

**BEFORE THE**  
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
Complainant, ) DOCKETS UE-190529 and  
v. ) UG-190530 (*consolidated*)  
PUGET SOUND ENERGY, )  
Respondent. )

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In the Matter of the Petition of )  
PUGET SOUND ENERGY ) DOCKETS UE-190274 and  
For an Order Authorizing Deferral ) UG-190275 (*consolidated*)  
Accounting and Ratemaking Treatment )  
for Short-life UT/Technology Investment. )

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**CROSS-ANSWERING TESTIMONY OF BRIAN C. COLLINS**  
**ON BEHALF OF**  
**THE ALLIANCE OF WESTERN ENERGY CONSUMERS**

**January 15, 2020**

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Exhibit BCC-2: Qualifications of Brian C. Collins

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140,  
3 Chesterfield, MO 63017.

4 **Q. WHAT IS YOUR OCCUPATION?**

5 A. I am a consultant in the field of public utility regulation and a Principal of Brubaker &  
6 Associates, Inc., energy, economic and regulatory consultants.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
8 **EXPERIENCE.**

9 A. These are set forth in Exhibit BCC-2.

10 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

11 A. I am appearing on behalf of the Alliance of Western Energy Consumers (“AWEC”), an  
12 association of large energy users, some of whom are customers of Puget Sound Energy  
13 (“PSE” or the “Company”).

14 **SUMMARY & RECOMMENDATIONS**

15 **Q. WHAT IS THE PURPOSE OF YOUR CROSS-ANSWERING TESTIMONY?**

16 A. I will respond to the response testimony of Mr. Glenn A. Watkins on behalf of the  
17 Washington State Office of the Attorney General, Public Counsel Unit and Mr. Jason  
18 L. Ball on behalf of the Staff of the Washington Utilities and Transportation  
19 Commission (“Commission”). Specifically, I provide cross-answering testimony that  
20 rebuts Mr. Watkins’ recommendation to reject the Company’s natural gas class cost of  
21 service study and proposed class revenue allocation, and Mr. Ball’s recommendation to  
22 perform an updated economic bypass study for PSE’s natural gas special contract.

23 My silence in regard to any issue should not be construed as an endorsement of  
24 PSE’s position or any other party’s position.

1 **Q. PLEASE DESCRIBE YOUR RECOMMENDATIONS AND CONCLUSIONS.**

2 A. My recommendations and conclusions are as follows:

- 3 1. Company witness John D. Taylor's use of both the direct assignment of  
4 mains costs and small mains cost adjustments coupled with the Peak &  
5 Average ("P&A") capacity allocation methodology is appropriate. The  
6 direct assignment of main costs to the Special Contracts class and the  
7 exclusion of interruptible customers from the allocation of certain smaller  
8 mains costs, reflect the best and most accurate identification of the main cost  
9 used to serve these specific rate classes. A direct assignment of main costs  
10 to customer-specific classes along with small mains adjustments improve the  
11 accuracy of cost allocation regardless of the methodology used to allocate  
12 main costs across rate classes.
- 13 2. Mr. Watkins' objections to the Company's improvements contained in the  
14 natural gas P&A class cost of service study presented by Mr. Taylor are not  
15 based on the most accurate or reasonable allocation of capacity costs to rate  
16 classes and are therefore without merit. Mr. Watkins' primary objection is  
17 that the Company's improvements to its class cost of service study allocate  
18 more costs to the residential class. He provided no substantive evidence that  
19 the results of the Company cost allocation are not accurate or do not result  
20 in the most reasonable allocation of costs. The basis of his objections is  
21 merely results-oriented and is not based on cost-causative arguments.
- 22 3. If the Commission determines it is appropriate to use the P&A method to  
23 allocate distribution main costs to the Company's customer classes, then the  
24 Company's proposed class revenue allocation based on the Company's P&A  
25 class cost of service study containing the improvements described above  
26 should be used by the Commission in determining rates for the Company's  
27 customer classes. As a result, Mr. Watkins' alternate class revenue  
28 allocation should be rejected.
- 29 4. The Commission should reject Mr. Ball's recommendation to perform an  
30 updated economic bypass study underlying PSE's natural gas special  
31 contract. The economics of this contract were fully litigated and affirmed in  
32 PSE's last general rate case, and Mr. Ball's recommendation merely  
33 relitigates the same issues the Commission previously rejected.

1 **RESPONSE TO MR. WATKINS**

2 **Q. HAVE YOU REVIEWED THE RESPONSE TESTIMONY OF MR. WATKINS?**

3 A. Yes, I have reviewed Mr. Watkins' response testimony specifically with respect to the  
4 Company's proposed natural gas class cost of service study and proposed natural gas  
5 class revenue allocation.

6 **Q. HAS THE COMPANY USED THE P&A METHOD IN THIS RATE CASE TO**  
7 **ALLOCATE THE COSTS OF DISTRIBUTION MAINS TO CUSTOMER**  
8 **CLASSES?**

9 A. Yes. The Company has used the P&A method to allocate distribution main costs to its  
10 customer classes. The P&A method has been previously accepted by the Commission  
11 with respect to the allocation of the costs associated with distribution mains.

12 **Q. WHAT ARE MR. WATKINS' OBJECTIONS WITH RESPECT TO THE**  
13 **COMPANY'S P&A CLASS COST OF SERVICE STUDY?**

14 A. Mr. Watkins objects to certain improvements made by the Company to its P&A class  
15 cost of service study used to allocate main capacity costs across rate classes. He  
16 specifically objects to the removal of certain small mains costs for the interruptible  
17 classes, the direct assignment of main costs to the Special Contracts class, and the  
18 Company's use of a P&A capacity cost allocation for all capacity costs that cannot be  
19 directly assigned. As a result, Mr. Watkins recommends that the Company's class  
20 revenue allocation guided by the Company's proposed P&A class cost of service study  
21 be rejected and that his class revenue allocation be used instead to determine rates for  
22 the Company's customer classes.

1 **Q. DO YOU AGREE THAT THE P&A METHOD BEST REFLECTS CLASS COST**  
2 **CAUSATION WITH RESPECT TO THE ALLOCATION OF DISTRIBUTION**  
3 **MAINS COSTS?**

4 A. No, I do not because the P&A method used by the Company partially allocates the costs  
5 of distribution mains on total throughput. Because the Company does not use total  
6 throughput in the design of its system of distribution mains in order to provide sufficient  
7 capacity to meet the design day demands of its customer classes, the P&A method does  
8 not best reflect class causation. However, I am not specifically challenging the P&A  
9 cost allocation method in this case given the ongoing cost of service rulemaking. That  
10 being said, the Company's use of direct assignment and small mains adjustments  
11 combined with the P&A capacity cost allocation improves the accuracy of cost  
12 allocation as compared to the allocation of costs under a P&A class cost of service study  
13 without these improvements. The Company's proposal also more accurately reflects  
14 class cost causation as compared to Mr. Watkins' proposal to not use a direct assignment  
15 of cost where possible and to not implement small mains adjustments for interruptible  
16 customers.

17 The Company's use of direct assignment and small mains adjustments with the  
18 P&A allocation of capacity costs as described by Mr. Taylor on behalf of the Company  
19 in his direct testimony not only appropriately improves the cost-causation accuracy of a  
20 P&A only class cost of service study, but produces results that better reflect cost  
21 causation.

22 **Q. WHAT IS THE BASIS FOR THE IMPROVEMENTS TO THE ALLOCATION**  
23 **OF CAPACITY COSTS TO SPECIFIC RATE CLASSES IN THE COMPANY'S**  
24 **P&A CLASS COST OF SERVICE STUDY?**

25 A. According to the testimony of Company witness Taylor at page 12, the Company  
26 conducted a special study to determine the specific distribution mains utilized by the

1 Special Contracts customer class for gas delivery service. The costs of these distribution  
2 mains were then directly assigned by the Company to the Special Contracts class. Mr.  
3 Taylor also indicates at pages 17-18 of this testimony that based on a review of data  
4 concerning the utilization of smaller mains by interruptible customers, the Company  
5 also excluded interruptible customers from the allocation of certain smaller mains costs.

6 **Q. IS THE DIRECT ASSIGNMENT OF DISTRIBUTION MAINS COSTS**  
7 **APPROPRIATE?**

8 A. Yes. Direct assignment of costs best reflects cost causation. When information is  
9 available to determine the direct assignment of costs for a particular customer class or  
10 classes, direct assignment should be done.

11 Because the Special Contracts class includes only 10 customers out of a total  
12 system customer count of 830,647, it is likely much easier to determine what specific  
13 facilities provide these customers with gas delivery service as compared to a much  
14 larger customer class.

15 **Q. WHAT IS THE COMPANY'S POSITION WITH RESPECT TO DIRECT**  
16 **ASSIGNMENT?**

17 A. At page 6 of his direct testimony, Mr. Taylor states the following:

18 From a cost of service perspective, the best approach is a direct  
19 assignment of costs where costs are incurred for a customer or class of  
20 customers and can be so identified. Where costs cannot be directly  
21 assigned, the development of allocation factors by customer class uses  
22 principles of both economics and engineering.

23 **Q. DOES THE NARUC GAS DISTRIBUTION RATE DESIGN MANUAL**  
24 **RECOGNIZE THAT COSTS CAN BE DIRECTLY ASSIGNED?**

25 A. Yes. NARUC recognizes the direct assignment of costs. At pages 18-19 of the manual,  
26 NARUC states the following:

27 Direct costs are those which are incurred only to provide service to a  
28 particular customer class. Common costs are incurred in providing

1 service to more than one class. *The assignment of direct costs is straight-*  
2 *forward and should not be subject to debate.* (emphasis added)

3 **Q. MR. WATKINS CLAIMS THAT THE WASHINGTON COMMISSION**  
4 **REJECTED THE DIRECT ASSIGNMENT OF DISTRIBUTION MAINS COSTS**  
5 **BEFORE. HOW DO YOU RESPOND?**

6 A. The decision upon which Mr. Watkins relied is from 1992 or approximately 28 years  
7 ago. This decision should not preclude the Company from proposing direct assignment  
8 in this rate case, supporting its proposal with evidence in this rate case before the present  
9 Commissioners, and presenting its proposal before the present Commission for an  
10 appropriate determination. For example, the Company has used its Geographic  
11 Information System (“GIS”) system in its special study to determine the direct  
12 assignment of costs to the Special Contracts customer class. This is likely evidence not  
13 available to the Commission 28 years ago but now can be relied upon by the  
14 Commission in order to make a decision on the appropriateness of the direct assignment  
15 of main costs.

16 **Q. ARE THE SMALLER MAINS ADJUSTMENTS FOR INTERRUPTIBLE**  
17 **CUSTOMERS ALSO APPROPRIATE?**

18 A. Yes. When it can be determined that certain customers do not utilize certain sizes of  
19 distribution mains for service, it is appropriate to exclude them from the allocation of  
20 these mains costs. Small mains are unable to provide gas service in terms of pressure  
21 and volumes for larger users. Thus, it is appropriate to exclude them from the allocation  
22 of costs associated with these mains.



1 **Q. DOES MR. WATKINS TAKE ISSUE WITH WHETHER THE**  
2 **IMPROVEMENTS (DIRECT ASSIGNMENT AND SMALL MAINS**  
3 **ADJUSTMENT) INCLUDED BY MR. TAYLOR IN THE COMPANY’S P&A**  
4 **CLASS COST OF SERVICE STUDY REFLECT COST CAUSATION?**

5 A. From a review of Mr. Watkins’ testimony, he does not present any cost-based arguments  
6 to support his recommendation to reject the improvements to the Company’s P&A study  
7 supported by Mr. Taylor.

8 **Q. WHAT IS MR. WATKINS’ PRIMARY OPPOSITION TO THE**  
9 **IMPROVEMENTS?**

10 A. Mr. Watkins’ primary objection to the improvements supported by Mr. Taylor is the  
11 impact on the residential customers. This objection is results-oriented and this objection  
12 alone is not a reasonable justification to reject the Company’s recommendation to make  
13 cost-based improvements to the Company’s P&A class cost of service study and class  
14 revenue allocation. Mr. Watkins’ position simply ignores “the fundamental importance  
15 of rate spread adjustments being grounded in principles of cost-causation.”<sup>1/</sup>

16 **Q. MR. WATKINS CLAIMS THAT THE GOAL LINE FOR RESIDENTIAL**  
17 **CLASS COST OF SERVICE HAS SHIFTED. HOW DO YOU RESPOND?**

18 A. Again, Mr. Watkins’ observation is results-oriented. One of the goals of a class cost of  
19 service study is to best reflect class cost causation. To the extent that the Company’s  
20 process evolves, improves, or changes over time, this is not necessarily a bad thing if  
21 the changes or improvements are cost based and can be supported by the Company with  
22 cost-based evidence.

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<sup>1/</sup> PSE v. WUTC, Docket Nos. UE-170033/UG-170034, Order 08 ¶ 339 (Dec. 5, 2017).

1 **Q. MR. WATKINS CLAIMS THAT THE COMPANY'S IMPROVEMENTS ARE**  
2 **NEW ALLOCATION APPROACHES NOT VETTED IN THE CURRENT COST**  
3 **OF SERVICE WORKSHOP PRESENTLY CONDUCTED BY THE**  
4 **COMMISSION. HOW DO YOU RESPOND?**

5 A. Direct assignment of costs and the exemption of certain classes from the allocation of  
6 particular main costs are not new or novel concepts. Furthermore, it is my opinion that  
7 the purpose of the workshop is not to preclude a utility from presenting an allocation to  
8 the Commission that is supported by the Company with appropriate cost-based  
9 evidence.

10 **Q. WHAT IS YOUR RECOMMENDATION?**

11 A. If the Commission determines that the P&A allocation of distribution mains costs is  
12 appropriate in this rate case, I recommend that the Company's proposed revenue  
13 allocation based on its P&A class cost of service study be accepted by the Commission  
14 to determine customer rates.

15 **RESPONSE TO MR. BALL**

16 **Q. PLEASE DESCRIBE MR. BALL'S RECOMMENDATION WITH RESPECT**  
17 **TO GAS SPECIAL CONTRACTS.**

18 A. Staff witness Jason Ball recommends, in largely summary fashion, that PSE perform an  
19 updated economic bypass study for its gas special contract.<sup>2/</sup> Mr. Ball claims that the  
20 economic bypass study this contract relies on has not been updated since 1995 and  
21 asserts that updating economic bypass alternatives on a reasonable basis is important to  
22 ensure compliance with the Commission's undue preference and discrimination  
23 statutes, though he does not elaborate on this position.<sup>3/</sup>

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<sup>2/</sup> Exh. JLB-1T at 34:7-11.

<sup>3/</sup> Id.

1 **Q. IS MR. BALL’S RECOMMENDATION REASONABLE?**

2 A. No. Mr. Ball appears to be relitigating an issue this Commission summarily rejected in  
3 PSE’s last rate case. In that case, Mr. Ball argued that special contract customers were  
4 paying below their cost of service and recommended that the Commission effectively  
5 renegotiate these contracts by increasing costs to these customers that were not  
6 authorized by the contracts.<sup>4/</sup> Pointing to PSE’s testimony and briefing – which noted  
7 that Staff’s proposal was contrary to the public interest and would constitute “an  
8 unprecedented step by the Commission to unravel a Special Contract that the  
9 Commission has approved, in the middle of the contract term” – the Commission  
10 “simply reject[ed] Staff’s recommendations without further discussion.”<sup>5/</sup>

11 Mr. Ball’s recommendation in this case is nothing more than a different way of  
12 achieving the same result he sought in the last case and, consequently, suffers from the  
13 same infirmities PSE identified. The only reason to perform an updated economic  
14 bypass study now would be to potentially modify the special contract during the term  
15 of this contract, the precise outcome this Commission rejected as contrary to the public  
16 interest.<sup>6/</sup> Moreover, despite Mr. Ball’s representation that the economic bypass  
17 analysis underlying the special contract has not been updated since 1995, this  
18 Commission approved an extension of this contract far more recently, in 2009.<sup>7/</sup> If an  
19 updated economic bypass study is to be performed for this contract, it should be done  
20 when the contract is next up for renewal, not in the middle of its term.

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<sup>4/</sup> Docket Nos. UE-170033/UG-170034, Order 08 ¶ 379.

<sup>5/</sup> Id. ¶¶ 381-82.

<sup>6/</sup> Moreover, as noted above, PSE’s improved class cost of service study shows that, if anything, special contract customers have been *overpaying*, rather than underpaying, for their service.

<sup>7/</sup> WUTC v. PSE, Docket No. 950392, Order Approving Contract (June 11, 2009).

1 **Q. DOES THIS CONCLUDE YOUR CROSS-ANSWERING TESTIMONY?**

2 **A. Yes, it does.**

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