

**EXHIBIT NO. \_\_ (JHS-6T)  
DOCKET NO. UG-040640/UE-040641  
2004 PSE GENERAL RATE CASE  
WITNESS: JOHN H. STORY**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UG-040640  
Docket No. UE-040641**

**SUPPLEMENTAL PREFILED DIRECT TESTIMONY  
OF JOHN H. STORY (NONCONFIDENTIAL)  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**JUNE 2, 2004**

1 **PUGET SOUND ENERGY, INC.**

2 **SUPPLEMENTAL PREFILED DIRECT TESTIMONY OF**

3 **JOHN H. STORY**

4 **I. INTRODUCTION**

5 **Q. Are you the same John H. Story who prefiled direct testimony in this case,**  
6 **Docket Nos. UG-040640 and UE-040641, on April 5, 2004?**

7 A. Yes.

8 **Q. What is the purpose of your supplemental testimony?**

9 A. On May 13<sup>th</sup>, the Commission issued Order No.14 in Docket No. UE-031725, the  
10 Company's power cost only rate case ("PCORC"). Order No. 14 authorized the  
11 Company to increase its Schedule 95 rates by \$44,112,960, which is \$10,374,856  
12 less than the Company had requested as of its rebuttal filing in the PCORC case.  
13 In addition, while the Commission ordered that 100% of the return on the Tenaska  
14 regulatory asset could be recovered from customers when total costs associated  
15 with Tenaska are below a benchmark price and gas purchase decisions are deemed  
16 prudent, when the total costs associated with Tenaska are above the benchmark  
17 price, and gas purchase decisions are deemed prudent, then all the return that falls  
18 under the benchmark and half of the return that exceeds the benchmark are to be  
19 allowed for rate recovery.

1 **Q. Does Order No. 14 change the Company's calculation of its revenue**  
2 **deficiency in its general rate case filing?**

3 A. Yes, the revenue deficiency for Docket UE-040641, the electric general rate case  
4 filing, needs to be adjusted. In calculating the revenue requirement for its original  
5 general rate case filing, the Company used the revenue deficiency that was filed in  
6 its rebuttal testimony in the PCORC case, \$54,481,144, to proform the general  
7 rate case test year revenues to reflect revenues the customers would have paid if  
8 the requested PCORC rates had been in effect throughout the test year.

9 **Q. Are there additional changes that need to be made due to Order No. 14?**

10 A. Yes. The power costs set forth in PSE's original general rate case filing reflected  
11 a 100% recovery of the return on the Tenaska regulatory asset. As total costs for  
12 Tenaska during the general rate case rate year are projected to be above the  
13 benchmark price established by the Commission in Order No. 14 when the return  
14 on the regulatory asset is included, the return on the regulatory asset needs to be  
15 adjusted as directed in the PCORC Order No. 14.

16 **Q. Would you please identify which of your revenue requirement Exhibits are**  
17 **impacted by these changes?**

18 A. Yes. Exhibit No. \_\_\_\_ (JHS-E3), page 2.02, General Revenues Adjustment, line  
19 14, changes to \$44,192,861 from \$54,567,717 to reflect the difference in revenues  
20 allowed in the PCORC filing. The impact on this adjustment is to increase net  
21 operating income by \$116,819,939 instead of \$123,253,360 as originally filed.

1 Exhibit No. \_\_\_\_ (JHS-E3), page 2.03, Power Costs, has a new line 3 inserted,  
2 labeled Tenaska disallowance, which adjusts the return on this regulatory asset to  
3 50% recovery. This change is also reflected in Ms. Ryan's revised Exhibit No.  
4 \_\_\_\_ (JMR-10), which is being submitted with this filing. The change to net  
5 operating income is to decrease net income by \$32,191,708 instead of lowering  
6 net income \$38,095,594 as originally filed.

7 Exhibit No. \_\_\_\_ (JHS-E3), page 4.05, General Rate Increase, changes to reflect  
8 the two adjustments described above and the revenue requirement deficiency is  
9 \$82,299,254 instead of \$81,446,431.

10 These three adjustments also carry forward to the summary page for Exhibit No.  
11 \_\_\_\_ (JHS-E3) and Sales to Customers after the rate increase is now  
12 \$1,497,124,832 instead of \$1,506,646,865 as originally filed.

13 **Q. Are you submitting revisions to Exhibit No. \_\_\_\_ (JHS-E3) with this**  
14 **supplemental testimony?**

15 A. Yes. I have marked amounts that have changed from the original with black  
16 outlining.

17 **Q. Is the Company planning on filing new tariffs to reflect this change in**  
18 **revenue requirement?**

19 A. Not at this time. The supplemental testimony for Ms. Paulson and Mr. Heidell  
20 discuss the impact of this change for customers, which is relatively minimal. The

1 tariff sheets for the original general rate case filing are currently suspended for  
2 review, and the Company typically does not file revised proposed tariff sheets to  
3 reflect changes that may be made to the original proposed revised tariff sheets  
4 during the course of a general rate case. Other adjustments will almost certainly  
5 be made along the way in this case to reflect agreed upon issues, updating of  
6 estimates to actuals, and the like, many of which will net against each other with  
7 respect to the ultimate impact on individual tariff sheets. Ultimately, the  
8 Company will file new tariff sheets in its compliance filing after the Commission  
9 issues an Order authorizing a rate change that reflects all adjustments to the  
10 Company's original filing as well as the Commission's determination regarding  
11 the fair, just, reasonable and sufficient rates to be charged to customers.

12 **Q. Are there any other of your Exhibits which are impacted by this change?**

13 A. Yes. Exhibit No. \_\_\_ (JHS-4), page Exhibit A-1 Power Cost Rate, which  
14 calculates the new Baseline Rate for the Power Cost Adjustment would change.  
15 The Baseline Rate that reflects these changes would be \$48.481 instead of  
16 \$48.951. I am submitting a revised page Exhibit A-1 Power Cost Rate for  
17 Exhibit No. \_\_\_ (JHS-4) with this filing.

18 **Q. Have you provided workpapers to Commission Staff and other parties that**  
19 **reflect these changes?**

20 A. Yes. Replacement pages of my workpapers supporting these revisions have been  
21 provided to all parties.

1 **Q. Does this conclude your supplemental testimony?**

2 **A. Yes.**

3 [BA041490014 / 07701-0089]