

EXHIBIT NO. _____ (BAL-1ETC)
DOCKET NO. _____
2001 PSE RATE CASE
WITNESS: BARBARA A. LUSCIER

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

**DIRECT TESTIMONY OF BARBARA A. LUSCIER
ON BEHALF OF PUGET SOUND ENERGY, INC.**

NOVEMBER 26, 2001

1 **PUGET SOUND ENERGY, INC.**

2 **DIRECT TESTIMONY OF BARBARA A. LUSCIER**

3
4 **Q: Please state your name, business address, and present position with Puget Sound Energy.**

5 A: My name is Barbara A. Luscier and I am a Regulatory Consultant in Revenue
6 Requirements at Puget Sound Energy. My business address is 411 108th Avenue
7 NE, Bellevue, Washington 98009-9734.

8 **Q: What topics will you be covering in your testimony?**

9 A: I will explain some of the various adjustments to the results of operations for the
10 current test period which appear in the summary schedule of all the pro forma and
11 restating adjustments, pages E3-A through E3-D, Exhibit KRK-E3. These
12 adjustments consist of: Directors and Officers Insurance (2.06), Conservation
13 (2.07), Bad Debts (2.08), Depreciation/Amortization (2.09), Miscellaneous
14 Operating Expense (2.10), Property Taxes (2.11), Interest on Customer Deposits
15 (2.12), Excise Tax and Filing Fee (2.14), Property Sales (2.17), Wage Increase
16 (2.18), Employee Insurance (2.19), Investment Plan (2.20), Storm Damage (2.23),
17 Rate Case Expense (2.24), Postage (2.25), Property and Liability Insurance (2.26),
18 and Pension Plan (2.27).

19 **Q: Would you please provide a brief description of your educational and business experience?**

20 A: Please see Exhibit BAL-E2.

21 **Q: Please describe each adjustment, explain why it is necessary, and identify the effect on operating income or rate base.**

22 A: I will explain the adjustments in the same order as they are shown on the summary
23 schedule of Mr. Karzmar's Exhibit KRK-E3.

1 **Director and Officer Insurance**

2 This restating adjustment, shown on page 2.06, removes the portion of the
3 first layer of Director and Officer insurance allocated to subsidiaries. The amount
4 is determined by dividing non-utility assets by Puget Sound Energy assets. The
5 second layer of Directors and Officers insurance is recorded below the line.

6 The effect of this adjustment is to increase net operating income by
7 \$7,106.

8 **Conservation**

9 This restating and pro forma adjustment, shown on page 2.07, removes the
10 amortization associated with the conservation rider. Amortization related to the
11 1997 Conservation Trust is also removed as the Trust has been extinguished, and
12 the rate base has been reduced accordingly. Amortization related to the 1995
13 Conservation Trust has been reduced to the level of trust payments expected in the
14 rate year. A pro forma adjustment has been made to reflect the appropriate 1995
15 Conservation Trust balance for the rate year. A pro forma adjustment has been
16 made to remove non-rider conservation expenses which will be passed through to
17 customers through the conservation rider along with other conservation
18 expenditures going forward.

19 The effect of this adjustment is to increase net operating income by
20 \$24,782,927, and decrease rate base by \$42,533,898.

21 **Bad Debts**

22 This pro forma adjustment calculates the average percentage of bad debt
23 write-offs for the last five years. As in prior general rate cases, this average
24 percentage is used to calculate the expected write-off for bad debts based on the
25 test year revenues.

26

1 This adjustment, as shown on page 2.08, decreases net operating income
2 by \$96,734.

3 **Depreciation and Amortization**

4 During the second half of this year, the Company completed a new
5 depreciation study, as described in the testimony of Julius Breitling. Test year
6 depreciation has been restated based on the Average of Monthly Averages using
7 the rates from the recent depreciation study. Amortization related to amounts
8 deferred representing the difference between the net book value and fair value of
9 assets transferred to the Company's subsidiary Connex have been removed
10 through a pro forma adjustment as the amortization period ends December 31,
11 2001. An adjustment to annualize the amortization of WUTC authorized AFUDC
12 has also been made.

13 This restating and pro forma adjustment, shown on page 2.09, increases
14 net operating income by \$35,174 and increases rate base by \$17,587.

15 **Miscellaneous Operating Expense and Rate Base**

16 This restating and pro forma adjustment, shown on page 2.10, adjusts the
17 test year for various items. Incentive plan payments based on a calendar year have
18 been adjusted to the twelve months ended June 30, 2001. Associated payroll taxes
19 have been adjusted accordingly. The Company's costs related to development
20 planning of its North Bend Site which were written-off during the test period has
21 been removed from operating expense. Amortization for CLX Phases 2 through 4
22 which went into service at different times within the test year have been
23 annualized, and the rate base has been adjusted accordingly. Amortization of the
24 gains related to the sale of SO2 allowances which were sold at various times
25 within the test year has been annualized. Supplemental Executive Retirement Plan
26 expense has been adjusted for the increase expected in the rate year. An

1 adjustment has been made to operating expense and rate base to include the
2 expected increase in costs related to the expansion of the Personal Energy
3 Management Program. An adjustment has been made to include the contractual
4 increases in utility locating expense and added herbicide plan costs. An
5 adjustment had been made to annualize the effect upon rate base of utility
6 property that had been transferred from future use to non-utility during the test
7 year. An adjustment has been made to increase rate base for construction work in
8 progress that was in service but had not been transferred to plant in the test year.
9 An adjustment has been made to include Snoqualmie Hydro Plant relicensing
10 costs, currently recorded in construction work in progress, which are expected to
11 be transferred to plant in service before the rate year.

12 The effect of this adjustment is to lower net operating income by
13 \$10,804,977 and to increase rate base by \$15,023,568.

14 **Property Taxes**

15 This pro forma adjustment, shown on page 2.11, reflects the estimated
16 property tax levy rates to be paid in 2001 based upon 2001 value. These rates
17 will be adjusted to actual during the course of this proceeding.

18 The effect of this adjustment is to lower net operating income by
19 \$2,311,387.

20 **Interest on Customer Deposits**

21 This pro forma adjustment to operating income is the result of customer
22 deposits being treated as a reduction to rate base. This presentation is consistent
23 with decisions in prior general rate cases, and as shown on page 2.12, reduces net
24 operating income by \$393,721.

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
26

Excise Tax and Filing Fee

This restating adjustment, shown on page 2.14, adjusts the test year estimates to actual expense for the Washington Utility Tax and filing fee.

The effect of this adjustment is to decrease net operating income by \$372,520.

Property Sales

The purpose of this restating and pro forma adjustment is to provide the customer with the net gains or losses from sales of utility real property since the last general rate case. The amount of the net gain is amortized over a three-year period, with the deferred amount included in working capital.

The adjustment to rate base shown on line 25 removes the asset balances on an average-of-monthly-averages basis from the test year.

This adjustment, shown on page 2.17, increases net operating income by \$2,672,453 and decreases rate base by \$3,502,158.

Xxxx Xxxxx

XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX

1 XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
2 XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
3 XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX
4 XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX XXXX XXX XXXX.
5 XXXXXXXXXXXX XXXXX XX XXXX XXXX, XXXXXXXXXXX XXX XXXXX.

6 **Employee Insurance**

7 This pro forma adjustment updates the test year insurance payments to the
8 amount that will be experienced in the rate year. For union employees, this rate is
9 known. For salaried employees, an estimate reflecting the expected 10% increase
10 has been used. This estimate will be updated to actual during the course of these
11 proceedings.

12 These costs are allocated to expense, construction and other accounts
13 based on the percentage of payroll charged to these accounts during the test year.
14 The portion of the insurance payments associated with expense during the test
15 year has been determined to be 54%. This adjustment corrects the amounts
16 actually charged to expense to reflect the appropriate 54% allocation.

17 The effect of this adjustment, shown on page 2.19, is to decrease net
18 operating income by \$1,172,939.

19 **Investment Plan**

20 This pro forma adjustment, shown on page 2.20, adjusts the Company
21 portion of investment plan expense to reflect the additional expense associated
22 with the wage increase.

23 Net operating income is decreased by \$125,363 as the result of this
24 adjustment.

1 **Storm Damage**

2 This pro forma adjustment, shown on page 2.23, reflects the difference
3 between the test year expense level of "normal" storms to that of the six-year
4 average. The six-year average is used to determine the annual expense allowed
5 for ratemaking purposes. Also, deferred balances related to catastrophic storms
6 are amortized over three years.

7 The effect of this adjustment is to decrease net operating income by
8 \$4,345,485.

9 **Rate Case Expenses**

10 As in prior general rate cases, this pro forma adjustment, shown on page
11 2.24, calculates the expected costs for this case and amortizes them over three
12 years. This adjustment will be updated during the course of the proceeding.
13 The effect of this adjustment is to decrease net operating income by \$189,584.

14 **Postage**

15 The purpose of this pro forma adjustment, shown on page 2.25, is to
16 reflect the increase in postage expense expected in the rate year based on known
17 rate changes and expected volume changes.

18 The effect of this adjustment is to reduce net operating income by
19 \$323,085.

20 **Property and Liability Insurance**

21 This pro forma adjustment, shown on page 2.26, reflects the expected
22 increases in property and liability insurance since the test year. This adjustment
23 will be updated during the course of the proceeding.

24 The effect of this adjustment is to reduce net operating income by
25 \$254,313.

26

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
26

Pension Plan

This restating adjustment, shown on page 2.27, adjusts the test year to reflect only cash contributions to the Company's qualified retirement fund.

The effect of this adjustment is to reduce net operating income by \$4,429,640.

Q: Does this conclude your testimony?

A: Yes.

[SA013290002]

EXHIBIT NO. _____ (BAL-E2)
DOCKET NO. _____
2001 PSE RATE CASE
WITNESS: BARBARA A. LUSCIER

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

PROFESSIONAL QUALIFICATIONS OF BARBARA A. LUSCIER
ON BEHALF OF PUGET SOUND ENERGY, INC.

1 **PUGET SOUND ENERGY, INC.**

2 **PROFESSIONAL QUALIFICATIONS OF BARBARA A. LUSCIER**

3
4 **Q. Please state your name, business address, and occupation.**

5 A. My name is Barbara A. Luscier. My business address is 411 108th Ave N.E.,
6 OBC-03W, Bellevue, WA 98004-5515. I am employed as a Regulatory
7 Consultant in the Revenue Requirements Department of Puget Sound Energy.

8 **Q. Would you please provide a brief description of your educational and
9 business background.**

10 A. Yes. I graduated from the State University of New York, Magna Cum Laude, in
11 1988 with a Bachelor of Science degree in Accounting. I am a Certified Public
12 Accountant and a member of the New York State Society of Certified Public
13 Accountants. I have more than thirteen years of utility experience including
14 financial accounting and reporting, auditing, and regulatory accounting. I have
15 been employed by Puget Sound Energy since September 1997. For the most part,
16 I have worked in the Revenue Requirement Department since my employment
17 date.

18 **Q. Have you testified previously before the Commission?**

19 A. No.

20
21 [BA013290010]