

1 **Prefiled Direct Testimony of James T. Owens**

2 **Introduction**

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

4 A. My name is James T. Owens. I am a principal in Fuel/Energy Consulting, Inc, P.O.  
5 Box 108, Orcas, Washington.

6 **Q. Please describe your professional training and experience.**

7 A. From 1974 to 1991, I worked for Portland General Electric, serving as an engineer;  
8 Manager, Fuel Operations; Manager, Power and Fuel Contracts; and General Manager  
9 of Power and Fuel Operations. Since 1991, I have been engaged in consulting in  
10 energy management, including serving as Regional Manager for Resource  
11 Management International (RMI) from 1993 to 1994. As a consultant, I have  
12 participated in RMI's Independent Engineers Report for the largest municipal bond  
13 offering in history for Long Island Power Authority; evaluated numerous fuel  
14 proposals for gas fired power projects in the Pacific Northwest; negotiated contracts  
15 to supply clients with economic gas supplies as the open market developed in natural  
16 gas; evaluated power markets and needs of utilities in the Pacific Northwest as well as  
17 other regions of the country. I hold a Bachelors Degree in Mathematics, a Masters  
18 Degree in Engineering, and Masters Degree in Business Administration. My resume  
19 is attached as Exhibit \_\_\_\_ (JTO-1).

20 **Q. Summarize your testimony in this matter.**

21 A. In my opinion, Puget provided less than acceptable quality of service for a public  
22 utility between December 24, 1998, and December 28, 1998. Although Puget

1 management and operations initially followed appropriate procedures in curtailing  
2 service to interruptible customers, the decision to continue the curtailment after  
3 December 24 was not well taken. There is evidence that Puget operations personnel  
4 believed that the distribution system was stable by December 24, 1998, and that  
5 distribution system capacity may have been sufficient to meet the estimated  
6 requirements of all firm and interruptible customers between December 24 and  
7 December 28, 1998. However, the evidence indicates that Puget management did not  
8 review or monitor the decision to continue the curtailment over the holiday weekend.  
9 In addition, Puget's application of its priority of service rules was unfair to its  
10 interruptible customers. The distribution system was not harmed by Kimberly-  
11 Clark's use of transportation service from December 24 to December 28, and  
12 Kimberly-Clark's gas supply may even have benefited Puget during the period from  
13 December 19 through December 22, 1998.

14 **Quality Of Service**

15 **Q. Please explain the basis for your opinion that Puget provided less than**  
16 **acceptable quality of service for a public utility between December 24, 1998 and**  
17 **December 28, 1998.**

18 A. In my experience as a utility employee, a public utility must provide service that is  
19 safe, adequate, efficient, just, and reasonable. This obligation includes the duty to  
20 provide adequate service to the extent possible during unusual weather events. That  
21 obligation also requires a public utility to make every effort to restore service to all  
22 customers as quickly as possible after major outage or curtailments. Puget provided

1        no interruptible sales or transportation service from December 19, 1998, to December  
2        28, 1998, by curtailing service to interruptible customers on its distribution system.  
3        Puget’s continuation of the curtailment for the period from December 24, 1998, to  
4        December 28, 1998, does not appear to be justified.

5        **Q.    Under what circumstances is Puget allowed to curtail interruptible**  
6        **transportation customers like Kimberly-Clark?**

7        A.    Rate Schedule 57 permits Puget to curtail interruptible transportation only if Puget  
8        determines that its “distribution system capacity is insufficient to meet the estimated  
9        requirements of firm sales customers, interruptible sales customers, and transportation  
10       customers.” However, when the distribution system capacity exceeds the capacity  
11       needed to meet firm loads, service to curtailed customers should be restored.

12                    Kimberly-Clark is a Rate Schedule 57 transportation customer. Puget’s  
13       contract with Kimberly-Clark provides for 14,000 therms of firm transportation and  
14       225,000 therms of interruptible transportation service per day.

15       **Q.    How does PSE make the decision to curtail customers?**

16       A.    According to the testimony of Heide Caswell, PSE bases this type of decision on  
17       information such as remote telemetry unit data, interruptible customer volumes,  
18       expected peak load, and weather forecasts as well as experience in operating and  
19       managing the distribution system and other criteria.

20       **Q.    In your opinion, was the initiation of the curtailment reasonable?**

21       A.    Yes. In my opinion, Puget management and operations initially followed appropriate  
22       procedures in curtailing service to interruptible customers. The curtailment appears to

1 have been justified from December 19, 1998 to December 24, 1998. The weather was  
2 cold, and Puget's system appears to have been under stress with the low pressures  
3 evident in the pen graphs provided by Puget.

4 **Q. What procedures did Puget follow in initiating the curtailment?**

5 A. From the information provided by Puget and depositions of Puget personnel, on  
6 Thursday, December 17, Puget began receiving weather forecasts of an unusual  
7 weather front. At that time, Heide Caswell, manager of operations planning, and  
8 other operations planning people, gas control personnel, and the gas system manager  
9 began reviewing distribution system pressures, evaluating areas where key operational  
10 action might be needed, and reviewing customers in those areas.

11 On Friday, December 18, 1998, a meeting was held with upper level  
12 management. Heide Caswell, Timothy Hogan, Gary Swofford, and others attended the  
13 meeting. At that time, Puget management decided that curtailment of some  
14 interruptible customers would be necessary.

15 On the morning of Saturday, December 19, 1998, further discussions were  
16 held between Heide Caswell and others to review the pressures and flows the system  
17 had experienced through that morning, the actions taken, the degree to which the  
18 system had rebounded as a result, the revised weather forecasts, the number of  
19 customer complaint calls, and the fact that snow had hit that morning. Gary Swofford  
20 and other senior management members were consulted by telephone. According to  
21 Timothy Hogan, the decision to curtail was based on a consideration of temperatures,  
22 weather forecasts, system pressures, modeling information concerning the expected

1 pressures, and expected performance of the system. The curtailment was called for 10  
2 p.m. on Saturday, December 19, 1998.

3 Throughout Saturday and Sunday, a management team including Timothy  
4 Hogan, Gary Swofford, Heide Caswell, and others continued to communicate  
5 regarding the conditions on the distribution system and the weather forecasts. The  
6 Emergency Operations Center was opened at the Mercer Street facility.

7 The Emergency Operations Center operated for the next few days. According  
8 to Heide Caswell's deposition, system pressures and customer complaints were  
9 monitored to detect distribution system constraints in particular areas. Based on  
10 Puget's Cold Weather Action plan, steps were taken to remediate constraints. In her  
11 deposition, Ms. Caswell testified that she began working at the Emergency Operations  
12 Center at 6:30 a.m. on Monday. It appears that Ms. Caswell and others worked long  
13 hours through the cold weather period

14 **Q. What is the basis for your opinion that the continuation of the curtailment after**  
15 **December 24 was not well taken?**

16 A. Several considerations form the basis for my opinion. First, there is some information  
17 supplied by Puget that suggests that Puget operations personnel believed that the  
18 distribution system was stable by December 24, 1998. Second, the weather had begun  
19 to warm up by December 24, 1998. It was rainy and remained warm through the  
20 holiday weekend. Third, Puget management decided on Thursday, December 24 to  
21 continue the curtailment through the holiday weekend, but there is no information that  
22 further review or reevaluation took place in light of changing conditions until the

1 morning of December 28. Finally, Puget decided not to read schedule 86 meters until  
2 the following Monday. This decision placed schedule 57 and other interruptible  
3 customers in the position of a continued curtailment.

4 **Q. What evidence suggests that Puget operations personnel believed that the**  
5 **distribution system was stable by December 24, 1998?**

6 A. According to Heide Caswell's deposition testimony, the distribution system was  
7 "stable enough" as early as December 22, 1998. On the 23<sup>rd</sup> and 24<sup>th</sup>, there was no  
8 loss of firm service. Puget's system pressures on-peak on December 23 were  
9 recovering from those experienced over the prior few days, and the forecasts began to  
10 indicate a warming trend. Puget operations personnel decided to close the Emergency  
11 Operations Center at approximately 2:00 p.m. on December 23.

12 **Q. Is there information that suggests Puget operations personnel believed that**  
13 **interruptible service could be resumed by December 24th?**

14 A. Yes. An email from Paul Riley dated December 22, 1998, at 6:56 p.m. noted that  
15 uncertainty in the forecast along with some distribution system problems required that  
16 the decision to resume should be postponed until the next day. However, Mr. Riley  
17 requested comments by email from a large group of individuals and stated:

18 At this point, resuming service to interruptible customers could occur  
19 Saturday with meter reads Saturday morning, and resuming service Saturday  
20 evening, calling would occur on Christmas Eve morning.

21 Although Mr. Riley sought comments, the only response that appears to have been  
22 received was one stating : "good idea – b-4 christmas – if weather permits." A copy

1 of this email chain is attached as Exhibit \_\_\_\_ (JTO-2).

2 **Q. Explain the basis for your statement that the weather warmed up by December**  
3 **24, 1998.**

4 A. According to Gas Day Weather Data supplied by Puget, which are attached as Ex.  
5 \_\_\_\_ (JTO-3), the high and low temperatures at SeaTac demonstrate the warming of  
6 the weather. Table 2 attached to my testimony shows those temperatures.

7 **Q. Why is this weather information significant?**

8 A. Gas supply and pipeline constraints tend to occur during periods of unusually cold  
9 weather due to high heating load demand on the system. Natural gas prices during the  
10 period from December 19 through December 28 reflect these demands. Gas prices  
11 during this period reflect the relationship between weather and gas prices.

12 **Q. Did PSE supply other information that suggests that Puget's distribution system**  
13 **capacity may have been adequate to serve firm and interruptible load between**  
14 **December 25 and December 28, 1998?**

15 A. Yes. The information on the pen graphs provided by Puget suggests that the  
16 distribution system was recovering by December 24<sup>th</sup>. The information is  
17 summarized on Table 1 attached to my testimony.

18 **Q. What evidence supports your statement that Puget management did not review**  
19 **or monitor Puget's December 24 decision to continue the curtailment over the**  
20 **holiday weekend?**

21 A. Puget provided no information that would suggest that there were continued  
22 management reviews of the circumstances that the distribution system was facing.

1 Puget decided on December 24, 1998, to continue the curtailment over the holiday  
2 weekend. Management involvement seems to have ceased at that point in time.

3 Mr. Hogan testified in his deposition that he made the ultimate decision to  
4 extend the curtailment beyond December 25, 1998. However, according to Mr.  
5 Hogan's testimony, he was at home from noon on December 24 until the morning of  
6 December 28, 1998. Puget provided no information to suggest that he had  
7 discussions or conversations with anyone about the curtailment during that period.

8 Heide Caswell, who was instrumental in the decision to call the curtailment on  
9 December 19, set up the Emergency Center, actively monitored and evaluated the  
10 condition of the distribution system during the week also was at home for the holidays  
11 from noon on December 24 until the morning of December 28. She does not appear  
12 to have had further involvement in the curtailment decision between December 24  
13 and December 28.

14 **Q. What is the significance of Puget's decision not to review or evaluate the need to**  
15 **continue the curtailment?**

16 A. The curtailment of service to Puget's interruptible customers might well have ended  
17 on December 24 or shortly thereafter. Absent extreme circumstances, a public utility  
18 has an obligation to serve its customers 24 hours a day, 365 days a year. Puget's  
19 decision to continue the curtailment over the holidays and not to continue to review  
20 the circumstances, in my opinion, is not in line with the utility's obligation to provide  
21 serve to its customers.



1 **Reasonable Application Of Priority Of Puget Service Rules**

2 Q. Does Puget has an obligation under Schedule 23 to restore service to Rate Schedule  
3 86 customers prior to Schedule 57 customer?

4 A. Yes.

5 **Q. In your opinion, was Puget's application of its priority of service rules a valid  
6 reason for not restoring service to Puget's other interruptible customers?**

7 A. No. Puget's application of its priority of service rules was unfair both to Rate  
8 Schedule 86 customers and to other interruptible customers like Kimberly-Clark.  
9 Puget appears to have decided not to restore service to Rate Schedule 86 because of  
10 its decision not to read the meters of those customers. Given a utility's obligation to  
11 serve its customers, Puget had an obligation to have read Rate Schedule 86 customer  
12 meters promptly and to have brought those customers back on line as soon as system  
13 gas constraints would allow. Puget's decision not to read meters for Schedule 86  
14 customers, along with Schedule 23's return to service rules, kept all interruptible  
15 customers curtailed. Many of these customers did not require that their meters be  
16 read prior to restoration of service.

17 **Q. Did Puget have meter readers available?**

18 A. Yes. According to the testimony of both Ms. Caswell and Mr. Hogan, meter readers  
19 could have been called to work over the Christmas holidays.

20 **Q. What is the basis for your statement that Puget decided not to put meter readers  
21 on duty over the holidays?**

22 A. Several documents provided by Puget state that meter readers had been put on

1 “holiday status,” and that Puget had no meter readers to read the meters of customers  
2 who had been curtailed. Two of these documents are attached as Exhibit \_\_\_\_ (JTO-4)  
3 and Exhibit \_\_\_\_ (JTO-5). One email drafted by a Puget employee states:

4 We did not have any meter readers to read the meters of those who were  
5 curtailed. It was a management decision to not call in our meter readers over  
6 the Christmas weekend and take them away from their families.

7 **Q. Was Puget’s decision not to put meter readers on duty over the holidays a valid**  
8 **reason to continue curtailment?**

9 A. No. According to the testimony of Puget witnesses, the only interruptible customers  
10 whose meters must be read before restoring service after a curtailment are Rate  
11 Schedule 86 customers for billing purposes. Rate Schedule 86 customers are not  
12 required to have telemetry or devices that permit Puget to read their meters  
13 automatically. Puget must read the Rate Schedule 86 meters before restoring their  
14 service in order to calculate penalties for this class of customer use during a  
15 curtailment. This is not the case for Schedule 57 customers, including Kimberly-  
16 Clark, who have remote meter reading equipment.

17 There seems to be no valid operational reasons to delay resumption of service  
18 to large customers only to read the meters of Rate Schedule 86. It is unfair to penalize  
19 large interruptible customers because Puget delayed reading the Rate Schedule 86  
20 customers’ meters.

1 Kimberly-Clark's Gas Usage

2 **Q. You indicated that Kimberly-Clark's gas usage did not harm Puget during the**  
3 **period from December 19 through December 28, 1998. What is the basis for**  
4 **your opinion?**

5 A. When Puget notified Kimberly-Clark of the curtailment, the plant took immediate  
6 actions to reduce gas loads to levels very close to its firm allowance of 14,000  
7 therms/day. On December 20, Kimberly-Clark's load was 13,408 therms/day. On  
8 December 21, Kimberly-Clark's load was 14,229 therms/day. On subsequent days,  
9 Kimberly-Clark's load was 11,224 therms/day and 13,613 therms/day. Kimberly-  
10 Clark did not increase its load until December 24, when its load increased above its  
11 firm allowance due to operational reasons.

12 Although Kimberly-Clark remained on line from December 24 to December  
13 28, Puget made no request to Kimberly-Clark to cut back on its usage. The  
14 distribution system thus apparently had the capacity to serve Kimberly-Clark's  
15 interruptible load during that period.

16 **Q. Why do you say that Kimberly-Clark's gas supply may even have benefited**  
17 **Puget during the period from December 19 through December 22, 1998?**

18 A. For the point that the curtailment was initiated by Puget on December 19 to December  
19 22, Kimberly-Clark delivered about 110,000 therms into Puget's system over the  
20 amount of gas the plant consumed. This gas was allocated to KC's balancing account  
21 and remained there throughout the curtailment.

22 These additional gas supplies provided to Puget's system reduced the demands

1 on Puget's own gas supply resources. This occurred during the gas supply price  
2 peak..

3 **Q. Do that conclude your direct testimony?**

4 **A. Yes.**