant, )  
) )  
v. ) DOCKETS UE-240004 and  
) UG-240005  
) (Consolidated)  
PUGET SOUND ENERGY, )  
) )  
Respondent. )

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In the Matter of the Petition )  
of ) DOCKET UE-230810  
) )  
PUGET SOUND ENERGY )  
) )  
Petitioner, )  
) )  
For an Accounting Order )  
Authorizing deferred )  
accounting treatment of )  
purchased power agreement )  
expenses pursuant to RCW )  
80.28.410 )

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EVIDENTIARY HEARING

VOLUME III  
Pages 286 - 370

Lacey, Washington

DATE TAKEN: November 5, 2024

REPORTED BY: Andrea L. Clevenger, RPR, CCR #3041

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EXAMINATION INDEX	
EXAMINATION OF:	PAGE NO.
Chris McGuire	
Direct examination by Ms. Gafken	293
Examination by Chair Danner	293
Examination by Commissioner Rendahl	296
Robert Earle	
Direct examination by Ms. Johanson-Kubin	300
Examination by Commissioner Doumit	301
Examination by Commissioner Rendahl	306
Examination by Chair Danner	308
Lance Kaufman	
Direct examination by Ms. Moser	310
Cross-examination by Ms. Gafken	310
Examination by Chair Danner	325
Bradley G. Mullins	
Direct examination by Ms. Moser	327
Examination by Commissioner Doumit	328
Examination by Commissioner Rendahl	331
Bradley Cebulko	
Direct examination by Mr. Hasselman	335
Examination by Chair Danner	336
Examination by Commissioner Doumit	338

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

EXAMINATION INDEX (Continuing)

EXAMINATION OF:	PAGE NO.
Kevin C. Higgins	
Direct examination by Ms. Baker	343
Cross-examination by Ms. Gafken	344

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
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LACEY, WASHINGTON; NOVEMBER 5, 2024

9:02 a.m.

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JUDGE HUGHES: Let's be on the record. Good morning. It is Tuesday, November 5th. The time is 9:02.

My name is Bijan Hughes, administrative law judge with the Washington Utilities and Transportation Commission, and as you recall, I'm presiding over this matter along with the commissioners, and administrative law judge James Brown II.

So we're here to continue the evidentiary hearing in Dockets UE-240004 and UG-240005, which is captioned Washington Utilities and Transportation Commission, Puget Sound Energy.

So I believe we left off yesterday with the next witness being -- I just had it -- Chris McGuire, who I'm seeing on the screen here.

Welcome. Please raise your right hand.  
CHRIS MCGUIRE, having been first duly sworn  
testified as follows:

JUDGE HUGHES: Thank you. Please introduce the witness.

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## 1 DIRECT EXAMINATION

2 BY MS. GAFKEN:

3 Q. Good morning. Would you please state and spell  
4 your name for the record?5 A. My name is Chris McGuire. My last name is  
6 spelled M-c-G-u-i-r-e.7 MS. GAFKEN: Mr. McGuire's exhibits and  
8 testimony has already been entered into the record, and  
9 so he is now available for questions.10 JUDGE HUGHES: Thank you. Do we have  
11 questions from the bench?

## 12 EXAMINATION

13 BY CHAIR DANNER:

14 Q. All right, sir. Thank you very much. Good  
15 morning, Mr. McGuire.

16 A. Good morning.

17 Q. In your response testimony, you identify a  
18 significant variance in the company's provisional plant  
19 filing related to AMI -- related to the AMI project.  
20 Specifically, you testified the level of plant in the  
21 review filing was 132.6 million lower than that included  
22 in the forecasted plans.23 And on rebuttal, PSE Witness Free responded to  
24 your testimony regarding that variance and indicated  
25 that the company responded to staff's data request in

1 this DR 327, which is included in her Exhibit 47,  
2 explaining the variance is due to, quote, timing  
3 differences and that the actual spend is higher by  
4 approximately a million dollars than forecasted in the  
5 2022 GRC.

6 Have you reviewed the data request response  
7 that I just referenced? This is, again, DR 327.

8 A. I believe so, yes.

9 Q. Okay. Are you satisfied with the explanation  
10 provided by Puget in that data request?

11 A. I guess I would insert a little differently.  
12 When I filed my responsive testimony, the issue that I  
13 teed up with respect to AMI was an issue that was being  
14 addressed in a separate docket.

15 It was the annual capital review for the prior  
16 calendar year, and I believe the docket -- dockets,  
17 plural, were UE-240779 and UG-240780.

18 Since I filed responsive testimony, the issue  
19 that I had identified was resolved to staff's  
20 satisfaction in those dockets. There is --

21 Q. I'm sorry. Would you give me those docket  
22 numbers again?

23 A. Yeah. UE-240779 and UG-240780.

24 Q. Thank you.

25 A. So from staff's perspective, the issue of the

1 variance or the -- the error was largely resolved for --  
2 for AMI.

3 My purpose for bringing up that issue in my  
4 responsive testimony was not to have the commission  
5 address that issue specifically in these dockets here,  
6 in this GRC.

7 My purpose was to just provide an example of  
8 where, if there is a mistake in a company's projection  
9 of the level of plant it expects to be placed in service  
10 and that mistake is later uncovered, the commission  
11 should take that mistake into account when deciding what  
12 amounts to refund to customers. The company shouldn't  
13 continue to be compensated for a mistake.

14 PSE Witness Free, I think, inaccurately  
15 characterized my position on this issue. I am not  
16 saying that the commission should refund to ratepayers  
17 any variance. I wasn't -- I didn't use the term "error"  
18 in the sense of -- of, you know, forecasting error or,  
19 you know, forecasting variance.

20 I used it in the sense of a mistake. So I just  
21 want to be clear that I was referring to circumstances  
22 where there is a mistake in the projection, not if --  
23 not circumstances where there is some variance in  
24 between forecasts and actuals.

25 CHAIR DANNER: All right. Thank you.

1 That's very helpful. Commissioner?

2 EXAMINATION

3 BY COMMISSIONER RENDAHL:

4 Q. Just to follow up. And so I do understand that  
5 that matter is on our meeting agenda, the provisional  
6 plan issue, for Thursday.

7 A. That's correct.

8 Q. And so we may have an opportunity to address  
9 the concern that you just raised in that open meeting as  
10 well.

11 Is that your understanding?

12 A. It is. I have not had a chance to look at the  
13 agenda. I'm not sure if this is an item on the  
14 discussion agenda or not. If it is, then, yes, you have  
15 an opportunity to further discuss.

16 And there may be an informational memo that  
17 staff circulates at some point that describes this issue  
18 and staff's perspective on it, but the issue that I  
19 raise in this case is the issue of what happens when we  
20 use a portfolio approach to the annual plant reviews and  
21 what circumstances may warrant deviation from a stripped  
22 portfolio approach.

23 And identifying that the possibility of  
24 mistakes being made and forecasts was one example I gave  
25 for possibly needing to deviate from strict portfolio

1 approach to the annual capital reviews.

2 Q. Thank you. And it is on the no action agenda  
3 right now, just for clarification.

4 So turning to the issue of reserve  
5 contingencies, I'm sure you were here yesterday for the  
6 hearing?

7 A. I was.

8 Q. And heard Witness Huizi testify about these  
9 issues as well. So in PSE Witness Huizi's rebuttal  
10 testimony -- and if you want the reference, I can give  
11 it to you, but I think you understand the issue -- she  
12 testifies that the amounts for reserve contingencies  
13 that you contest represent the clean energy  
14 implementation planner -- CEIP-related costs that are  
15 being moved from PSE's current CEIP tracker mechanism  
16 into base rates in this proceeding.

17 And do you have a response to that testimony  
18 in -- from her rebuttal?

19 A. Yes, I do. It was never clear to me throughout  
20 my review of the company's O&M budget or its responses  
21 to discovery or its rebuttal testimony what these  
22 reserve contingencies or the management reserves, for  
23 that matter, actually pertained to, and the fact that,  
24 on rebuttal, the company now claims that the reserve  
25 contingency was related to CEIP-related expenses was

1 somewhat of a surprise because, through the discovery  
2 process, the company had a number of opportunities to  
3 explain what those expenses were, what that reserve  
4 contingency pertained to, and it -- and it never did  
5 that.

6 I am still unpersuaded that the reserve  
7 contingency was specifically for CEIP-related costs. A  
8 reserve contingency is -- is, well, a reserve for a  
9 contingency. That's why an amount is identified in the  
10 budget.

11 It would have been much simpler for the company  
12 to have just said that these are specific CEIP-related  
13 costs and identified them as such in their data request  
14 responses or in their work papers than calling it a  
15 reserve contingency and expecting parties to figure out  
16 what that's supposed to mean.

17 So I -- I'm unconvinced. I don't know that the  
18 record indicates that those are, in fact, CEIP-related  
19 expenses that have been moved from a cost recovery  
20 mechanism into the company's forecasted O&M expense.

21 I think, if I were the commissioners, I may  
22 want some additional information on -- or some  
23 additional proof that that is, in fact, what that  
24 reserve contingency had -- had pertained to.

25 I'll also note, though, that, in my review of

1 the company's O&M expense, my primary objective is to  
2 determine whether or not an identified cost meets the  
3 commission's standard -- or ratemaking standards.

4 And for these costs at issue, in particular,  
5 the reserve contingency and the management reserves,  
6 they're -- as the company had testified, those costs are  
7 in constant flux.

8 I was unable to track what numbers the company  
9 was actually including in its O&M expense related to  
10 those items. There were different numbers -- different  
11 amounts in the work papers of two different witnesses.  
12 Kensok's work papers contained reserve amounts that were  
13 different than work papers that Witness Free provided.

14 And the fact that these numbers were in  
15 constant flux is a good indication that they -- these  
16 costs are not known. They're not measurable. They  
17 don't represent actual known costs and don't meet the  
18 commission's rules on pro forma adjustments.

19 COMMISSIONER RENDAHL: Thank you. Do my  
20 colleagues have any follow-up? And if not, that's  
21 really all the questions.

22 Thank you for being available today.

23 THE WITNESS: You're welcome.

24 CHAIR DANNER: Yeah. No further questions.

25 Thank you.

1 JUDGE HUGHES: Thank you. You are dismissed  
2 or excused.

3 CHAIR DANNER: There's redirect.

4 JUDGE HUGHES: Oh.

5 CHAIR DANNER: Is there redirect?

6 JUDGE HUGHES: It wasn't cross; right?

7 CHAIR DANNER: Okay. Never mind.

8 JUDGE HUGHES: We are going to Robert Earle  
9 next. Welcome.

10 MR. EARLE: Thank you.

11 JUDGE HUGHES: Please raise your right hand.

12 ROBERT EARLE, having been first duly sworn  
13 testified as follows:

14 JUDGE HUGHES: Very good. Please introduce  
15 the witness.

16 DIRECT EXAMINATION

17 BY MS. JOHANSON-KUBIN:

18 Q. Will you please state your name and spell your  
19 name for the record?

20 A. My name is Robert Earle, R-o-b-e-r-t,  
21 E-a-r-l-e.

22 MS. JOHANSON-KUBIN: Mr. Earle's testimony  
23 and exhibits have been admitted into evidence, and he's  
24 ready for questioning.

25 ////



## EXAMINATION

1  
2 BY COMMISSIONER DOUMIT:

3 Q. So, Mr. Earle, a few questions on power costs.  
4 On rebuttal, PSE states through Witness Mueller that it  
5 has increased its power cost forecast by 18.5 percent in  
6 rate year one and by 8.7 percent in rate year two,  
7 claiming that most of the increase is due to new power  
8 purchase agreements signed since the direct testimony  
9 was filed.

10 Has public counsel had an opportunity or, in  
11 particular, an adequate opportunity to review those PPAs  
12 and other increases?

13 A. We did take a look at those PPAs.

14 Q. Have you found any concern at all with those  
15 PPAs or any other additions to power costs -- the power  
16 cost forecast?

17 A. So one of my concerns has to do with the --  
18 excuse me -- the Sinclair contract that I detail in my  
19 testimony. Basically I believe that they pay too much  
20 for capacity on that contract compared with their  
21 contemporaneous evaluation of capacity for another  
22 contract.

23 Q. So can you just maybe describe a little more  
24 clearly the alternative methodology that you're -- that  
25 you would suggest for that contract, calculating the --

1           A. Sure. Sure. So I'm trying to think how to do  
2 this without revealing any confidential information. I  
3 think I can, but I'm going to tread carefully here.

4           Basically Puget Sound Energy details a  
5 methodology where they come up with prices for different  
6 components of a contract. One of those components is  
7 the capacity price, and in particular, they develop a  
8 table that various estimates of capacity value.

9           So around the same time of the Sinclair -- and  
10 as I detail in my testimony, there are problems with  
11 using the components that they list, partially because  
12 they're sort of self-referential to their own bids.  
13 Some bids succeeded, some didn't, but there are problems  
14 with using those because they're combined with other  
15 components.

16           One of the components they use also is the cost  
17 of new entry or CONE from WRAP that WRAP uses. The  
18 problem with using that value is that it doesn't take  
19 into account countervailing revenues that the gas fire  
20 generation that the CONE is based on.

21           And so what -- instead of using what should be  
22 net CONE, they use -- they use simply the CONE value.  
23 So that's -- that's also overstated.

24           So when they -- when -- in their materials to  
25 justify the capacity value they use for the Sinclair

1 contract, they refer to the table and simply pick out  
2 one of the values and say, "Well, this is the one we're  
3 going to use" without any justification for why they  
4 used it.

5 At the same time, right around the same period,  
6 so within a month, they entered into one contract, and  
7 then they made the bid on the other. They made a bid  
8 that was half -- using half the value of -- of the --  
9 about half, speaking roughly here, of the value they  
10 used for the Sinclair contract.

11 Now, both bids were successful, and so it leads  
12 one to wonder, well, why did they -- why did they bid  
13 almost twice for the Sinclair contract as they bid for  
14 the other?

15 And they don't really have a good reason. The  
16 best -- the best reason or really the only reason they  
17 can come up with is, well, they're two different types  
18 of things. The Sinclair contract and -- Cogent is on  
19 Cogent facility, which basically has near 100 percent  
20 low tech. In other words, it runs all the time.

21 The other one is on a hydro facility. They say  
22 they're different, and that's why they're different, but  
23 if that's the reason, logically, the value for the hydro  
24 contract in terms of capacity should be greater because  
25 it's more flexible.

1           So they don't really -- they don't give a  
2 reason why one is -- why the Sinclair contract is -- has  
3 twice the capacity value per kilowatt than the -- than  
4 the other -- other contract -- the hydro contract.

5           I like to emphasize that they -- Puget Sound  
6 Energy claims that that, well, I don't -- I'm somehow  
7 saying, well, they don't meet capacity. That's not what  
8 I'm saying.

9           I don't argue that they don't meet the  
10 capacity. What I'm saying is, well, they don't --  
11 they -- they buy what they've said and buy the record  
12 and buy the contemporaneous evaluation. They appear to  
13 have paid too much.

14           You know, an analogy might be to say, well, if  
15 they need to buy cars -- new cars for their vehicle  
16 fleet, you know, you can argue about whether they need  
17 the cars or not, but accepting that they need the cars,  
18 you say, well, should you pay 80,000 per car or 60,000  
19 per car?

20           You know, analogously here, I'm saying they  
21 appear to have paid too much for what they've got by  
22 their own contemporaneous valuation.

23           Q. Okay. Thank you.

24           I've got one more question, if my colleagues  
25 have follow-ups.

1           So PSE Witness Mueller -- and I can give you  
2 the cite if you need it, but -- if you let me know, but  
3 otherwise, Mueller states that the company is willing to  
4 defer prudency reviews for PPAs but not for power cost  
5 forecast methodologies.

6           What does public counsel understand to be the  
7 current method for prudence of power cost calculation  
8 methodologies?

9           A. Well, I -- so -- so right now it seems to me,  
10 you know, depending on where the methodology -- you  
11 know, any change in methodology appears, you know, that  
12 could -- that could happen when they make a -- you know,  
13 the forecast in this proceeding, if they change  
14 something, or if they make it in -- in their annual  
15 power cost -- cost review.

16           Since they don't want power forecasts to be in  
17 the PCORE or GRC, I would assume that then what they're  
18 saying is, well, we want that to be whenever we make the  
19 power forecast or perhaps that would also include the  
20 PCA -- yearly PCA review.

21           But my understanding of them saying that is  
22 that saying, well, no, you know, we want prudency review  
23 for methodology change for forecast in our annual -- in  
24 our proposed annual power forecast review.

25           And I just -- I find that problematic just from

1 a -- from a process point of view.

2 COMMISSIONER DOUMIT: Okay. Great. Thank  
3 you. Nothing further from me.

4 Any follow-ups?

5 EXAMINATION

6 BY COMMISSIONER RENDAHL:

7 Q. So why is it problematic to you? Can you  
8 explain what you just said? What -- in terms of when  
9 that prudence review of the process happens?

10 And I just want to clarify, I understood you to  
11 say they could change the forecast in the GRC or in the  
12 power cost adjustment mechanism but not in the PCORE and  
13 then you said the GRC.

14 So I just want to clarify what you meant about  
15 when it should happen and when it shouldn't and why you  
16 think it should be in one or the other.

17 A. Thank you. I -- thank you. So my concern in  
18 all of this is parties be given an ample opportunity to  
19 review, and I think multiplying proceedings, as they  
20 seem to be doing, makes it more difficult for public  
21 counsel, I believe for other intervenors, to -- to have  
22 an adequate chance for review.

23 And so I guess in this proceeding we are  
24 reviewing their power -- their -- their -- their power  
25 cost and their methodology.

1           If what PSE wants to happen happens, then my  
2 understanding is that power forecasts won't happen in  
3 the GRC, so I misspoke. I apologize, but they'll simply  
4 happen in power cost reviews.

5           The reason why I think that is problematic is,  
6 it just simply makes it more difficult with issues split  
7 up across multiple rate cases for intervenors to really  
8 have a good chance to -- to review.

9           Again, preferable would be if you're going to  
10 have -- if you're going to have an annual power cost  
11 update, which I don't object to, but if you're going to  
12 have that, then you have a GRC. It helps defer that in  
13 with the GRC because it consolidates related issues into  
14 one docket.

15           Certainly, if you're going to have a PCORE that  
16 year, let's combine the annual power cost review into  
17 the PCORE. I don't think that Puget Sound loses  
18 anything from that.

19           There may be efficiencies for them. I don't  
20 know, but I certainly think, for intervenors,  
21 particularly for those representing low-income  
22 disadvantaged communities, it's much easier -- it's much  
23 easier for them to participate if -- if the number of  
24 dockets they have to deal with are consolidated.

25           Plus, the issues -- the issues are related.

1 You know, if you have a new contract in the PCORE  
2 that -- that -- excuse me -- in the power forecast, you  
3 know, it's going to affect your -- what's going on with  
4 the general acquisition of power into the PCORE or the  
5 GRC.

6 Sorry that was a bit long.

7 COMMISSIONER RENDAHL: No. That was very  
8 helpful. Appreciate it.

9 THE WITNESS: Thank you.

10 EXAMINATION

11 BY CHAIR DANNER:

12 Q. Can I -- I want to ask you a question about the  
13 Sinclair PPA. PSE's witness Phil Haines says that  
14 public counsel's criticisms of that PPA contain no  
15 actionable alternatives for determining capacity value.

16 Do you have alternative methodologies that  
17 would be used to calculate the capacity value?

18 A. Sure. The alternative is their own bid on the  
19 hydro contract. I mean, that's -- that's the thing. I  
20 mean, the Sinclair is almost twice the bid on the hydro  
21 contract, but they have no -- they have no reason why  
22 it's twice.

23 So -- so if their judgment was good on the  
24 hydro contract, why did they not use that same judgment  
25 for Sinclair? They have no reason.



1 CHAIR DANNER: All right. Thank you.

2 JUDGE HUGHES: Thank you. You are excused.

3 THE WITNESS: Thank you.

4 JUDGE HUGHES: Moving on to Michael Gorman.

5 MS. JOHANSON-KUBIN: I don't see Mr. Gorman  
6 on this call. I have an email out to him. I will try  
7 and get in touch with him again.

8 JUDGE HUGHES: Okay. Thank you. Let's keep  
9 things moving then. We'll wait to hear back from  
10 Mr. Gorman.

11 Is Greg Meyer available?

12 MS. JOHANSON-KUBIN: I will also attempt to  
13 get ahold of him. I'm very sorry.

14 JUDGE HUGHES: Okay. I will move to AWEC's  
15 witnesses. Is Lance Kaufman available?

16 MS. MOSER: I believe he's on the line, Your  
17 Honor.

18 MR. KAUFMAN: Hello. This is Lance.

19 JUDGE HUGHES: Welcome. Please raise your  
20 right hand.

21 LANCE KAUFMAN, having been first duly sworn  
22 testified as follows:

23 JUDGE HUGHES: Very good. Please prepare  
24 the witness.

25 MS. MOSER: Thank you.

## 1 DIRECT EXAMINATION

2 BY MS. MOSER:

3 Q. Good morning, Mr. Kaufman.

4 Can you please state and spell your name for  
5 the record?

6 A. Lance Kaufman, L-a-n-c-e, K-a-u-f-m-a-n.

7 Q. And how are you employed?

8 A. I am employed by Western Economics as a  
9 consultant for AWEC.10 MS. MOSER: Thank you. Your prefiled  
11 testimony and exhibits have previously been admitted to  
12 the record, so I believe this witness is available for  
13 cross.14 JUDGE HUGHES: Thank you. Staff may  
15 proceed.

16 MS. GAFKEN: Thank you.

## 17 CROSS-EXAMINATION

18 BY MS. GAFKEN:

19 Q. Good morning, Mr. Kaufman -- or Dr. Kaufman.

20 A. Good morning.

21 Q. Dr. Kaufman, is it correct that there are 14  
22 customers taking service under rate Schedules 87 and  
23 87T?24 A. I believe so. There's -- due to transparency,  
25 it's not clear to me that the distinction between

1 customers and service points, but there's at least 14  
2 service points.

3 Q. I would like to refer to one of your work  
4 papers, and we designated the work paper that I want to  
5 refer to you as cross Exhibit LDK-10X.

6 Could you please turn to that exhibit?

7 A. The exhibits that I have, have a -- have a --  
8 just LDX blank CX on them. Is that --

9 Q. Okay. I can -- I think I can refer you to the  
10 right one. So the commission has designated the exhibit  
11 number as 10X, but it would be the first cross exhibit,  
12 one of two. So in the file name, it should have a  
13 parentheses 1.

14 A. Is it request C3?

15 Q. No. It's the other one. It's the one that has  
16 the docket number and then a file name --

17 A. Okay.

18 Q. -- indicating that it's the --

19 A. I think I'm -- yeah. Okay. I have -- it's a  
20 single-page spreadsheet of gas names.

21 Q. Yes. That's the one that I would like you to  
22 look at.

23 A. Okay. I'm here.

24 Q. Okay. Do you recognize it as one of your work  
25 papers?

1 A. Yes.

2 Q. I have a few questions about how you assigned  
3 the main, so I want to walk through how that calculation  
4 was done using this work paper and how you signed the  
5 mains to rate Schedules 87 and 87T.

6 Would you please look at Column E of cross  
7 Exhibit LDK-10X? Does Column E show your estimation of  
8 the mileage of various size mains that serve Schedule 87  
9 and 87T?

10 A. Yes.

11 Q. And those mains are 4-inch, 6-inch, 8-inch,  
12 12-inch, 16-inch, and 20-inch steel pipe; correct?

13 A. Yes.

14 Q. Did you derive these estimates from Puget Sound  
15 Energy's response to AWEC's Data Request No. 63?

16 A. I did for the 4-inch, 6-inch, and 8-inch mains.  
17 And for the 12-inch, 16-inch, and 20-inch mains, rather  
18 than direct assigning mains, I allocated the mains.

19 Q. Puget Sound Energy's response to AWEC's Data  
20 Request No. 63 is included in your Exhibit LDK-3C;  
21 correct?

22 A. Yes.

23 Q. In response to AWEC's Data Request No. 63,  
24 Puget Sound Energy provided schematics of mains serving  
25 individual customers; correct?

1 A. Yes.

2 Q. Okay. Let's refer back to your work paper,  
3 which is cross Exhibit LDK-10X, and go to Row 19.

4 That row shows 4-inch steel pipe; correct?

5 A. Yes.

6 Q. Schedule 87 and 87T utilize 4.4 miles of 4-inch  
7 steel pipe or steel mains; correct?

8 A. Approximately, yes.

9 Q. And Column F shows the number of feet that  
10 4.4 miles converts to; correct?

11 A. Yes.

12 Q. Did you calculate the number of feet by  
13 multiplying 4.4 by 5,280?

14 A. I believe so. I'd have to look at the formula  
15 and confirm that.

16 Q. But assuming that you used the number of  
17 feet --

18 A. That -- that works out to the numbers, so  
19 that's very likely how that's calculated.

20 Q. Okay. In Column G, we see a factor of  
21 0.83 percent in Row 19. Is this factor calculated as  
22 the amount of feet assigned to Schedule 87 and 87T  
23 divided by the total PSE system-wide feet of 4-inch  
24 steel pipe? In other words, is Column G calculated by  
25 Column F divided by Column D?

1 A. Yes.

2 Q. Okay. Staying with Row 19 and the 4-inch pipe  
3 example, Column H reflects a cost of two million, four  
4 thousand fifty -- I'm sorry -- four hundred fifty-three  
5 thousand one hundred and twelve dollars; correct?

6 A. Yes.

7 Q. The amount in Column H was calculated by  
8 multiplying the factor in Column G by the cost shown in  
9 Column C; correct?

10 A. Yes.

11 Q. To get the total amount of cost across all of  
12 the sizes of main to be allocated to Schedules 87 and  
13 87T, you summed the costs in Column H, Lines 19 through  
14 24; is that correct?

15 A. Yes.

16 Q. Earlier you said that --

17 A. Can I -- can I clarify something you said  
18 earlier?

19 Regarding the calculations in these columns,  
20 the -- the answers that I've given you are applicable to  
21 Rows 19 through 21, and Rows 22 to 24 have slightly  
22 different formulas because they're the calculations  
23 based on allocation factor rather than measurement of  
24 number of feet.

25 Q. I think you're hitting on what I started to ask

1 because, in your earlier answer, you stated that you  
2 used the schematics for what I'm going call the smaller  
3 lines, 4-, 6-, and 8-inch, and that you did something  
4 different for 12-, 16-, and 20-inch pipe.

5           Could you explain what the difference is?

6           A. For the 4-, 6-, and 8-inch pipe, I approximated  
7 the number of miles of pipe between the customer and the  
8 nearest regulatory station or gate station, using --  
9 using the scale provided in the customer map.

10           And for 12, 16, and 20, I allocated pipe using  
11 the same allocation factors that we use for all other  
12 customers.

13           Q. What do you mean by the allocation factor used  
14 for all of the customers?

15           A. The allocation factor, peak and average  
16 allocation factor.

17           Q. Okay. So using those two different ways of  
18 calculating the amount allocated to Schedules 87 and  
19 87T, you summed up the totals that you got for each size  
20 pipe for the total allocation; is that correct?

21           A. Yes.

22           Q. Okay. Could you turn to the other cross  
23 exhibit which has been designated cross  
24 Exhibit LDK-11CX? It's a confidential exhibit, and this  
25 is Puget Sound Energy's response to AWEC's Data Request

1 No. 63.

2 A. I'm there.

3 Q. Okay. Are you aware that Puget Sound Energy  
4 revised the response to AWEC's Data Request No. 63?

5 A. Yes.

6 Q. And cross Exhibit LDK-11CX contains both Puget  
7 Sound Energy's original schematics provided in response  
8 to the data request and the revised schematics.

9 Do you see that?

10 A. Yes.

11 Q. My questions are not confidential, and I'm not  
12 anticipating that I will elicit confidential responses,  
13 but, Dr. Kaufman, if you feel that a confidential  
14 response is necessary, please let me know and we'll ask  
15 to go into confidential session, but I don't think  
16 that's going to be necessary, but you let me know as we  
17 proceed.

18 There's a couple of sets of pages that I want  
19 to turn your attention to. The first is 7 and 8, and  
20 then the second one is 34 and 35, so if you could pull  
21 up those two sets of -- or look at those two sets of  
22 pages.

23 A. Give me a minute. I've got this on a platform  
24 that I'm not familiar with.

25 Q. And the page numbers I'm referring to are the



1 exhibit page numbers.

2 A. Which pages did you want me to look at?

3 Q. Sure. 7 and 8, and then 34 and 35. These  
4 pages should show Attachment B to Puget Sound Energy's  
5 response to Data Request 63.

6 COMMISSIONER RENDAHL: Just to clarify, was  
7 that letter B?

8 MS. CARSON: Yes. B as in boy.

9 COMMISSIONER RENDAHL: Thank you.

10 A. Okay. I'm there.

11 Q. (By Ms. Gafken) Okay. Page 8 shows the  
12 original schematic, and Page 35 shows the revised  
13 schematic; is that correct?

14 A. Yes.

15 Q. And those two pages depict an individual  
16 customer receiving service under Schedule 87 or 87T;  
17 correct?

18 A. Yes.

19 Q. Please refer to Page 8 of cross Exhibit LD --  
20 LDK-11CX. This is the original schematic that Puget  
21 Sound Energy provided.

22 In estimating the length of pipe for this  
23 customer, did you estimate the length of pipe from the  
24 customer's meter to the district regulator?

25 A. Yes.

1 Q. District regulators are located within Puget  
2 Sound Energy's system with no connection to Northwest  
3 Pipeline; is that correct?

4 A. No direct connection. Presumably there's a  
5 connection upstream from the regulator.

6 Q. But this means that the schematic on Page 8 of  
7 cross Exhibit LDX-11CX does not show the entire flow of  
8 gas on the Puget Sound Energy's system to serve this  
9 individual customer; correct?

10 A. That's my understanding. However, the  
11 discovery response that I submitted requested that the  
12 station be shown.

13 Q. I'm sorry. I'm not sure I understood your  
14 response.

15 A. The original -- the original version of this  
16 map was submitted by PGE -- sorry -- by Puget Sound due  
17 to a misunderstanding on Puget Sound's side of what the  
18 data request was requesting.

19 The data request was requesting border stations  
20 or limit stations, and not the district regulators.

21 Q. Okay. But it's fair to say that gas used by  
22 this customer enters PSE's system at a further point  
23 upstream from the district regulator; correct?

24 A. Yes.

25 Q. Okay. Please turn to Page 35 of cross

1 Exhibit LDK-11CX.

2           There we see a wider view of PSE system in this  
3 schematic; correct?

4           A. Yes.

5           Q. Is this more akin to what you were originally  
6 asking for in your request?

7           A. Yes. Yes.

8           Q. And the portion that we were looking at on  
9 Page 8 of cross Exhibit LDK-11CX can be found on the  
10 left side of the page, about a third of the way down;  
11 correct?

12           If you find the number 2 and observe the teal  
13 and green lines that connect it to the district  
14 regulator noted by R, do you see the portion of what is  
15 on Page 8 on Page 35?

16           A. That's correct.

17           Q. And on the right side of the page, we see a  
18 town border station denoted by TB; correct?

19           A. Yes.

20           Q. PSE defines a town border station as the  
21 transfer of custody point from Northwest Pipeline  
22 lateral, but different from a gate station in the sense  
23 that metering takes place upstream of this type of  
24 station.

25           Are you familiar with that?

1 A. Yes.

2 Q. In this definition, is it your understanding  
3 that a town border station is where the gas enters the  
4 PSE station -- or system?

5 A. Yes.

6 Q. There are several stretches of pipe of varying  
7 sizes between the town border station on the right side  
8 of the page and the customer location on the left side  
9 of the page; correct?

10 A. Repeat the question.

11 Q. Sure. There were several stretches of pipe of  
12 varying sizes between the town border station on the  
13 right side of the page and the customer location on the  
14 left side of the page; correct?

15 A. Yes.

16 Q. There are multiple routes that the gas could  
17 take to get from the town border station to the  
18 customer's location; isn't that correct?

19 A. If we assume that every visual intersection in  
20 the map has a physical -- a physical interconnection  
21 that gas can flow through, then that's correct.

22 Q. And there are several customers served along  
23 the paths between the town border station and the  
24 customer's location; correct?

25 A. I'm not aware of any specific customers, but

1 that's a reasonable assumption.

2 Q. Indeed there may be hundreds if not thousands  
3 of other customers utilizing the same pipes that  
4 Customer 2 relies upon to receive gas within the PSE  
5 system; correct?

6 A. Yes.

7 Q. However, your analysis allocates only a section  
8 of mains used by other PSE customers because you only  
9 traced and allocated a portion of the path of gas flow  
10 to Customer 2; correct?

11 A. That's incorrect.

12 Q. Why is that incorrect?

13 A. While I only trace the portion of the map --  
14 the pipe, even if I had access to the correct map, my  
15 numbers would not change materially.

16 I would have traced the section from the 2,  
17 proceeding north along the 8-inch and the 4-inch pipe to  
18 the 12-inch main, and the total footage for the 12-inch  
19 and the -- sorry -- the 8-inch and the 4-inch main would  
20 not be materially different from tracing paths out to  
21 the regulator station.

22 And, furthermore, by allocating 100 percent of  
23 that pipe to the customer, that's actually  
24 overestimating or over-allocating costs to Customer 2  
25 because, as you mentioned, there are likely many

1 customers served by the 8-inch and the 4-inch section  
2 that I included.

3 And those customers are essentially receiving  
4 the benefit of that, in that they are allocated none of  
5 that pipe, while the Customer 2 is allocated 100 percent  
6 of the pipe.

7 So from that perspective, my estimates could  
8 actually be seen as an over-assignment of pipe to the  
9 87, 87T customers.

10 Q. But your estimate only goes between the  
11 district regulator and the customer site.

12 It doesn't trace back to the -- the town border  
13 station; correct?

14 A. Yes. So if -- the point I'm making is that,  
15 even if I had traced back to the town border station, my  
16 estimate would not change materially.

17 So what I did, looking at the revised exhibit,  
18 is, I followed the path starting at the little red  
19 box 2. I followed the path northeast to the  
20 intersection of the 4-inch pipe and the 8-inch pipe, and  
21 then I traveled south through the regulator station.

22 And the path going north is slightly longer  
23 than the path going south by I'd say approximately a  
24 half a mile. So it would be reasonable to add a half a  
25 mile of 8-inch pipe to my model to account for the

1 corrected map, but it would not be reasonable to add  
2 more than half of a mile because, under my model, I  
3 would -- I would stop tracing the pipe back at the  
4 intersection between the 8-inch pipe and the 12-inch  
5 pipe directly north of the customer.

6           And the reason for that is because the most  
7 likely and reasonable path for the gas to flow, looking  
8 at this figure, is that the gas would flow along the  
9 12-inch main rather than the 8-inch main.

10           The 8-inch main that you see that kind of  
11 splits off and -- and, you know, the various other  
12 routes that the gas could possibly travel are not direct  
13 paths and are not large diameter pipes, and, from my  
14 perspective, those pipes are more reasonably allocated  
15 to other customers.

16           So just to reiterate, even looking at this map,  
17 if I had calculated feet based on this map, I would add  
18 about a half a mile of 8-inch pipe to my analysis, which  
19 would have a very small impact on the direct assignment  
20 of costs.

21           And I mentioned before, it would also be an  
22 overestimate of costs because it's assigning 100 percent  
23 of the pipe connecting Customer 2 to the border station  
24 rather than a share of the pipe, recognizing the fact  
25 that the other customers are also served by that same

1 pipe.

2 Q. Okay. Thank you for that.

3 Could you please turn to Page 35 of cross  
4 Exhibit LDK-11CX and look at the border station on the  
5 right side of the page?

6 A. Okay.

7 Q. Do you see the two short spurs -- the two short  
8 gray spurs coming off the green line?

9 A. Going south near the border station?

10 Q. It's assuming that directionally going down on  
11 the paper is south.

12 A. Yes.

13 Q. Yes.

14 A. I see that.

15 Q. Okay. The customer served off of these two  
16 short spurs do not rely on PSE's system except for the  
17 very short length of main from the town border station;  
18 correct?

19 A. That's correct.

20 Q. Under your analysis, shouldn't these customers  
21 be assigned only the costs of the pipe running from the  
22 town border station to the customer locations?

23 A. That's not what I proposed in my model. Those  
24 customers are likely to be a much smaller volume of gas  
25 and represent a very small fraction of the customers on



1 their schedule.

2 It's certainly possible that, if a customer  
3 group wanted to create an independent schedule, say, you  
4 know, residential customers close to the border gate  
5 stations, you know, they could petition for a new -- a  
6 new schedule that is easy to develop direct assignment  
7 for them, but that's not what I've recommended.

8 MS. GAFKEN: Okay. Thank you. I have no  
9 further questions.

10 JUDGE HUGHES: Thank you. And I will notice  
11 that the map does indicate north on the bottom left  
12 corner if that ever comes out.

13 Any redirect?

14 MS. MOSER: No, Your Honor. No redirect.  
15 Thank you.

16 JUDGE HUGHES: Questions from the bench?

17 All right. Thank you.

18 CHAIR DANNER: Hang on.

19 EXAMINATION

20 BY CHAIR DANNER:

21 Q. I just -- with regard to those two gray lines  
22 going south, are they -- what do we know about them?  
23 Are they residential? Are there more than one customer  
24 on each of them or just -- you know, do you have an idea  
25 from your --

1           A. Those mains I would expect to be smaller than  
2 4-inch mains. Other than the fact that they're smaller  
3 than 4-inch mains, it's -- I don't have any --

4           Q. You don't know?

5           A. -- what type of customer.

6           Q. Okay.

7           A. It's possible that they're residential. It's  
8 possible that they're a smaller commercial customer,  
9 but --

10          Q. It's also possible there are multiple users on  
11 that?

12          A. Yes.

13                   CHAIR DANNER: Okay. All right. Thank you.

14                   JUDGE HUGHES: Okay. Thank you. You are  
15 excused.

16                   THE WITNESS: Thank you.

17                   JUDGE HUGHES: And then do we have any word  
18 from public counsel's witnesses? Just checking in.

19                   MS. JOHANSON-KUBIN: Yes. Unfortunately, we  
20 had a pretty serious miscommunication. They're not  
21 available until 1:00 or 1:30 today.

22                   We also would suggest that the commission could  
23 alternatively issue written bench requests if the  
24 scheduling is too much of a problem.

25                   JUDGE HUGHES: We will talk that over, but

1 thank you for the update.

2 Okay. Moving forward then, Bradley Mullins.

3 Okay. Please raise your right hand.

4 BRADLEY G. MULLINS, having been first duly sworn  
5 testified as follows:

6 JUDGE HUGHES: Very good. Please introduce  
7 the witness.

8 MS. MOSER: Apologies.

9 DIRECT EXAMINATION

10 BY MS. MOSER:

11 Q. Mr. Mullins, can you please state and spell  
12 your name for the record?

13 A. It's Bradley Mullins, spelled M-u-l-l-i-n-s.

14 Q. And how are you employed?

15 A. I'm the principal of MW Analytics.

16 Q. And are you appearing as a consultant for AWEC  
17 in this proceeding?

18 A. I am, yes.

19 Q. Your prefiled testimony and exhibits have been  
20 admitted into the record.

21 MS. MOSER: So this witness is available for  
22 questions from the bench.

23 COMMISSIONER DOUMIT: Thank you.

24 ////

25 ////

## EXAMINATION

1  
2 BY COMMISSIONER DOUMIT:

3 Q. Mr. Mullins, did you hear our questions to  
4 Dr. Earle, public counsel's witness, on power costs --

5 A. I did.

6 Q. -- just a few minutes ago? These will be real  
7 similar questions then.

8 So first, on rebuttal, PSE, through Witness  
9 Mueller, has increased its power costs forecast by  
10 18.5 percent in rate year 1 and by 8.7 percent in rate  
11 year 2, claiming that most of the increase is due to new  
12 power purchase agreements signed since direct testimony  
13 was filed.

14 Has AWEC had an opportunity or, in particular,  
15 an adequate opportunity, to review those PPAs and other  
16 increases?

17 A. We certainly reviewed some of them. I can't  
18 say that we reviewed all of them. And I think we were,  
19 you know, concerned with the large increase to power  
20 costs.

21 In discovery, I think PSE, you know, did kind  
22 of let parties know that some of these contracts were  
23 coming, so it wasn't, you know, necessarily a huge  
24 surprise, but I think, in general, we're concerned with  
25 the hydro contracts.

1           And I would actually refer you to Witness  
2 Kaufman's testimony about the -- you know, justifying  
3 those contracts, in part, on CEIP compliance.

4           So there's -- you know, there's that issue.  
5 And I think, you know, kind of for broader picture,  
6 the -- I think we're seeing, you know, a lot -- a lot of  
7 push towards, you know, dedicated capacity resources,  
8 and I think that's being driven possibly by the WRAP.

9           Whereas, before, it would have been, you know,  
10 mostly, you know, Schedule-C-type contracts that would  
11 fill, you know, capacity needs.

12           And, you know, so, I mean, we could, you know,  
13 debate, you know, for a long time the merits of that  
14 change and the costs that that -- the changes in the  
15 WRAP might, you know, result in, but that seems to be  
16 the big -- what we're seeing is a move away from kind of  
17 the traditional Schedule C liquidated damages contracts,  
18 towards contracts that are dedicated capacity, you know,  
19 slice of hydro or, you know, other types of capacity  
20 projects.

21           And so to answer your question, I mean, I think  
22 there probably could -- we probably could use some  
23 further review of those contracts if there is an  
24 opportunity to do so.

25           Q. Okay. But based -- based on the review you

1 have, generally you just stated your essentially two  
2 concerns?

3           Okay. Great. Thanks.

4           Another question I asked to Dr. Mueller, PSE --  
5 or excuse me -- to Dr. Earle, PSE Witness Mueller states  
6 that the company is willing to defer prudency reviews  
7 for PPAs but not for power cost forecast methodologies.

8           What does AWEC understand to be the current  
9 method for prudency review of power cost calculation  
10 methodologies?

11           A. Not quite sure what they meant by that. I  
12 think what they're saying is -- and maybe this is in the  
13 context of their annual updates, that they will keep the  
14 same power cost forecasting methods and that they  
15 won't -- they won't change those.

16           And perhaps they're saying also that, you know,  
17 parties couldn't -- couldn't contest those methods in an  
18 annual power concept update.

19           And, you know, I would say this is a, you know,  
20 pretty dynamic industry, and, you know, it would make  
21 sense to me that if there's, you know, some sort of a  
22 method or something that's not working correctly, that  
23 parties should have the opportunity to -- to contest  
24 those and the assumptions.

25           And, you know, at least certainly in this case,

1 we raise the issue about the EIM congestion revenues,  
2 which are a big source of revenues through the EIM,  
3 which are excluded from their model.

4 And so I think issues like that are -- would be  
5 appropriate to raise in -- in future updates which I  
6 know is a whole -- you know, how updates get performed  
7 is a separate issue and question.

8 COMMISSIONER DOUMIT: Follow-ups based on  
9 the last line of questioning?

10 COMMISSIONER RENDAHL: So I have a  
11 follow-up.

12 EXAMINATION

13 BY COMMISSIONER RENDAHL:

14 Q. Good evening to you, Mr. Mullins.

15 So in your response to the first question from  
16 Commissioner Doumit, you were talking about the WRAP,  
17 the Western Resource Adequacy Program, and the Western  
18 Power Pool Schedule C contract.

19 Is the difference between those contracts that  
20 you're seeing because the Schedule C contracts are more  
21 unspecified power, whereas the contracts that PSE is now  
22 pursuing are more specified power contracts?

23 A. Yeah. I think that's -- I mean, it's from a  
24 dedicated resource, but I think that's another  
25 distinction that I didn't mention is, these are from --

1 mostly from hydro resources.

2 And so the, you know, CCA compliance obviously  
3 plays into, you know, the -- the selection between, you  
4 know, hydrocarbon -- you know, zero carbon resource  
5 versus an unspecified Schedule-C-type contract.

6 And really, you know, the big difference  
7 between the two, from a capacity perspective, is that,  
8 you know, Schedule C contract can be interrupted.

9 However, if it is, the counterparty has to pay  
10 liquidated damages, so there's a chance that the power  
11 might not flow, you know, depending on your  
12 counterparty, but the counterparty will reimburse the  
13 cost of that. And that's, you know, how it's been done  
14 for, you know, longer than I've been around.

15 And now we're switching into this sort of WRAP  
16 framework, and I think it's getting -- and I think we're  
17 starting to see the costs associated with moving towards  
18 that. Whereas, you know, a Schedule C contract is going  
19 to be much less expensive than -- you know, than a slice  
20 of hydro facility.

21 Q. And that's not just because of the liquidated  
22 damages issue but also because of the resource type, the  
23 unspecified market power versus a specified source?

24 A. Right. Yeah. And certainly carries, you know,  
25 environmental attributes, which are more -- you know,



1 more valuable, and it has -- you know, it's a flexible  
2 resource, which is also, you know, more valuable.

3           So it's -- it's not -- you know, you can't  
4 compare them, you know, one for one certainly, but I  
5 think that's just a general comment on kind of what  
6 we're seeing in the market with -- and it's not just  
7 PSE, but a lot of utilities out there, you know, bidding  
8 for this hydro capacity is, you know, driven by the WRAP  
9 and also, as you mentioned, you know, the environmental  
10 attributes and, you know, and flexibility-type concerns  
11 as well.

12           Q. These WRAP contracts, do they generally not  
13 have the same liquidated damages provisions, so there's  
14 less protection if there is a lack of availability under  
15 the contract?

16           A. For the -- yeah. The Schedule C contracts,  
17 which I think you're referring to, you know, they're  
18 structured around liquidated damages.

19           So the counterparty -- they can decide to  
20 interrupt the -- you know, the delivery of power.  
21 However, if they do, they'll have to pay liquidated  
22 damages, which usually is based on, like, you know, the  
23 hourly Powerdex Index or some other, you know, hourly  
24 index to determine what that -- what that is.

25           And so there's -- you know, there's a

1 perception that that's, you know, generally less  
2 reliable and, you know, a dedicated resource from hydro  
3 facility, which is, you know, theoretically, going to,  
4 you know, be there as long as there's, you know,  
5 capacity.

6 So it's -- it's -- that seems to be the shift  
7 at least, you know, with the WRAP is moving away from  
8 that liquidated damages construct.

9 And, you know, I have sort of mixed feelings  
10 about it, but, you know, I think, you know, it is what  
11 it is, and I think that's -- that's really what's  
12 driving the -- at least, you know, from my perspective,  
13 what's driving the demand in these -- in hydro contracts  
14 and capacity contracts is, you know, the movement  
15 towards the WRAP.

16 Q. Thank you.

17 And then just one last clarifying question.  
18 You mentioned Powerdex. Is that power with d-e-x at the  
19 end, for the court reporter?

20 A. That is, yes. Powerdex. And that's the --  
21 that is an hourly index for, you know, bilateral energy  
22 transactions.

23 COMMISSIONER RENDAHL: Great. Thank you. I  
24 appreciate the conversation this morning. That's all  
25 that I have.

1 THE WITNESS: Thank you.

2 JUDGE HUGHES: Thank you. Redirect?

3 MS. MOSER: No. Thank you, Your Honor.

4 JUDGE HUGHES: Very good. You are  
5 dismissed.

6 All right. We'll be calling Bradley Cebulko.

7 Good morning. Welcome.

8 MR. CEBULKO: Good morning.

9 JUDGE HUGHES: Please raise your right hand.

10 BRADLEY CEBULKO, having been first duly sworn

11 testified as follows:

12 JUDGE HUGHES: Very good. Please introduce  
13 the witness.

14 DIRECT EXAMINATION

15 BY MR. HASSELMAN:

16 Q. Mr. Cebulko, can you please state and spell  
17 your name for the record?

18 A. Yes. My name is Bradley Cebulko, B-r-a-d-l-e-y  
19 C-e-b-u-l-k-o.

20 MR. HASSELMAN: And Mr. Cebulko's testimony  
21 and exhibits have been admitted into the record, and he  
22 is available for questions.

23 CHAIR DANNER: All right. Thank you.

24 ////

25 ////

## 1 EXAMINATION

2 BY CHAIR DANNER:

3 Q. Good morning, Mr. Cebulko.

4 A. Good morning.

5 Q. You know, in your response testimony, you  
6 proposed the commission place the burden of proof on  
7 Puget, that is, assess the non-pipeline alternatives,  
8 before recovering costs of pipeline investments, you  
9 know, aside from the safety and emergency costs.

10 On rebuttal, the company's witness Landers  
11 claims that your proposal is duplicative with House  
12 Bill 1589.

13 What components of your proposal would be  
14 additive to or duplicative of the requirements of House  
15 Bill 1589?

16 A. So there's a couple pieces here. So House  
17 Bill 1589 requires, I think, rate system planning  
18 amongst some other components of the bill, and that plan  
19 is scheduled on a cycle to kind of -- to replace  
20 integrative resource plan. It's really about a planning  
21 standard and assessing cost and risks of various  
22 futures -- uncertain futures.

23 It's primarily based in planning. What I'm  
24 asking this commission to do is to reorient the  
25 ratemaking process as well, right, to -- to -- to very

1 clearly state to Puget that, here are your requirements  
2 that you need to be changing how you operate as a  
3 company in every facet of the company, from the planning  
4 to the engineers to the day-to-day staff working on  
5 these problems, that you have to change how you're  
6 thinking about the problems and the investments that  
7 you're making.

8           And so this commission has long held that  
9 companies have to make a business case and demonstrate  
10 alternatives. My observation is that pipeline  
11 investments have not been held to close scrutiny to this  
12 point.

13           And so what I'm asking the commission to do is  
14 say, every investment needs to have this alternative  
15 analysis, right, and that is not to say that every  
16 analysis will show that non-pipeline alternative is  
17 feasible or cost-effective rather than being able to  
18 change their -- their -- their planning and operations  
19 practices.

20           Q. So basically you're saying that they have to be  
21 considered, but you're also saying that they have a  
22 burden of proof, and it is their burden to show that  
23 they've considered these alternatives and there is a  
24 reasonable basis for rejecting them?

25           A. Yes. I'm asking you to make that a standard

1 when they come forth for any rate recovery of capital  
2 investments.

3 Q. And is that already required by 1589, to your  
4 knowledge?

5 A. I'm not sure I'm qualified to give a legal  
6 opinion about 1589.

7 Generally, my experience with gas-integrated  
8 resource planning in this state is that they've been  
9 mostly looking at resource procurement on the gas side.  
10 Which supply basin are you pulling from? What pipeline  
11 are you running that through? Do we need a new  
12 transmission pipeline that Puget probably won't even  
13 build. Right? It's a third party.

14 Do you need an LNG facility possibly propane.  
15 Right? How you going to manage the peak?

16 That's different than looking at the  
17 distribution system, right, and looking at the thousands  
18 of relatively small capital expenditures that go into  
19 the distribution system.

20 EXAMINATION

21 BY COMMISSIONER DOUMIT:

22 Q. Mr. Cebulko, I want to give you a little canvas  
23 to paint on here. Okay. Counsel for Joint  
24 Environmental Advocates said we need to be at 200,000  
25 buildings electrified by 2030. We heard Witness Landers

1 yesterday say that across the country success is coming  
2 in ones and fives.

3 How do we go from where we are now to the  
4 vision that counsel set forth?

5 A. So what I heard from Witness Landers was that  
6 he was talking about targeted electrification and the  
7 de- -- paired with the decommissioning of the pipe, right,  
8 and that tends to be smaller.

9 Although Puget in this case did propose a  
10 targeted electrification project, we've seen some other  
11 proposals and implementations elsewhere. Colorado is a  
12 great example with Xcel and their Pearl Street Mall  
13 electrified 66 customer decommissioning section.

14 Sticking with Colorado, though, in Xcel's  
15 recent clean heat plan, the commission ordered a very  
16 ambitious electrification plan in the tens of thousands.  
17 I actually have the numbers pulled up in front of me  
18 here.

19 But they're ordering the company to spend looks  
20 like 75 million in 2025 on electrification, 112 million  
21 in 2026, tens of thousands of customers on  
22 electrification.

23 My proposal is a little scaled down from there,  
24 right, 7,500 customers in 2025. You have to start  
25 small. The company has already done that, right,

1 through its first Phase 1 of the pilots.

2           What I've seen with Phase 2 is, they're just  
3 pretty much pilot Phase 1 carryover to pilot Phase 2  
4 modest goals, 1,000 customers. The market is  
5 sufficiently there that Puget can roll out a broader  
6 electrification plan at this time, targeting existing  
7 customers.

8           Also it's targeting new residential  
9 construction. Right? Those King County and other areas  
10 within Puget Sound are still adding new housing  
11 developments. There are opportunities to work with  
12 those developers on electrification market  
13 transformation and as well as providing general  
14 electrification plans of programs.

15           So while my proposal might feel ambitious, I  
16 don't actually think it is because the scale of what  
17 Puget needs to do to achieve its decarbonization goals  
18 requires something far more ambitious than what we put  
19 forth here.

20           Q. So just on Pearl Street Mall -- my  
21 understanding of Pearl Street Mall in Boulder, Colorado,  
22 it's sort of like neighborhood, right, businesses --

23           A. Yeah.

24           Q. -- essentially and the cost differential  
25 between repairing gas system and electrifying, which is



1 why it was clearly cost-effective to go electric.

2 A. Mm-hm.

3 Q. And I was slightly surprised, you know, myself  
4 that the businesses there, which are mainly, you know,  
5 restaurants --

6 A. Mm-hm.

7 Q. -- weren't protesting this, as we've seen here,  
8 you know, wanting to continue to cook with gas, as it  
9 were.

10 So, I mean, is that something -- is that  
11 one-off situation replicable here, would you say?

12 A. I do want to make a distinction here between  
13 kind of the targeted electrification paired with  
14 decommissioning and then a broad general interpretation.  
15 Right? Two different programs.

16 One is the broad general electrification  
17 program is fairly easy to administer, and it's random.  
18 Right? It's not necessarily paired with  
19 decommissioning. The decommissioning is the hard part.  
20 Right?

21 And yes, I think it's been observed that that  
22 can be challenging particularly because there is still  
23 an obligation to serve. Right?

24 And that's why I -- you know, there's a recent  
25 presentation here from E3 as part of your integrated

1 system rulemaking, talking about their experience at  
2 PG&E in California and that one to five customers seems  
3 to be a more doable range, and that seems right to me.

4 But nevertheless, it -- you know, as the -- the  
5 company should be looking for opportunities, not  
6 necessarily -- it's kind of part of its routine  
7 examination of, you know, alternatives or opportunities  
8 that come up from talking to their, you know, customers.

9 But then also it's worth remembering that NPAs  
10 are not just targeted to electrification. Right? There  
11 is opportunities to do pipeline repair. There are  
12 opportunities that -- to do demand side management  
13 through either additional energy efficiency and  
14 weatherization, paired with electrification.

15 Gas utilities have been doing supplies on NPAs  
16 for a long time, right, through CNG tracks, needle  
17 peaks. You pull those in as well. So really what I'm  
18 asking is just to -- because of the risk before the  
19 utility of the decarbonization targets, the very real  
20 risk, as Puget is already experiencing of declining  
21 customer demand in growing capex, what the company  
22 should be looking for opportunities to -- to avoid  
23 capital expenditures where it can.

24 COMMISSIONER DOUMIT: Thank you. Thanks so  
25 much.

1 JUDGE HUGHES: Thank you. You are excused.

2 Kevin Higgins.

3 CHAIR DANNER: So, Your Honor, I'm wondering  
4 if we can take a short break. It's almost 10:30. I  
5 could use a few minutes. Thank you.

6 JUDGE HUGHES: Okay. We will be taking a --  
7 I'm sorry for prematurely calling you.

8 We will be taking a brief recess, say, until  
9 10:35. And then during the recess, the counsel could  
10 come up, and we can have a brief chat on exhibit stuff.  
11 So let's go off the record.

12 (Recess from 10:25 a.m. to 10:41 a.m.)

13 JUDGE HUGHES: We are back at 10:41. Let's  
14 be on the record.

15 Okay. Mr. Higgins, will you please raise your  
16 right hand.

17 KEVIN C. HIGGINS, having been first duly sworn  
18 testified as follows:

19 JUDGE HUGHES: Thank you. Please introduce  
20 the witness.

21 DIRECT EXAMINATION

22 BY MS. BAKER:

23 Q. Okay. Good morning, Mr. Higgins. For the  
24 record, can you please state and spell your name?

25 A. My name is Kevin C. Higgins, K-e-v-i-n, middle

1 initial C, H-i-g-g-i-n-s.

2 Q. And by whom are you employed and what's your  
3 position?

4 A. I'm a principal in the firm Energy Strategies.

5 MS. BAKER: Great. Mr. Higgins' prefiled  
6 testimony and exhibits have been entered by stipulation.  
7 Mr. Higgins is now available for cross.

8 JUDGE HUGHES: Thank you. Staff, please  
9 proceed.

10 CROSS-EXAMINATION

11 BY MS. GAFKEN:

12 Q. Good morning, Mr. Higgins.

13 A. Good morning.

14 Q. Would you turn to your direct testimony KCH-1T.  
15 Go to Page 2, lines 8 through 12.

16 A. Which lines, please?

17 Q. 8 through 12.

18 A. Yes. I see that.

19 Q. Okay. There you indicate that you have  
20 testified before this commission in several Puget Sound  
21 Energy cases, going back to 2001; correct?

22 A. Yes.

23 Q. Those cases include rate cases and other PSE  
24 filings; correct?

25 A. Yes.

1 Q. Have your appearances consistently been on  
2 behalf of large volume customers?

3 A. In the -- yes. In the gas proceedings, yes.

4 I've also participated in Puget Sound Energy  
5 cases on behalf of The Kroger Co. on the electric side,  
6 who also is a large customer, smaller facilities, but a  
7 large volume customer.

8 Q. Do you recall participating on behalf of Nucor  
9 in the 2008 natural gas collaborative that was conducted  
10 following Puget Sound Energy's 2007 general rate case?

11 A. I have a general recollection of that, yes.

12 Q. And that collaborative was conducted to see if  
13 parties could reach a consensus on methods to allocate  
14 costs related to natural gas mains; is that correct?

15 A. That's my recollection. It was quite a while  
16 ago, but, yes, I agree with that description.

17 Q. That is fair.

18 And to be clear, I'm only asking about your  
19 recollection, so not asking you to guess.

20 Do you recall that the 2008 collaborative did  
21 not result in a consensus or resolution of how to  
22 allocate natural gas mains?

23 A. Yes, I do recall that.

24 Q. Are you familiar with the commission's rules on  
25 electric and natural gas cost of service found in

1 Chapter 480-85 WAC?

2 A. Yes, I am.

3 Q. Those rules went into effect in 2020; correct?

4 A. Yes.

5 Q. Prior to the rulemaking that resulted in the  
6 adoption of Chapter 480-85 WAC rate case, parties  
7 proposed several methods to allocate natural gas mains  
8 across customer classes; is that correct?

9 A. Yes.

10 Q. Is it fair to say that the issue of how to  
11 allocate the cost of natural gas mains has been in  
12 controversy for at least 20 years?

13 A. That's fair to say. It's probably also fair to  
14 say that that's true about class cost allocation around  
15 the country for both gas and electric service.

16 Q. Is it fair to characterize the controversy as  
17 involving disagreement between larger and smaller  
18 customer advocates regarding how to allocate the cost of  
19 small, medium, and large diameter sized mains?

20 A. Certainly agree with that as being one of the  
21 issues of contention, yes, in the Puget Sound territory.

22 Q. Understanding that there's probably other  
23 things that were argued about as well during that time  
24 period, but I do want to focus on the main distribution  
25 aspect of that controversy.

1           Some parties, such as yourself, on behalf of  
2 large volume users have advocated an approach that  
3 excluded large volume customers from assignment of small  
4 diameter mains; correct?

5           A. Yes.

6           Q. And other parties have disagreed with that  
7 approach; right?

8           A. Yes.

9           Q. The idea that large volume customers should be  
10 excluded from assignment of smaller diameter mains is  
11 sometimes referred to as skeletonization of the natural  
12 gas system; correct?

13          A. Can you say that word again, please?

14          Q. Sure. I'll re-ask the question.

15                 The idea that large customers -- large volume  
16 customers should be excluded from assignment of small  
17 diameter sized mains is sometimes referred to as  
18 skeletonization of the natural gas system; correct?

19          A. You know, I'll be candid. I'm not familiar  
20 with the term "skeletonization," but I can infer what  
21 you mean by it.

22          Q. Okay. Fair enough. I'd like to talk about the  
23 idea of peak and average.

24                 Historically, some parties have advocated that  
25 mains should be classified and allocated partially on

1 the number of customers and partially on peak demand;  
2 correct?

3 A. That is an approach parties have advocated,  
4 yes.

5 Q. And are you familiar with the peak and average  
6 method in which mains are allocated partially on peak  
7 demand and partially on throughput or average day  
8 demand?

9 A. Yes, I am.

10 Q. Comparing allocation -- I'm sorry. If I can  
11 get the words out correctly.

12 Comparing allocating mains using a peak and  
13 average method with allocating mains based partially on  
14 the number of customers and partially on peak demand, is  
15 it correct that small volume customers benefit more  
16 under a peak and average method as opposed to customer  
17 demand method?

18 A. Can you please repeat your question?

19 Q. I will. There's a couple of moving parts  
20 there.

21 A. Yeah.

22 Q. So comparing allocation -- allocating mains  
23 using a peak and average method, with allocating mains  
24 based partially on the number of customers and partially  
25 on peak demand, is it correct that small volume



1 customers benefit more under a peak and average method  
2 as opposed to a customer demand method?

3 A. I think what's throwing you off about your  
4 question, Ms. Gafken, is, I think at the end of your  
5 question you're leaving out the customer.

6 I believe you're asking -- you're asking, are  
7 smaller customers better off under peak and average  
8 versus something else, and the something else you're  
9 referring to is peak demand customer.

10 Q. Right.

11 A. Okay.

12 Q. Yes. That is -- that's a correct understanding  
13 of the question.

14 A. Okay. Well, I would say that the impact is  
15 going to depend on any particular study. Okay. But I  
16 would agree that, as the general matter, smaller  
17 customers would receive a lower allocation if there is  
18 not a customer component to the cost classification.

19 MS. GAFKEN: I just want to ask quickly if  
20 folks are able to hear the witness sufficiently. The  
21 volume to me sounds a little bit lower.

22 THE WITNESS: I will sit closer to the  
23 screen. Unfortunately, it makes you -- makes my face  
24 look bigger. If it helps you hear me better, that's  
25 what I'll do.

1 MS. GAFKEN: I think that did help with the  
2 volume, so thank you for doing that. I wasn't sure if  
3 it was a tech issue on our side or your side, so thank  
4 you. That does seem to help.

5 Q. (By Ms. Gafken) Okay. You may have covered  
6 this in your last answer, but I want to make sure that  
7 you did have an opportunity to talk about it.

8 Why is it that smaller volume customers would  
9 benefit more under a peak and average method as opposed  
10 to a customer demand method?

11 A. Okay. As opposed to a customer demand method,  
12 combined with a -- oh, you said customer demand method.  
13 You're using the word customer, okay, to describe the  
14 customer component. I follow.

15 Generally speaking, a smaller volume customers  
16 are -- you know, receive lower allocation of costs if  
17 there is not a customer component included in the mains  
18 allocation.

19 Q. Is a component of it also that residential  
20 customers comprise of -- 90 percent of a utility's  
21 customers, whereas industrial customers are large volume  
22 customers, represent a smaller percentage of overall  
23 customers?

24 A. Well, that is a consequence of the math of  
25 using a customer allocator, yes.

1 Q. Okay. Focusing on peak and average,  
2 historically, parties have presented different proposals  
3 regarding how to weigh the peak and how to weigh the  
4 average, with some parties advocating that weighting  
5 should be based on a system load factor while others  
6 advocated a 50/50 weighting between peak and average; is  
7 that correct?

8 A. That is sometimes a debate that occurs in gas  
9 cost allocation, yes.

10 Q. I want to explore the benefits that various  
11 size customers could receive under those two proposals.

12 Could you explain why it is more beneficial to  
13 large volume customers to base the weighting between the  
14 peak and average on a system load factor basis versus a  
15 50/50 weighting?

16 A. Well, it all depends on the -- on the system  
17 load factor that occurs. So if the system load factor  
18 is, you know, below 50 percent, it's going to provide a  
19 lower assignment of costs than a 50 percent. So, you  
20 know -- and that means that, you know, a higher volume  
21 user, all things equal, would have a -- as a class, have  
22 a lower allocation of throughput costs.

23 Q. Focusing on peak demand, do you recall that for  
24 many years the commission approved definition of peak  
25 demand used actual class peak instead of design day

1 demands?

2 A. I'm aware, yes, that that had been an issue  
3 that has been addressed in prior Puget cases, yes.

4 Q. Through the rulemaking, the commission adopted  
5 some usage of design day demands; is that correct?

6 A. Yes. And I must say, I completely agree that  
7 that's the right way to go.

8 Q. Design day demands are basically calculated  
9 based on the coldest day possible on the natural gas  
10 system; correct?

11 A. If not the coldest day possible, it is a day  
12 for which the -- a cold day for which the system is  
13 designed to serve.

14 Q. If design day demands are used to define peak  
15 demand instead of actual test year peak commands, this  
16 tends to benefit large volume users over small volume  
17 users; is that correct?

18 A. Well, it -- it tends to assign more costs to  
19 weather sensitive classes because, you know, the system  
20 was -- is designed to serve weather sensitive classes in  
21 particular on those cold days.

22 And so to the extent that large volume users  
23 are less weather sensitive, it -- the use of the design  
24 day is -- results in a lower allocation than usually,  
25 you know, in actual historical number.

1 Q. So I actually thought you had participated in  
2 the commissions cost of service rulemaking, but am I  
3 correct in understanding that you did not participate in  
4 that rulemaking that resulted in the adoption of  
5 Chapter 480-85 WAC?

6 A. That is correct.

7 Q. My memory sometimes is faulty.

8 Could you please turn to your direct testimony,  
9 which is Exhibit KCH-1T, and go to Page 5.

10 A. Yes. I'm there.

11 Q. Perfect. At Lines 12 through 20, you quote  
12 from the general order R599 from the commission's  
13 rulemaking that adopted the cost of service rules;  
14 correct?

15 A. Yes.

16 Q. Have you read the entire order?

17 A. Yes, I have.

18 Q. Okay. You cite to Paragraph 77 in your  
19 testimony; correct?

20 A. Yes, I do.

21 Q. And that paragraph explained a modification the  
22 commission made to the allocation of distribution mains;  
23 correct?

24 A. That's my recollection, yes.

25 Q. The language being addressed appeared in

1 Table 4 of WAC 480-85-060 and states, Direct assignment  
2 of distribution mains to a single customer class where  
3 practical. All other costs assigned based on design  
4 day, peak, and annual throughput average based on system  
5 load factor; is that correct?

6 A. Yes.

7 Q. So direct assignment of mains is permitted  
8 under the rule; correct?

9 A. Yes, it is.

10 Q. Would an example of direct assignment of gas  
11 mains to an individual customer be assigning a dedicated  
12 spur that serves one customer from an interstate  
13 pipeline?

14 A. Yes, it would.

15 Q. And in that example, the spur is dedicated for  
16 that one customer, and the customer does not rely on any  
17 other mains within the utility system; correct?

18 A. That would be an example of direct assignment  
19 that would be, you know, consistent.

20 Q. Generally speaking, mains can serve one  
21 customer or multiple customers or multiple classes of  
22 customers; correct?

23 A. Correct.

24 Q. Direct assignment is different than allocation  
25 of mains that serve multiple customers or customer

1 classes; correct?

2 A. Not necessarily. I -- I -- I appreciate the  
3 distinction that you're making, but I do believe that an  
4 aspect of direct assignment is the -- or a corollary is  
5 that customer classes that do not use the facilities  
6 they are being directly assigned are not assigned those  
7 costs.

8 So, whereas, like, if you consider a  
9 hypothetical, if you consider a facility that is only  
10 used by one customer class and you directly assign the  
11 costs of that facility to that customer class, you've  
12 simultaneously shielded all the other customers from  
13 those costs.

14 Now, consider -- suppose that class is broken  
15 up into two other classes. You would have more than one  
16 class using the directly assigned facility, but that  
17 should not change the logic that the other classes are  
18 not allocated those costs.

19 So -- whereas, it -- typically direct  
20 assignment is used in the way that you've described,  
21 Ms. Gafken, but I do believe the principle of it,  
22 particularly as emphasized in the commission's order, is  
23 a principle that applies equally to not allocating costs  
24 to classes that do not use certain facility, even if it  
25 means that conceptually more than one class is, in

1 effect, directly assigned the costs of the facilities.

2 Q. Let me ask about that last thing you just said.

3 Does that mean that a certain pipe could be  
4 directly assigned to multiple classes of customers?

5 A. In effect. And, of course, by "directly  
6 assigned," in that case, it would be -- the costs would  
7 be exclusive to those classes, and among those classes,  
8 the costs would be allocated.

9 Q. Please turn to your direct testimony,  
10 Exhibit KCH-1T, and go to Page 6.

11 A. I'm there.

12 Q. Okay. So we're actually going to go to Line 17  
13 and then continue on to Page 7 through Line 12.

14 A. Okay.

15 Q. Okay. There you discuss certain clarification  
16 requested by Puget Sound Energy in the cost of service  
17 study rulemaking pertaining to using main pipe diameter  
18 to allocate costs; correct?

19 A. Yes.

20 Q. You testified that the commission summarized  
21 and adopted staff's response, which was that the rules  
22 are clear and do not allow for use of main pipe diameter  
23 to allocate costs; correct?

24 A. Yes.

25 Q. I want to refer you to a cross exhibit, and I'm



1 hoping that you have the numbers on them, but it's cross  
2 Exhibit KCH-11X, which is a transcript from the rule  
3 adoption hearing in that rulemaking.

4 Do you have that available?

5 A. I do have that available, and I have it up on  
6 my screen right now.

7 Q. Perfect. The page number that I refer to is  
8 going to be the exhibit page number in the top -- should  
9 be the top right-hand corner, if you could turn to  
10 Page 14.

11 A. I'm there.

12 Q. Perfect.

13 Referring to Line 17 to 19, do you see that the  
14 speaker is Chad Stokes, representing the Alliance of  
15 Western Energy Customers?

16 A. I want to make sure that I'm on the right page  
17 because you said Page 14?

18 Q. I did. Page 14, Line 17 to 19.

19 A. I believe that Page 14 on the upper right-hand  
20 column is Mr. Pilianas (phonetic).

21 Q. You are correct. I have my page numbers mixed  
22 up. Page 15 of the exhibit. If I was referring to  
23 Page 14 of the actual transcript, my apologies.

24 A. No worries.

25 Yes. I now see the page that you mentioned

1 Mr. Stokes is responding.

2 Q. Okay. I have another page reference, and I  
3 want to double check that it's the same before I send  
4 you someplace where we're not going.

5 Okay. If you could turn to Page 17 of the  
6 exhibit and look at Lines 7 through 15.

7 A. Yes. I'm there.

8 Q. There Chad Stokes referred to the same request  
9 for clarification about using pipe diameter to allocate  
10 costs; correct?

11 A. Yes.

12 Q. And on that same page, Lines 18 through 20,  
13 Chad Stokes states, AWEC urges the commission to make  
14 clear that the size of pipe can be used to allocate the  
15 cost to certain customers.

16 Is it your understanding that the commission  
17 did not adopt AWEC's request and its order or in  
18 WAC 480-85-060?

19 A. That's my understanding. And I also understand  
20 that the commission's rules allow for a party to request  
21 an exemption. And so to the extent that an exemption is  
22 required to the commission to consider my recommendation  
23 with Nucor's, I make such a request.

24 Q. Do you recognize that WAC 480-85-060 represents  
25 a compromise reached during the rulemaking, and to reach

1 that compromise, the commission considered arguments  
2 from several experts representing a wide range of  
3 interests?

4 A. As I did not participate directly in that, I --  
5 you know, I -- I don't have a reason to dispute your  
6 characterization of it.

7 But I don't know firsthand of any of the  
8 compromises that may have been reached or concluded, you  
9 know. I'm really simply arguing, you know, a specific  
10 point -- principle here, but I hope the commission will  
11 reconsider.

12 Q. Comparing your proposal to what is set out in  
13 WAC 480-85-060 for allocating gas mains, you rejected  
14 certain aspects and accepted certain aspects.

15 Is that a correct characterization?

16 A. I'm not quite sure what you -- you're referring  
17 to, so maybe could you please clarify that?

18 Q. Sure. And maybe taking a different approach to  
19 it, we can go through the different aspects.

20 You reject allocating small mains to large  
21 volume customers and instead recommend that the  
22 commission allocate mains based on the pipe size; is  
23 that correct?

24 A. Yes.

25 Q. And the effect of this would be to allocate

1 less cost to large volume customers and more cost to  
2 small volume customers; correct?

3 A. Yes. But I think the magnitude is important.  
4 Changing this allocation, as I'm proposing, would  
5 reverse a 67 percent increase in rate base to  
6 Schedules 87 and 87T and would result in less than a  
7 1 percent increase in gross.

8 So directionally, it does move in the direction  
9 you're describing, but it has -- you know, not  
10 allocating mains the way I'm recommending has a very big  
11 negative impact on classes like 87 and 87T and a very  
12 small almost negligible impact on other classes.

13 Q. You also accept the use of system load factor  
14 for the weighting between peak and average under the  
15 peak and average methodology; correct?

16 A. Yes.

17 Q. By accepting the system load factor, this  
18 allows less cost to be assigned to large volume  
19 customers and measure cost to be assigned to small  
20 volume customers; is that correct?

21 A. The system load factor is the standard way of  
22 using the peak and average method. So that, you know,  
23 when you say, by accepting it, I'm, you know, agreeing  
24 with some sort of cost shift, but simply accepting the  
25 growth factor of weighting means I'm accepting the

1 standard approach for using the peak and average method  
2 for gas cost allocation.

3 Q. My question goes more towards the impact of  
4 that particular part of the WAC.

5 And so yes, it is part of the standard, but the  
6 impact of that standard does allow less cost to be  
7 assigned to large volume users and more cost to be  
8 assigned to small volume users; correct?

9 A. I don't -- I don't really agree with that.  
10 Let's -- if we take a step back, the peak and average  
11 method in the first place is a method that is used to --  
12 for the purpose of allocating substantial costs to large  
13 volume users because there is a volumetric component to  
14 it.

15 I mean, there are other methods that -- for  
16 allocating, you know, gas system costs that don't even  
17 use -- and so the very fact that peak and average is  
18 being used in the first place is -- is the adoption of a  
19 method that, by design, allocates substantial costs to  
20 high volume users.

21 Now, I think what you're asking me about is,  
22 well, does the fact that the volumetric component is  
23 weighted by system load factor -- does that provide, you  
24 know, a benefit to the large volume users?

25 And I would just say, well, the method in the

1 first place is the method that is designed to make sure  
2 that large volume users get allocated substantial costs.

3 Using the system load factor does provide a  
4 lower allocation of those costs than using some  
5 arbitrary number like 50 percent.

6 So I think if that's what you're, you know,  
7 wanting me to get out of the question, I would agree  
8 with you, that 50 percent would be a larger allocation,  
9 but that would be, in my view, an arbitrary average.

10 Q. You also accept the use of design day demands  
11 within the determination of peak demands instead of  
12 using actual test year peak day demands; correct?

13 A. Yes. I -- I accept all of the assumptions that  
14 Puget Sound Energy used in its analysis, with the sole  
15 exception of the allocation of the small and medium  
16 means.

17 Q. And similar to what we talked about in terms of  
18 the system load factor, benefits to the large volume  
19 customers, using design day demands also allows less  
20 cost to be assigned to large volume users and more costs  
21 to be assigned to small volume users as compared to  
22 using the test year peak demand days; correct?

23 A. The design day demand appropriately allocates  
24 more costs to classes that are rather sensitive, and to  
25 the extent that large volume users are less weather

1 sensitive than it, you know, allocates fewer costs to  
2 them than a historical test period, I agree with that as  
3 we discussed previously.

4 MS. GAFKEN: Okay. Thank you very much. I  
5 have no further questions.

6 THE WITNESS: Thank you.

7 JUDGE HUGHES: Any redirect?

8 MS. BAKER: None, Your Honor.

9 JUDGE HUGHES: Thank you. You are -- any  
10 questions from the bench?

11 You are dismissed. Thank you.

12 THE WITNESS: Thank you.

13 JUDGE HUGHES: Okay. I'm going to --  
14 confirming Mike Gorman, Greg Meyer will not be available  
15 before 1:00?

16 MS. JOHANSON-KUBIN: Yes. That's correct.

17 JUDGE HUGHES: Okay. I'm not angry. I'm a  
18 little disappointed, but we'll proceed with written  
19 bench requests for that.

20 And I believe that brings us to the end of  
21 cross-examinations. So I have a few other items before  
22 we get out of here.

23 For the public comment, how long does public  
24 counsel need to compile any public comments received  
25 regarding this proceeding?

1 MS. JOHANSON-KUBIN: I believe that we  
2 traditionally ask for it to be due one week after the  
3 hearing.

4 JUDGE HUGHES: Okay. So November 12th? Or  
5 is the -- there's a holiday.

6 MS. JOHANSON-KUBIN: Yes. Let me check my  
7 calendar.

8 COMMISSIONER RENDAHL: We may have discussed  
9 that during the public comment hearing, and I'm not  
10 recalling at this moment what we decided.

11 MS. JOHANSON-KUBIN: Yes. We did discuss it  
12 at the public comment hearing.

13 CHAIR DANNER: We did. And I believe we  
14 agreed that the close of business on November 12th would  
15 be the appropriate deadline for that exhibit.

16 JUDGE HUGHES: Okay. Well, close of  
17 business November 12th it is.

18 And we will designate that as a bench exhibit  
19 and number it as, I think, Bench Exhibit 1. It will be  
20 filed in the docket on the 12th.

21 So that brings us to briefs. A few issues  
22 here. We have one round of post-hearing briefs due  
23 December 4th, 2024. Just based off of the -- we have an  
24 election going on today, which may impact the length of  
25 this brief.



1           So assuming nothing is repealed and nothing  
2 changes, how many pages would the parties like, starting  
3 with staff?

4           MS. GAFKEN: I think the standard 60 should  
5 be sufficient. I realize that this is a very large case  
6 with lots of issues, so I think we're also amenable to a  
7 different length if other parties strongly feel that  
8 they need more, but I think 60 should be sufficient.

9           JUDGE HUGHES: So any strong feelings  
10 amongst the parties? I'll start with PSE.

11           MS. CARSON: PSE requests more than 60  
12 pages. I mean, PSE has to respond to -- there's ten  
13 different parties, and we pretty much have to respond to  
14 all of them. Whereas, other parties don't necessarily  
15 need to do that. They have limited issues.

16           So I think -- I think the fair way would be for  
17 PSE to have more pages than other parties, but at a  
18 minimum, I think we would want, you know, either 75  
19 pages or just not have a page limit since there is no  
20 opportunity for reply brief.

21           JUDGE HUGHES: Okay. Before we -- oh --  
22 Joint Environmental Advocates?

23           MR. HASSELMAN: We will not be filing a  
24 60-page brief. We'll file something shorter than that.

25           JUDGE HUGHES: Very good. AWEC?

1 MS. MOSER: I expect we will also have a  
2 brief shorter than 60 pages, but I'm not particularly  
3 worried about a page limit or not having one.

4 JUDGE HUGHES: Okay. Any of the parties on  
5 the line outside of the room?

6 MS. JOHANSON-KUBIN: Public counsel feels 60  
7 pages is sufficient.

8 JUDGE HUGHES: Okay. The Energy Project?

9 MR. ZAKAI: Good morning. The Energy  
10 Project will file a brief less than 60 pages and has no  
11 preference. Thank you.

12 JUDGE HUGHES: Very good. Nucor?

13 MR. XENOPOULOS: That's more than adequate  
14 for us. Thank you, Your Honor.

15 JUDGE HUGHES: Very good. Federal agencies?

16 MS. LIOTTA: Yes, Your Honor. I think we  
17 will not have a brief that long, so 60 pages is more  
18 than enough for us. Thank you.

19 JUDGE HUGHES: Very good. Fred Meyer?

20 MR. BOEHM: Thank you, Your Honor. 60 pages  
21 is more than enough for us.

22 JUDGE HUGHES: Very good. Walmart?

23 MS. CAVIGLIA: Thank you, Your Honor. We  
24 are the same. 60 pages is more than we'll need.

25 JUDGE HUGHES: Fantastic. Microsoft.

1 UNIDENTIFIED SPEAKER: Sixty is fine for  
2 Microsoft. Thank you.

3 JUDGE HUGHES: I apologize. Did I forget  
4 any party?

5 All right. So that's the easy of the brief  
6 questions.

7 There is an election going on and -- as I  
8 mentioned, and the outcome of some initiatives may have  
9 some impacts on this proceeding.

10 COMMISSIONER RENDAHL: I guess just in  
11 response to Puget Sound Energy, I think 75 is fine with  
12 75.

13 JUDGE HUGHES: Okay.

14 COMMISSIONER RENDAHL: I don't know about my  
15 colleagues.

16 CHAIR DANNER: Yeah. I don't have a problem  
17 with 75, and I -- we have commitments from many other  
18 parties that their briefs will be less than 60, so we  
19 can deal with that. But, no, seriously a 75-page limit  
20 would be fine.

21 I would also make some accommodation if there  
22 are any developments this evening that -- that we need  
23 to be informed about. You know, I would want to allow  
24 the parties at least five pages to discuss that and any  
25 impacts that they feel that we need to know.

1 JUDGE HUGHES: Okay.

2 COMMISSIONER RENDAHL: Just curious what the  
3 parties -- what your thoughts are in terms of additional  
4 pages you would need.

5 Do we think five could work? But, again, this  
6 is potentially significant.

7 MS. CARSON: So would this be five pages in  
8 addition to the 75? Is that what we're talking about?

9 CHAIR DANNER: That's what I'm thinking.  
10 And, of course, if we read these and we feel our brains  
11 are going to explode, we might have to have more  
12 briefing or something, but that's where I would like to  
13 start.

14 MS. CARSON: I think that makes sense, from  
15 PSE's perspective.

16 MS. GAFKEN: That make sense to staff as  
17 well.

18 JUDGE HUGHES: Okay. Let's give an  
19 opportunity for any objections?

20 Hearing nothing, we will do the 75 pages with  
21 an optional plus five, depending.

22 Are there any questions from the parties?

23 Hearing nothing, once more, is there anything  
24 else we need to address today?

25 Okay. Good. Thank you to all the parties,

1 witnesses, and representatives. Your professionalism  
2 made this go very smoothly, and I appreciate that, so  
3 thank you.

4 We are adjourned and off the record. Thank  
5 you.

6 (Hearing concluded at 11:19 a.m.)

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C E R T I F I C A T E

STATE OF WASHINGTON

COUNTY OF THURSTON

I, ANDREA L. CLEVINGER, a Certified Court Reporter in and for the State of Washington, do hereby certify that the foregoing transcript of the evidentiary hearing on November 5, 2024, is true and accurate to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 20th day of November, 2024.

ANDREA L. CLEVINGER, CCR, RPR #3041

My commission expires:

DECEMBER 19, 2025