

EXHIBIT NO. _____ (BAL-1GTC)
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 G3-A through G3-C, Exhibit KRK-G3. These
12 adjustments consist of: Depreciation/Amortization (2.02), Bad Debts (2.06),
13 Miscellaneous Operating Expense (2.07), Property Taxes (2.08), Conservation
14 (2.10), Property Sales (2.11), Wage Increase (2.12), Employee Insurance (2.13),
15 Investment Plan (2.14), Rate Case Expense (2.15), Postage (2.16), Property and
16 Liability Insurance (2.17), Excise Tax and Filing Fee (2.18), and Pension Plan
17 (2.19).

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

19 A: I will explain the adjustments in the same order as they are shown on the summary
20 schedule of Mr. Karzmar's Exhibit KRK-G3.

21 **Depreciation and Amortization**

22
23 During the second half of this year, the Company completed a new
24 depreciation study. The testimony of Julius Breitling and the results of his
25 depreciation study are included as Exhibit BAL-G2. Test year depreciation has
26

1 been restated based on the Average-of-Monthly-Averages using the rates from the
2 recent depreciation study. Amortization related to amounts deferred representing
3 the difference between the net book value and fair value of assets transferred to
4 the Company's subsidiary Connex have been removed through a pro forma
5 adjustment as the amortization period ends December 31, 2001. An adjustment,
6 to annualize the amortization of WUTC authorized AFUDC, has also been made.

7 This restating and pro forma adjustment, shown on page 2.02, decreases
8 net operating income by \$1,950,127 and decreases rate base by \$975,063.

9 **Bad Debts**

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

14 This adjustment, as shown on page 2.06, increases net operating income
15 by \$56,710.

16 **Miscellaneous Operating Expense and Rate Base**

17 This restating and pro forma adjustment, shown on page 2.07, adjusts the
18 test year for various items. Incentive plan payments based on a calendar year have
19 been adjusted to the twelve months ended June 30, 2001. Associated payroll taxes
20 have been adjusted accordingly. A restating adjustment has been made to remove
21 the amount of the write-off associated with the Tacoma Narrows Project. The
22 Company's costs related to development planning of its North Bend Site which
23 were written-off during the test period has been removed from operating expense.
24 Amortization for CLX Phases 2 through 4 which went into service at different
25 times within the test year have been annualized, rate base has been adjusted
26 accordingly. Supplemental Executive Retirement Plan expense has been adjusted

1 for the increase expected in the rate year. An adjustment has been made to
2 operating expense and rate base to include the expected increase in costs related to
3 the expansion of the Personal Energy Management Program. An adjustment has
4 been made to include the expected increase in utility locating costs. This amount
5 will be adjusted to actual during the course of the proceeding. An adjustment had
6 been made to annualize the effect upon rate base of utility property that had been
7 transferred from future use to non-utility during the test year. An adjustment has
8 been made to increase rate base for construction work in progress that was in
9 service but had not been transferred to plant in the test year.

10 The net effect of this adjustment is to decrease net operating income by
11 \$4,988,826 and increase rate base by \$3,329,126.

12 **Property Taxes**

13 This pro forma adjustment, shown on page 2.08, reflects the estimated
14 property tax levy rates to be paid in 2001 based upon 2001 value. These rates
15 will be adjusted to actual during the course of this proceeding.

16 The effect of this adjustment is to lower net operating income by
17 \$368,821.

18 **Conservation**

19 This restating and pro forma adjustment, shown on page 2.10, removes the
20 amortization associated with the conservation tracker. A pro forma adjustment
21 has been made to set amortization of other non-tracker deferred conservation cost
22 balances over a three-year period. A pro forma adjustment to remove non-tracker
23 conservation expenses which will be passed through to customers through the
24 conservation rider along with other conservation expenditures going forward.

25 The effect of this adjustment is to increase net operating income by
26 \$90,319.

1 **Employee Insurance**

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

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

12 The effect of this adjustment, shown on page 2.13, is to decrease net
13 operating income by \$541,638.

14 **Investment Plan**

15 This pro forma adjustment, shown on page 2.14, adjusts the Company
16 portion of investment plan expense to reflect the additional expense associated
17 with the wage increase.

18 Net operating income is decreased by \$57,890 as the result of this
19 adjustment.

20 **Rate Case Expenses**

21 As in prior general rate cases, this pro forma adjustment, shown on page
22 2.15, calculates the expected costs for this case and amortizes them over three
23 years. This adjustment will be updated during the course of the proceeding.

24 The effect of this adjustment is to decrease net operating income by
25 \$189,584.

26

1 **Postage**

2 The purpose of this pro forma adjustment, shown on page 2.16, is to
3 reflect the increase in postage expense expected in the rate year based on known
4 rate changes and expected volume changes.

5 The effect of this adjustment is to reduce net operating income by
6 \$206,389.

7 **Property and Liability Insurance**

8 This pro forma adjustment, shown on page 2.17, reflects the expected
9 increases in property and liability insurance since the test year. This adjustment
10 will be updated during the course of the proceeding.

11 The effect of this adjustment is to reduce net operating income by
12 \$218,561.

13 **Excise Tax and Filing Fee**

14 This restating adjustment, shown on page 2.18, adjusts the test year
15 estimates to actual expense for the Washington Utility Tax and filing fee.

16 The effect of this adjustment is to decrease net operating income by
17 \$774,420.

18 **Pension Plan**

19 This restating adjustment, shown on page 2.19, adjusts the test year to
20 reflect only cash contributions to the Company's qualified retirement fund.

21 The effect of this adjustment is to reduce net operating income by
22 \$2,045,495.

23 **Q: Does this conclude your testimony?**

24 A: Yes.

25 [BA013290009]

EXHIBIT NO. _____ (BAL-G2)
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PUGET SOUND ENERGY, INC.

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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.

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21
22 [BA013290009]