

Docket Nos. UE-170033 and UG-170034  
(Consolidated) - Vol. V

Washington Utilities and Transportation  
Commission v. Puget Sound Energy

September 29, 2017



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BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
Complainant, )  
vs. ) DOCKET NOS. UE-170033  
) and UG-170034  
PUGET SOUND ENERGY, ) (Consolidated)  
Respondent. )

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HEARING, Volume V  
Pages 538 to 628  
ADMINISTRATIVE LAW JUDGE DENNIS MOSS

9:30 a.m.

September 29, 2017

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1 OLYMPIA, WASHINGTON, SEPTEMBER 29, 2017

2 9:30 A.M.

3 -oOo-

4 P R O C E E D I N G S

5  
6 JUDGE MOSS: Let's come to order, please.

7 Good morning everybody. My name is Dennis Moss; I'm an  
8 Administrative Law Judge with the Washington Utilities  
9 and Transportation Commission. We are convened today in  
10 the matter styled Washington Utilities and  
11 Transportation Commission against Puget Sound Energy,  
12 Inc., Dockets UE-170033 and UG-170034.

13 This is a settlement hearing and so  
14 procedures will be a little bit different today than an  
15 ordinary evidentiary hearing, and I'll talk about those  
16 in a few minutes.

17 The first order of business is to take  
18 appearances, and we'll start with the Company.

19 MS. CARSON: Good morning, Your Honor.  
20 Sheree Strom Carson with Perkins Coie representing Puget  
21 Sound Energy.

22 MR. KUZMA: Jason Kuzma also with Perkins  
23 Coie representing Puget Sound Energy.

24 JUDGE MOSS: Let's just go around the table.

25 MS. BOYLES: Kristen Boyles with



1 Earthjustice representing Northwest Energy Coalition,  
2 Renewable Northwest, and Natural Resources Defense  
3 Council.

4 MR. RITCHIE: Good morning, Your Honor.  
5 Travis Ritchie representing Sierra Club.

6 MR. KINCAID: Doug Kincaid with Cable Huston  
7 Law Firm representing Northwest Industrial Gas Users.

8 MS. GAFKEN: Lisa Gafken, Assistant Attorney  
9 General, for Public Counsel.

10 MR. BRYANT: Armikka Bryant, Assistant  
11 Attorney General, for Public Counsel.

12 MR. ROBERSON: Jeff Roberson, Assistant  
13 Attorney General, for Commission Staff.

14 MR. SHEARER: Brett Shearer, Assistant  
15 Attorney General, also for Staff.

16 JUDGE MOSS: Mr. Ffitch?

17 MR. FFITCH: Good morning, Your Honor.  
18 Simon ffitch, attorney for The Energy Project.

19 JUDGE MOSS: Mr. Oshie?

20 MR. OSHIE: Your Honor, Pat Oshie  
21 representing ICNU.

22 JUDGE MOSS: Thank you. Are there others  
23 back there? I do see some fresh faces in the room such  
24 as Mr. Kincaid. Welcome. Mr. Ritchie, we don't see you  
25 here very often, although we see your name a lot, so

1 you're welcome too as well.

2 I'll note -- I should ask first, are there  
3 counsel on the phone who wish to enter an appearance  
4 today?

5 MR. BOEHM: This is Kurt Boehm for The  
6 Kroger Company.

7 JUDGE MOSS: Mr. Boehm, welcome.

8 MS. LIOTTA: Good morning, Judge Moss. This  
9 is Rita Liotta with FEA.

10 JUDGE MOSS: Ms. Liotta.

11 MR. TABOR: This is Adam Tabor for the State  
12 of Montana listening in.

13 JUDGE MOSS: Mr. Tabor, thank you.

14 No others? All right, good. A couple  
15 housekeeping matters first. I will note for the record  
16 that Mr. Kincaid entered an appearance in the proceeding  
17 yesterday, I believe it was, for Northwest Industrial  
18 Gas Users.

19 I wanted to mention that Mr. McKenna for  
20 Montana filed a letter supporting the settlement, and  
21 that was signed by Mr. Tim Fox who is the Montana  
22 Attorney General. He described himself in the letter as  
23 representing the State of Montana, which is not an  
24 inappropriate description, I'm sure, but given the  
25 State's request yesterday that we include the letter as

1 an exhibit, I'm taking it that he is Montana's witness  
2 in support of the settlement stipulation.

3 Is that a correct assumption on my part,  
4 Mr. Tabor?

5 MR. TABOR: Judge Moss, this is Adam Tabor.  
6 The letter was intended to at least be in the record for  
7 purposes of the settlement hearing. Whether testifying  
8 as a witness, that's up to the Court. We just wanted to  
9 make sure that the letter was not excluded.

10 JUDGE MOSS: Right. Well, we'll not expect  
11 a Notice of Appearance from Mr. Fox and we will treat  
12 him as being at least in effect Montana's witness in  
13 support of the settlement stipulation, which all parties  
14 are required to identify such a person.

15 MR. TABOR: Correct. Okay.

16 JUDGE MOSS: That will take care of that. I  
17 just wanted to be clear about that.

18 MR. TABOR: Okay, thank you.

19 JUDGE MOSS: No problem.

20 Are there any motions or requests before we  
21 talk a little bit about exhibits? Nothing? All right.

22 Now, of course I'm interested, if possible,  
23 in stipulating in all the cross exhibits identified for  
24 today's hearing. I have received notice from Ms. Gafken  
25 that -- I guess I should say the settling parties, not

1 just PSE, but settling parties and Ms. Gafken have  
2 agreed to stipulate in KJB-56X through 64X; is that  
3 correct?

4 MS. GAFKEN: From my perspective it is.  
5 However, I had only communicated with PSE, so I'm not  
6 sure if it's accurate that all of the parties are in  
7 agreement.

8 JUDGE MOSS: All right. Is there any  
9 objection to any of those exhibits? Apparently not, so  
10 they will be stipulated in as identified.

11 MS. CARSON: I just want to clarify, does it  
12 begin with 56X or 53X?

13 MS. GAFKEN: 56.

14 MS. CARSON: It's the depreciation-related  
15 exhibits?

16 MS. GAFKEN: It's the depreciation-related  
17 exhibits. I'm sorry, I misheard.

18 JUDGE MOSS: Okay. Now, with respect to any  
19 other cross exhibits that have been identified, and  
20 maybe there are none, I haven't really focused on this a  
21 whole lot, is there any objection to any exhibit that  
22 the parties are bringing forward today? Apparently not.  
23 No?

24 MS. CARSON: No. I believe that we had  
25 agreed and Public Counsel had agreed to stipulate to the

1 one exhibit that PSE had from Ms. McCullar.

2 JUDGE MOSS: Right. I previously understood  
3 that to be the case. And we had renumbered that exhibit  
4 as 13?

5 MS. CARSON: That's right. And one of the  
6 exhibits, 56X, has been supplemented; is that correct?

7 JUDGE MOSS: Will be.

8 MS. CARSON: Will be supplemented.

9 JUDGE MOSS: That's Chapter 3; is that  
10 right?

11 MS. GAFKEN: No. And actually, both the  
12 McCullar exhibit and Exhibit 56X for Ms. Barnard will be  
13 supplemented. I believe PSE has already filed the  
14 supplemented exhibit for Ms. McCullar. I think that's  
15 already happened. And then we will -- we have copies  
16 here of the supplemented Barnard exhibit, and so that  
17 will include Chapters 4 and I believe 14.

18 JUDGE MOSS: Of this NARUC manual?

19 MS. GAFKEN: No, this is the one with the --  
20 it's the Wolf and Fitch excerpts.

21 JUDGE MOSS: Let me take a look. This is  
22 for Barnard, right?

23 MS. GAFKEN: Right. The NARUC manual is the  
24 McCullar.

25 JUDGE MOSS: Oh, okay. We'll get to that in

1 a second.

2 Well, it appears I'm going to be working at  
3 a disadvantage today because my exhibit list only shows  
4 cross exhibits through 52 for Ms. Barnard. I'm sure  
5 that I have them if they've been filed.

6 MS. GAFKEN: Well, the exhibit list that we  
7 have has some cross exhibits at the beginning of the  
8 exhibit list and then some listed throughout in the main  
9 body.

10 JUDGE MOSS: I have both exhibit lists here.  
11 Oh, wait a minute, I'm sorry. I was probably looking at  
12 the wrong one. I was looking at the wrong one, sorry.  
13 I have both exhibit lists here and so I was easily  
14 confused.

15 Let's see then. I want to make sure I have  
16 all the ones for today. And I do, so that's good. So  
17 that's response to Public Counsel DR 456 as the 64X.

18 All right, very good. I'm clear now. Thank  
19 you very much.

20 MS. GAFKEN: Well, hang on a second. 56X is  
21 the Excerpt from Depreciation Systems from Wolf and  
22 Fitch.

23 JUDGE MOSS: No, I'm saying KJB-64X is  
24 identified in my list at least as Response to Public  
25 Counsel DR 456.

1 MS. GAFKEN: That's correct.

2 JUDGE MOSS: Correct? Okay. I just wanted  
3 to make sure.

4 MS. GAFKEN: So there is another question  
5 that I have about the exhibit list.

6 JUDGE MOSS: All right.

7 MS. GAFKEN: It's one of those confusing  
8 issues. I also became a little confused when I went  
9 back to the exhibit list and was preparing for today.  
10 So I wanted to make sure that we were clear on what we  
11 had intended to bring forward.

12 So in our cover letter we had identified  
13 exhibits that we were renumbering and exhibits that we  
14 were withdrawing. But there were also certain exhibits  
15 that were not renumbered but we were bringing forward.

16 JUDGE MOSS: Okay.

17 MS. GAFKEN: So there's a few that are  
18 affected by this. There were a couple of exhibits for  
19 Ms. Barnard that were originally marked as KJB-45 and  
20 KJB-51 and 52, and these were discussed at the last  
21 hearing. And so we had intended to bring those forward  
22 today as well, but they're not listed in the beginning  
23 of the --

24 JUDGE MOSS: Right. Were they stipulated in  
25 last time?

1 MS. GAFKEN: No. So we held those for  
2 today.

3 JUDGE MOSS: Which ones again?

4 MS. GAFKEN: 45, 51 and 52.

5 JUDGE MOSS: All right, I've marked them.  
6 Any objections to those?

7 MS. CARSON: No, no objections.

8 JUDGE MOSS: All right, they will be  
9 stipulated in.

10 MS. GAFKEN: Okay. And then there is  
11 another set of exhibits that were not discussed at the  
12 last hearing but that were not renumbered, so they  
13 weren't identified in the cover letter that we submitted  
14 with our cross exhibits but they were in the red-lined  
15 exhibit list that we submitted.

16 JUDGE MOSS: Okay. All right.

17 MS. GAFKEN: And those were exhibits for Tom  
18 Schooley. And then it gets a little more complicated as  
19 well. So Mr. Schooley has three exhibits that he  
20 prefiled. And then in the exhibit list on Page 43 on  
21 the copy that I'm looking at, the cross exhibits are  
22 numbered 3X through 7X, and I think it's supposed to be  
23 4X through 8X.

24 But it's that set of exhibits that we  
25 intended to bring forward as well. But they didn't need



1 to be renumbered.

2 JUDGE MOSS: So 4X through 8X for Schooley?

3 MS. GAFKEN: Correct.

4 JUDGE MOSS: Is there any objection to any  
5 of those?

6 MR. SHEARER: We don't have an objection,  
7 Your Honor. I just wanted to throw out there that  
8 Mr. Schooley was also testimony in support of the  
9 settlement, and that was filed as label TES-4T, so we  
10 have a lot of 4's. Whatever avoids confusion is fine  
11 with us.

12 JUDGE MOSS: You don't have 4, 5, 6, 7?  
13 Just 4?

14 MR. SHEARER: Just 4.

15 JUDGE MOSS: I think we'll manage.

16 MR. SHEARER: There's one with an X and one  
17 with a T.

18 JUDGE MOSS: The X and the T are  
19 sufficiently distinguishing.

20 MS. GAFKEN: Should we call it cross  
21 exhibits 5X to 9X?

22 JUDGE MOSS: I don't want to renumber them.

23 MS. GAFKEN: Okay.

24 JUDGE MOSS: All right. I'm going to lose  
25 my reputation here; I said I'd never take more than

1 15 minutes in preliminary matters. That's all right.

2 It doesn't matter anymore at this stage of my career.

3 Now, does that take care of our exhibits  
4 then, I think? That's good. That makes the next things  
5 go more smoothly when we get to the questioning. All  
6 right, that takes care of that.

7 Now, Mr. Shearer, getting to your point  
8 about Chapter XIII of the NARUC Public Utility  
9 Depreciation Practices August 1996 Manual -- I guess I  
10 should have said that with two breaths instead of one --  
11 you asked that we either take it in as the full chapter  
12 as under the Rule of Optional Completeness or that we  
13 take official notice of it. It seems to me it's more  
14 appropriate to take official notice of it, and so unless  
15 somebody has an issue with that, I suggest that we do  
16 that. Apparently no one has an issue with that. I  
17 would like you to provide copies for the bench, though.

18 MR. SHEARER: Yes, Your Honor. I do have  
19 copies.

20 JUDGE MOSS: Okay. Let me just get those  
21 from you. I should mention as well that Judge Pearson  
22 and I discussed the matter, and she has another pressing  
23 matter with a deadline and so I told her that she should  
24 probably excuse herself from the hearing today. And  
25 that's why she's not sitting up here with me, so she can

1 get through that other matter in a timely way. So just  
2 by way of explanation.

3 All right. I believe with that we're ready.  
4 I've previously disclosed to the parties the process in  
5 response to a request that I do so. Normally I do that  
6 at the beginning of the hearing. I did it yesterday I  
7 think through email, but I'll just reiterate for the  
8 record.

9 We're going to provide an opportunity for  
10 opening statements, one from the settling parties and  
11 one from Public Counsel. We will have an opportunity  
12 for any inquiries to counsel from the bench. And then  
13 we will have the PSE Settlement witness panel. And in  
14 fact, if Ms. Barnard and Ms. Free and Mr. Piliaris, if  
15 they want to go ahead and come up here and take these  
16 seats, it'll save a minute or two when the Commissioners  
17 come into the hearing room in a moment.

18 After we finish up with Ms. Gafken's  
19 cross-examination of the PSE Settlement witness panel,  
20 we'll have the Staff Settlement panel, Mr. Schooley and  
21 Ms. Cheesman, for cross-examination. And then depending  
22 on where we are, we'll either take a lunch break or we  
23 can proceed with the full witness panel, for settlement  
24 witness panel for inquiries from the bench. And then if  
25 the Commissioners wish to make inquiries of Public

1 Counsel witnesses, we'll take that up last. I'm not  
2 currently aware of any, but you indicated your witnesses  
3 would be available by phone, or I suspect some of them  
4 are here in the hearing room. I'm not wearing my  
5 glasses so I'm not really sure. Is Ms. Colamonici here?

6 MS. GAFKEN: She is here.

7 JUDGE MOSS: I can't see past the first row.  
8 I can see all of you, though.

9 MS. GAFKEN: And we do have some visibility  
10 issues that we communicated earlier.

11 JUDGE MOSS: Yes, I understand. And I think  
12 anything that we do with your witnesses will be this  
13 afternoon, so we'll work it out. I'm not anticipating  
14 that anyway, but we'll see.

15 All right. Now, of course we'll have some  
16 housekeeping at the end of the day, but beyond that  
17 we're good to go.

18 MS. CARSON: One issue. I just wanted to  
19 reiterate that PSE's depreciation expert John Spanos is  
20 available, he is on the line. He can be a part of the  
21 PSE panel if there are questions on depreciation that  
22 Ms. Barnard is not able to respond to. He's only  
23 available until 11, though.

24 JUDGE MOSS: All right. Well, I think  
25 that's fine. I think we'll be in good shape. And

1 Ms. Barnard is probably going to be able to answer  
2 anything we need hear about today. And if we need  
3 Mr. Spanos we can call him.

4 MS. GAFKEN: I wanted to bring one other  
5 issue up. I don't think it's going to be an issue,  
6 however, I did want to alert the bench and parties that  
7 both Mr. Bryant and I do have questions. We split up  
8 our questioning by topics so we don't have overlap, but  
9 we both have questions for both of the panel. So my  
10 suggestion is that one of us starts and then the other  
11 finishes.

12 JUDGE MOSS: Well, this will not be the  
13 first occasion. We've had tag team questioning in this  
14 case so I suppose if we allowed it once we'll allow it  
15 again.

16 All right, I'll go get the Commissioners.  
17 We will be off the record briefly.

18 (Discussion off the record.)

19 (Commissioners entered the room.)

20 JUDGE MOSS: Let's be back on the record and  
21 we'll begin.

22 Just for the Commissioners' benefits, we've  
23 had all our preliminaries. I mentioned that the  
24 exhibits have all been stipulated in, taken official  
25 notice of the NARUC Manual, Chapter XIII, Depreciation

## OPENING STATEMENT - STAFF

1 Manual.

2 Now there's going to be an opportunity for  
3 opening statements. Does the Company, or I should say  
4 do the settling parties, anybody representing the  
5 settling parties wish to make an opening statement?

6 MR. SHEARER: Yes, Your Honor. Brett  
7 Shearer on behalf of Staff for the settling parties.

8 JUDGE MOSS: All right. Go ahead, please.

9 MR. SHEARER: Good morning Commissioners,  
10 Judge Moss. Thank you for being here today and thank  
11 you for the opportunity to address the bench this  
12 morning.

13 The settlement before you today is truly a  
14 great achievement. Ten parties, many of whom can't  
15 agree on anything most of the time, now do agree on a  
16 set of real actionable solutions to some very  
17 complicated and contentious issues before this  
18 commission.

19 First and foremost and as all of you know,  
20 the agreement lays out a fair and orderly path forward  
21 for Colstrip Units 1 through 4. The agreement also sets  
22 aside at least \$100 million for Colstrip-related costs.  
23 The settling parties further agree to bring down PSE's  
24 costs of capital in line with the other regulated  
25 electric utilities in the state to materially increase

## OPENING STATEMENT - STAFF

1 low-income funding, to improve electric rate design, and  
2 resolve a number of large-dollar-item accounting issues  
3 such as storm damage. The settlement before you  
4 accomplishes all of those very difficult and very  
5 expensive items with a mere 1 percent increase to  
6 electric ratepayers and a 4 percent decrease to gas  
7 ratepayers.

8           Now, in spite of the achievements embodied  
9 in this agreement, Public Counsel is here today in  
10 opposition to that settlement. And do not be confused  
11 by the murky terminology. Public Counsel opposes this  
12 agreement no matter how many times they say the words  
13 "alternative viewpoint." In fact, I invite you to scour  
14 the Commission's procedural rules on settlement. You  
15 will not find the term "alternative viewpoint" anywhere.  
16 That's because the term has no legal or practical  
17 meaning. It is important to note that, plain and  
18 simple, Public Counsel asks that you reject this  
19 landmark settlement.

20           Now, within that opposition Public Counsel  
21 is offering nothing new. The material portions of the  
22 testimony in opposition to settlement reiterate two  
23 basic points in one form or another. First, PSE  
24 shareholders should make less money; and second, coal  
25 plants should have longer lives than this settlement

## OPENING STATEMENT - STAFF

1 provides.

2           On the former point, the settling parties  
3 believe the proposed rates and return to investors  
4 strike the appropriate balance, and the results are  
5 fair, just, reasonable, and sufficient. To the latter  
6 point, the settling parties believe this Settlement  
7 Agreement appropriately represents the interests of all  
8 stakeholders including Public Counsel's constituencies.

9           I ask that the Commission recall the public  
10 comments in this case. By my very unofficial count,  
11 about 99 percent of those commenters expressed concern  
12 with carbon emissions and a full three-quarters or so  
13 expressly asked that the lives of coal plants not go  
14 beyond 2025. Several commenters even acknowledged the  
15 need for higher rates to accomplish those goals.

16           Lastly, to the extent Public Counsel's  
17 opposition is about the discrepancy between litigation  
18 positions and the ultimate terms and conditions of  
19 settlement, we concede the point. Staff and the  
20 settling parties' litigation positions are not identical  
21 to the terms of settlement. I know that does not come  
22 as a surprise to anybody in this room. A settlement by  
23 its nature is a compromise of the litigation positions  
24 and lack of litigation risk, costs, and the  
25 reasonableness of the outcome. Therefore, Public



## OPENING STATEMENT - PUBLIC COUNSEL

1 Counsel's focus on litigation positions and testimony is  
2 misplaced and ultimately irrelevant to the reason we are  
3 here today.

4 And that brings me to the reason we are here  
5 today. I quote the Commission's rules for considering  
6 settlement under Washington Administrative Code  
7 480-07-750. "The commission will approve settlements  
8 when doing so is lawful, when the settlement terms are  
9 supported by an adequate record, and when the result is  
10 consistent with the public interest."

11 Staff posits and the settling parties posit  
12 that the proposed settlement in this case meets that  
13 standard with room to spare. The parties ask that the  
14 Commission adopt the proposed Settlement Agreement.  
15 Thank you.

16 JUDGE MOSS: Thank you, Mr. Shearer.

17 Ms. Gafken?

18 MS. GAFKEN: Thank you.

19 Good morning. We have before us a  
20 fully-litigated case which is somewhat unique. We  
21 usually have a settlement a little earlier in the case  
22 and the Commission doesn't have the luxury of having a  
23 fully-developed record. In this case we do have a  
24 fully-developed record, and that's I think a positive  
25 thing.

## OPENING STATEMENT - PUBLIC COUNSEL

1           We also have a case that's somewhat clear as  
2 mud. Staff in its direct case noted that it was able to  
3 properly analyze this case but it had come uncomfortably  
4 close to not being able to, as propounded in  
5 Ms. Cheeseman's direct testimony. And I think that that  
6 is a pretty apt statement. This case has been a very  
7 difficult case; there's a lot of moving pieces. It's  
8 been difficult to get an apples-to-apples comparison  
9 across the parties and it's been hard to decipher. And  
10 I think that's one reason why I would like to see the  
11 decision-makers take a look at this case and make a  
12 decision based on the entire record. It seems  
13 reasonable to ask the decision-makers to do that in this  
14 case.

15           Turning to the specifics of the settlement  
16 of the case, I won't comment on every aspect of the  
17 settlement. We have a comprehensive presentation that  
18 we've made through our witnesses, but I will highlight  
19 some of the concerns that Public Counsel has with the  
20 settlement. I'll also highlight areas where we support  
21 the settlement terms and then I'll share a silver  
22 lining.

23           I'll start with the positive because there  
24 are areas of the settlement that we do support. I don't  
25 agree with Mr. Shearer's characterization that we're

## OPENING STATEMENT - PUBLIC COUNSEL

1 here just to ask for rejection and opposition to the  
2 settlement, but there are components of it that we do  
3 support.

4           One big one is the decoupling term. The  
5 settlement adopts the position taken by Public Counsel  
6 witness Mike Brosch. Another piece that we support is  
7 the elimination of Schedule 40 in PSE's general rate  
8 case. We also support the terms dealing with low-income  
9 issues; we see that as being materially beneficial. We  
10 also agree with certain components of the Colstrip  
11 agreement. I'm going to talk about Colstrip here  
12 separately in a moment, but I wanted to flag that as one  
13 area where we do have some agreement.

14           We also have some general concerns, which is  
15 why we haven't signed on. Given the revenue requirement  
16 recommendations of the parties in their litigated  
17 positions, we felt that the outcome, the final outcome  
18 of the settlement, was a little too generous. We  
19 believe that the rate increase for electric was too high  
20 and the rate decrease for natural gas was not low enough  
21 given the reasonable range of outcomes.

22           Some of the specific components of the  
23 settlement, we can't just look at that in a vacuum as  
24 compared to the case as a whole. So that was one thing  
25 that we took into consideration.

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1 With respect to the return on equity, the  
2 evidence strongly supports a lower ROE, as explained by  
3 Public Counsel witness Dr. Woolridge.

4 We also have some concerns with the electric  
5 rate spread and the settlement piece there. A great  
6 deal of the rate spread/rate design issues are subject  
7 to the litigated component of this case, but the  
8 electric rate spread component is incomplete and, quite  
9 frankly, unbalanced. And so we have some concerns about  
10 that.

11 Issues regarding the expedited rate filing  
12 in the settlement greatly concern Public Counsel. Part  
13 of our concern are related to how expedited those  
14 proceedings are. The term under the settlement provides  
15 a little bit more time than the original proposal in  
16 Puget Sound Energy's case, but 120 days is still very  
17 fast, and we have a lot of concerns about how that  
18 proceeding will go forward. That really provides about  
19 one round of discovery, and even in a simple case one  
20 round of discovery isn't really enough to dig in.  
21 Sometimes it takes a lot more than just one round. So  
22 we have some concerns about how expedited the expedited  
23 rate filing is.

24 Additionally, our concern with the ERF  
25 proceeding is also tied to the ROE. If the ROE is set

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1 too high, that carries forward through the ERF  
2 proceeding because ROE is not reset through the ERF  
3 process. And so the high ROE will then carry forward  
4 through that proceeding as well. We also argue that PSE  
5 has not shown a need for an expedited proceeding, and  
6 that's explained through our witness Mike Brosch.

7 Another area of concern is the treatment of  
8 the Service Quality Indices. The settlement allows for  
9 a weakened metric, doubling the time to answer calls  
10 with a slight increase to the percentage of calls that  
11 are answered.

12 The settlement also doesn't address Puget  
13 Sound Energy's Get to Zero initiative or other issues  
14 raised by our witness Barbara Alexander. And that is a  
15 concern that we had with the settlement.

16 I'll turn now to the Colstrip issues. I  
17 think that's a fairly major piece of the settlement. We  
18 agree with part of it and we offer an alternative  
19 viewpoint to other pieces of it.

20 Again, starting with the positive, we agree  
21 that the depreciation schedule for Units 1 and 2 should  
22 be accelerated to reflect the early closure date;  
23 however, we feel that the impact on the customers can be  
24 fairly and equitably mitigated by using the surplus  
25 depreciation to offset the impact of the accelerated

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1 depreciation. This is explained by Public Counsel  
2 witness Roxie McCullar.

3 We also agree that the depreciation schedule  
4 for Units 3 and 4 should be accelerated, but not as  
5 aggressively as provided for under the settlement at  
6 this time. As explained by Ms. McCullar, 2035 is  
7 supported by PSE's depreciation schedule. 2030 would  
8 also be acceptable as a compromise and would be a  
9 reduction of 15 years off the current depreciation  
10 schedule.

11 At this time, 2027 is simply too aggressive  
12 because Puget Sound Energy has made no commitment to  
13 actually close Units 3 and 4, and they cannot make that  
14 commitment because of the ownership structure. The  
15 things that would cause the units to close in the mid  
16 2020s has not happened, so asking the ratepayers to pay  
17 for that accelerated depreciation now is simply unfair.  
18 If it becomes more certain that closure will happen in  
19 that more accelerated time period, then ratepayers  
20 should be asked to pay for that accelerated  
21 depreciation.

22 Another thing to note about depreciation,  
23 it's not set in stone; you can go back and reset it. So  
24 our viewpoint is that it's too early, too fast to reset  
25 it to the mid 2020s at this point. 2030 or 2035 is the

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1 more appropriate time period to set it at this point.

2 So we don't want the Commission to lose sight that the  
3 acceleration that Public Counsel discusses through our  
4 witness Ms. McCullar is significant and does pose a cost  
5 to ratepayer but is also fair in scope.

6         There are a few other issues that I won't go  
7 into in great detail, but I did want to -- I just point  
8 out that we do support creating a statutory account, for  
9 example, that will be used to pay for the cleanup costs.  
10 We also generally are okay with the use of the  
11 production tax credits, although we would like to see a  
12 little bit more across the board bearing a risk by Puget  
13 Sound Energy. Because there's a component in the  
14 settlement where they explicitly bear the risk for not  
15 being able to -- they're not able to monetize the PTCs  
16 for Units 1 and 2 and the recovery of under-depreciated  
17 plants.

18         They don't make the same statement later in  
19 the settlement about Units 3 and 4. We would like to  
20 see that risk carried across the board there, and then  
21 also with respect to the community transition planning.  
22 We have some concerns with the prioritization of those  
23 dollars. And that's explained in more detail in  
24 Ms. Colamonici's testimony.

25         So I mentioned the silver lining earlier,

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1 and I want to share that silver lining at this point.

2 This is an important case with big issues, and this is  
3 the first evaluation of a major rate plan that was  
4 described as experimental ratemaking, and now it's a  
5 look back to see how that worked. We have an evaluation  
6 of decoupling and a question of whether it should  
7 continue and under what terms. We have coal plant  
8 issues, there's rate spread/rate design issues, there's  
9 the company's Electric Cost Recovery Mechanism. I know  
10 that's part of the contested portion of the case. But  
11 there's a lot of really big issues in this case.

12 The Commission has a great deal of evidence  
13 before it. Some of the settlement terms that you have  
14 presented before you should be accepted and adopted, and  
15 we agree with that. Some of the settlement terms should  
16 be modified. And I shared a little bit with you today  
17 of what we think fall under each one of those buckets.

18 Public Counsel has put forth a comprehensive  
19 case touching on the major aspects of this matter, and I  
20 respectfully urge the Commission to fully consider  
21 Public Counsel's viewpoint and evidence in determining  
22 the outcome of this general rate case.

23 Thank you for the opportunity to make this  
24 statement and to present our case to you today.

25 JUDGE MOSS: Thank you.



## BENCH INQUIRIES TO COUNSEL

1           As I explained the process for today, I  
2 explained that there would be an opportunity before we  
3 go to the witness panel for the bench to make any  
4 inquiries it wishes to make of counsel, and that would  
5 be now.

6           CHAIRMAN DANNER: So I just want to follow  
7 up, Ms. Gafken, with you. You heard Mr. Shearer's  
8 statement this morning. You never do use the word  
9 "oppose" or "opposition." You're saying this is an  
10 alternative viewpoint and your witness says that the  
11 settlement is not in the public interest. And yet as we  
12 go through, you've got concerns with various components,  
13 and you've laid that out well.

14           But the question is, because I've looked at  
15 the WACs here, and basically the procedure is there are  
16 settling parties and then there are those that are  
17 opposed. You don't seem to want to say that you're  
18 opposed. And I want to clarify, are you opposed to this  
19 settlement or are you not opposed to this settlement?

20           MS. GAFKEN: There are two buckets before  
21 the Commission, and we're not part of the settlement so  
22 that places us in the opposition bucket.

23           CHAIRMAN DANNER: Okay. The two buckets  
24 meaning we have a litigated case and we have a  
25 settlement?

## BENCH INQUIRIES TO COUNSEL

1 MS. GAFKEN: That's right. Essentially what  
2 we're doing is we're presenting our case too, and we  
3 want you to consider that case. So there are portions  
4 of the settlement that we agree with but there's also  
5 portions of the settlement that we don't agree with.

6 CHAIRMAN DANNER: But the testimony your  
7 witnesses will present today will be about the  
8 settlement? I mean, the hearing today is on the  
9 settlement, not on the litigated case; is that correct?

10 MS. GAFKEN: Well, that's correct, but we're  
11 also saying that our litigated position is what we want  
12 you to consider as Public Counsel's position.

13 CHAIRMAN DANNER: As an alternative to the  
14 settlement?

15 MS. GAFKEN: Correct.

16 CHAIRMAN DANNER: All right, thank you.  
17 That's all I have.

18 JUDGE MOSS: Anything else from the bench?  
19 Apparently not. All right then, we're ready for our  
20 first panel of witnesses from PSE. I'll ask you all to  
21 rise and raise your right hands.

22 (PSE Settlement witness panel of Katherine  
23 Barnard, Susan Free, and Jon Piliaris sworn in.)

24 JUDGE MOSS: Ms. Carson, I think you should  
25 probably open the ceremony here.

1 MS. CARSON: Thank you, Your Honor.

2 We have one piece of testimony from the PSE  
3 witnesses as a joint piece of testimony as PSE-1JT. I  
4 guess I'll have each of the witnesses say your name and  
5 your position.

6 Do you want to start, Ms. Barnard?

7 MS. BARNARD: Yes. My name is Katherine  
8 Barnard; I'm the Director of Revenue Requirements and  
9 Regulatory Compliance for PSE.

10 MS. FREE: My name is Susan Free; I'm the  
11 Manager of Revenue Requirement for PSE.

12 MR. PILIARIS: My name is Jon Piliaris; I'm  
13 Manager of Pricing and Cost of Service for Puget Sound  
14 Energy.

15 MS. CARSON: Did each of you prepare this  
16 joint testimony that's submitted to the Commission  
17 today?

18 MS. BARNARD: We did.

19 MS. CARSON: Do you have any corrections to  
20 this joint testimony?

21 MS. BARNARD: I don't believe so.

22 MS. CARSON: Your Honor and Commissioners,  
23 the PSE witnesses are available for cross-examination.

24 JUDGE MOSS: Thank you very much.  
25 Ms. Gafken, proceed, or Mr. Bryant, whichever.

1 MS. GAFKEN: I'll lead off and pass the  
2 torch.

3 JUDGE MOSS: All right, very good.  
4

5 CROSS-EXAMINATION

6 BY MS. GAFKEN:

7 Q. Good morning, Ms. Barnard. I believe most if  
8 not all my questions will be directed to you unless you  
9 answer to one of the other witnesses.

10 Would you please turn to Cross Exhibit KJB-45X.

11 **A. (Katherine Barnard) I am there.**

12 Q. This is your work paper, a comment tab from  
13 Excel file 6.06E Depr Study 17GR; correct?

14 **A. Yes, it is a portion of that work paper.**

15 Q. For Account 397, Fully Accrued, you show a  
16 proposed rate of 6.67 percent; correct?

17 **A. That is correct. You need to look at this**  
18 **account in its entirety because Mr. Spanos shows the**  
19 **6.6.**

20 Q. Do you recall that Mr. Spanos recommends a  
21 zero percent rate for the fully amortized category?

22 **A. So again, I've dealt with this in my rebuttal**  
23 **testimony. So yes, going forward for those particular**  
24 **assets, they would be zero. However, as I addressed in**  
25 **my rebuttal testimony, Public Counsel's position is**

1 **actually moving it to a pro forma. We've left this as a**  
2 **restating, so this 6.67 represents the current rate.**  
3 **And so because it's a restating adjustment and it's**  
4 **looking backwards and it's just trying to adjust the**  
5 **test period, we needed to keep it the same.**

6 Q. Are you saying that Mr. Spanos had made an  
7 adjustment?

8 **A. Mr. Spanos's study is saying going forward, and**  
9 **so when we took the depreciation study, we did a**  
10 **restating. It's the difference between a restating**  
11 **adjustment for the depreciation versus a pro forma**  
12 **adjustment. Public Counsel has made it a pro forma**  
13 **adjustment where he's applying the final rates or the**  
14 **final depreciation rates recommended by Mr. Spanos and**  
15 **applying those going forward.**

16 **Because the 6.67 percent was both the old rate,**  
17 **and he is moving it to zero for that particular piece,**  
18 **but the challenge comes because the next line down is**  
19 **also recommended to be 6.67. It's applying a**  
20 **6.67 percent to a particular FERC account, and so this**  
21 **is being divided in half. And what Public Counsel has**  
22 **proposed is to move it to zero and reflect a pro forma**  
23 **adjustment for that particular item but not to pro forma**  
24 **the other piece.**

25 **So Mr. Spanos is not wrong in the zero going**

1 **forward, but you're trying to parse out a particular**  
2 **piece and you're not picking up the entirety of the**  
3 **adjustment.**

4 Q. But Mr. Spanos had the 6.6 percent for --  
5 there's two subcategories, correct? The fully  
6 accrued --

7 **A. Going forward, yes, but then what you would need**  
8 **to do, you need to look at the total account. So yes,**  
9 **going forward we won't amortize anything more on those**  
10 **particular balances, but we will pick up an entire 6.67**  
11 **on the unamortized balance. So we need to be looking at**  
12 **the entirety of the account. We're trying to parse a**  
13 **particular line item and not look at the entirety of the**  
14 **depreciation on that particular account.**

15 Q. Switching gears. I want to talk about the ERF  
16 now.

17 In a general rate case, new adjustments to  
18 revenue requirement may be proposed, is that correct,  
19 just kind of generally?

20 **A. Yes. Can include both restating and pro forma**  
21 **adjustments.**

22 Q. Would you please turn to Cross Exhibit KJB-51X  
23 which is PSE's Response to Public Counsel's DR 477.

24 **A. Which number again, I'm sorry?**

25 Q. 51X.

1 **A. I'm there.**

2 Q. Lists adjustments that are new and unique to  
3 this general rate case; is that correct?

4 **A. Yes, there are a number of adjustments listed**  
5 **there that are pro forma in this case.**

6 Q. The adjustments listed in Attachments A and B  
7 would not appear in future CBR reports, Commission Basis  
8 Reports. That would be used for future ERF filings;  
9 correct?

10 **A. So in general, because most of these are a pro**  
11 **forma adjustment, I would agree they would not be in a**  
12 **Commission Basis Report or in an underlying ERF. The**  
13 **one caveat I do need to make is that under the ERF, the**  
14 **intent is to include the annualizing revenue adjustment**  
15 **and to bring in the effects of a general rate case.**

16 **To the extent you bring in the revenue to make**  
17 **it entirely in the test period, so there may only be**  
18 **certain months, for example if we filed an ERF in June,**  
19 **there would be six months of the rate order, and the**  
20 **intent of the ERF is to factor in the entirety of that**  
21 **revenue, if the underlying expense is not in there, we**  
22 **would need to include that as well. That's part of that**  
23 **particular piece.**

24 **So it would depend on timing, but for the most**  
25 **part I do agree that, yes, these would not be in there.**

1 Q. This is another general concept question. So in  
2 a general rate case, Staff and Public Counsel and other  
3 parties would also have their own proposed ratemaking  
4 adjustments; correct?

5 **A. That's correct.**

6 Q. And the adjustments proposed by Staff and Public  
7 Counsel and other parties would also not necessarily  
8 appear in future CBR reports; is that correct?

9 **A. That is correct.**

10 Q. In an ERF, the Company, Staff, Public Counsel  
11 and other parties would forgo the opportunity to assert  
12 the types of adjustments listed in Attachments A and B  
13 even if such adjustments were needed; correct?

14 **A. I don't completely agree with that, because if**  
15 **there is a reason that there is something that is in the**  
16 **ERF in the test year that needs to come out, then**  
17 **certainly they could propose that. What the ERF is**  
18 **trying to limit is new methodologies and new types of**  
19 **adjustments. If there was something that is**  
20 **inappropriate in the Company's books, if there was an**  
21 **expense there that they felt needed to be adjusted, then**  
22 **that could be proposed and removed in an ERF, but they**  
23 **can't come in and say it needs to be a new type of**  
24 **adjustment or a new methodology. Because the CBR and**  
25 **the ERF is intended to use the existing methodologies so**



1 **that it can be more streamlined.**

2 Q. But the types of adjustments that we talked  
3 about earlier that the parties to a general rate case  
4 would make, the types of adjustments that appear in  
5 Attachments A and B, those are forgone in an ERF  
6 proceeding?

7 **A. The adjustments that are in Attachment A and B,**  
8 **the majority of those are pro forma adjustments, so no,**  
9 **they would not be included in an ERF because it's**  
10 **intended to be a streamlined item and to not include pro**  
11 **forma adjustments.**

12 **I think the other thing that's important to look**  
13 **at is that the majority of these pro forma adjustments**  
14 **tend to increase the revenue requirement, not decrease**  
15 **it. So I actually think customers get that benefit as**  
16 **well.**

17 Q. Another thing that's not looked at in an ERF is  
18 rate spread/rate design against cost of capital. Those  
19 items have not been tested; correct?

20 **A. Correct. I have Mr. Piliaris here so he can**  
21 **confirm that for me, but I believe you just used the**  
22 **information from the last rate case, again another**  
23 **contentious issue that you're trying to streamline in an**  
24 **ERF.**

25 **A. (Jon Piliaris) One clarification. The term you**

1 **just used, cost of capital, there's two components to**  
2 **that; there's equity and debt. And debt has been**  
3 **adjusted as part of the ERF.**

4 Q. Fair enough. It's the return on equity,  
5 correct? That's not adjusted in the ERF proceeding?

6 **A. (Katherine Barnard) That is correct.**

7 Q. Would you agree that the process provided for  
8 under the settlement sacrifices some accuracy in  
9 determining PSE's revenue requirements in return for the  
10 ability to more rapidly implement rate increases?

11 **A. I don't agree. I think under the proposed**  
12 **settlement, we have 120 days before the rates would**  
13 **become effective. If we go back and look at the first**  
14 **ERF that Puget Sound Energy did back in 2013, the entire**  
15 **procedure occurred and rates were in effect within 150,**  
16 **and that also included a rate plan, it included**  
17 **decoupling. It was far more complicated. I don't**  
18 **believe it's less accurate.**

19 Q. Would you agree that it enables the Company to  
20 more rapidly increase -- or more rapidly implement rate  
21 increases?

22 **A. I would agree that it allows for a shorter**  
23 **procedural schedule than you have in a general rate**  
24 **case. The tradeoff is that you cannot include pro forma**  
25 **adjustments that typically would make that revenue**

1 **requirement case higher.**

2 Q. Do pro forma adjustments always increase the  
3 revenue requirement?

4 **A. They tend to increase the revenue requirement**  
5 **more often than not. I mean, I look at the list in my**  
6 **cross exhibit. There's only one that has a negative**  
7 **impact on revenue requirement and that was the offset to**  
8 **the EIM adjustment and power cost, but that's because it**  
9 **was offsetting the previous line.**

10 **Typically pro forma adjustments do not increase.**  
11 **They don't always, so there can be some pro formas that**  
12 **don't, but it's not very often.**

13 Q. Under the settlement, PSE would be permitted to  
14 use end-of-period rate base on filing the ERF; correct?

15 **A. That is correct.**

16 Q. And use of end-of-period rate base addresses  
17 regulatory lag; is that correct?

18 **A. It addresses some of the regulatory lag**  
19 **associated with the difference between an AMA and**  
20 **end-of-period, yes.**

21 Q. The primary purpose behind using an ERF is also  
22 to address regulatory lag; correct?

23 **A. It addresses a piece of it, but you still have**  
24 **regulatory lag with an ERF.**

25 Q. But less lag than a traditional general rate

1 case?

2 **A. That is correct. A few months.**

3 Q. Please turn to Cross Exhibit KJB-52X which is  
4 PSE's Response to Public Counsel Data Request 478.

5 **A. I'm there.**

6 Q. In Subsection C, you state that PSE does not  
7 agree with the assumption that PSE has no significant  
8 future exposure to attrition.

9 PSE has not quantified any future exposure to  
10 earnings attrition in 2018 or '19 in its filed  
11 testimony, has it?

12 **A. No, and I don't believe we would need to.**  
13 **That's forward-looking. That's not part of this case.**  
14 **We did not ask for an attrition adjustment in this case.**

15 Q. But PSE also doesn't agree with the assumption  
16 that PSE has no significant future exposure to  
17 attrition?

18 **A. That's correct. I believe that there is**  
19 **evidence in the record that shows that we could still**  
20 **have attrition. We have not asked for an attrition**  
21 **adjustment, and an ERF is not the same as an attrition**  
22 **adjustment.**

23 Q. You haven't asked for an attrition adjustment  
24 nor have you quantified any forward-looking exposure to  
25 attrition; correct?

1     **A. We have not included an attrition adjustment so**  
2     **we have not documented and supported attrition for 2018**  
3     **and 2019.**

4     Q. There are times when utility rates decrease;  
5     correct? For example, the natural gas rates for Puget  
6     are declining?

7     **A. That's correct.**

8     Q. Would you agree that regulatory lag involving  
9     implementing rate reductions would be beneficial to  
10    Puget?

11    **A. Can you say that question again?**

12    Q. Would you agree that regulatory lag involving  
13    implementing rate reductions would be beneficial to  
14    Puget?

15    **A. Your question's phrased odd. But if there is**  
16    **regulatory lag and there are decreasing expenses, so**  
17    **yes, Puget does benefit in between a rate case with cost**  
18    **efficiencies that we can do. That's part of the**  
19    **regulatory compact.**

20    Q. Would you please turn to Page 14 of the  
21    Settlement Agreement.

22    **A. I'm there.**

23    Q. At Paragraph 54, the settling parties agree that  
24    PSE and staff will determine a process to determine the  
25    methodology for assigning insurance recoveries and will

1 provide an update potentially in an ERF.

2 Do you see that language?

3 **A. I do.**

4 Q. This could be potentially a controversial issue  
5 introduced in an aggressive time period of 120 days if  
6 the update is presented in an ERF, isn't it?

7 **A. So the intent of this paragraph, and I'm going**  
8 **to steal this from Ms. Free but she can hit me and chime**  
9 **in afterwards, but the intent of this was to address as**  
10 **a compromise the allocation of the proceeds issues on**  
11 **environmental remediation. This discussion should be**  
12 **happening before the ERF procedure so that hopefully**  
13 **there is a compromise and that we can look at how to**  
14 **address this in the future.**

15 Q. Is the proposal as presented in the settlement,  
16 is the intent of the update would be informative or  
17 actionable? In other words, what would be the ask if it  
18 was presented in the ERF?

19 **A. So in terms of the Settlement Agreement, we have**  
20 **not included all of the insurance proceeds. We have**  
21 **retained a piece. Those will be offset in working**  
22 **capital. But those are being held to address future**  
23 **costs that Ms. Free has dealt with in her direct**  
24 **testimony.**

25 **The purpose of this element is that Staff had**

1 **advocated and other parties have advocated that the**  
2 **entire amount be passed back. But as we had explained**  
3 **in our rebuttal testimony, that the insurance litigation**  
4 **settlement proceeds, this was in both Mr. Secrist's**  
5 **testimony and Ms. Free's rebuttal testimony, they were**  
6 **based on past, present, and future costs and so,**  
7 **therefore, you needed to keep a matching. That's what**  
8 **this collaborative -- this discussion will be, and there**  
9 **will be a determination at that point.**

10 **Is there anything you needed to add, Ms. Free?**

11 Q. This may be a function of the signors of the  
12 Settlement Agreement, but I'll pose the question.

13 Would the discussion be open to other  
14 stakeholders other than Staff and the Company?

15 **A. We would certainly envision that Public Counsel**  
16 **would be invited to this discussion, so it's not just**  
17 **Staff and the Company. But it is looking at and we**  
18 **would include that to the parties beforehand so they**  
19 **could see what the proposal looked like.**

20 MS. GAFKEN: Thank you. That's all the  
21 question I have.

22 I'll pass the microphone to Mr. Bryant now.

23 JUDGE MOSS: Mr. Bryant, go ahead.

24 ///

25 ///

**BRYANT/PSE SETTLEMENT PANEL****CROSS-EXAMINATION**

1  
2 BY MR. BRYANT:

3 Q. Good morning, Commissioners. So I don't know  
4 who to direct this question to exactly, but it has to  
5 deal with the Get to Zero initiative.

6 **A. (Katharine Barnard) I'll be taking those**  
7 **questions.**

8 Q. Could you please explain PSE's Get to Zero  
9 initiative?

10 **A. At a high level this was both in Mr. Mills's**  
11 **testimony and his rebuttal testimony.**

12 **The purpose of Get to Zero is to look at ways**  
13 **that we can streamline our processes, make things**  
14 **easier, and proactively address customers' challenges**  
15 **before they become a challenge. So the goal is to**  
16 **minimize problems, improve customer service, and**  
17 **proactively communicate with customers and provide them**  
18 **more self-service tools.**

19 Q. In Mr. Mills's testimony, what was his metric  
20 for determining the success of the Get to Zero program?

21 JUDGE MOSS: While Ms. Barnard is looking, I  
22 want to pose a question. I don't recall Get to Zero  
23 being part of the settlement. Am I mistaken about that?

24 MS. CARSON: It is not part of the  
25 settlement.



## BRYANT/PSE SETTLEMENT PANEL

1 JUDGE MOSS: So Mr. Bryant, can you tell me  
2 why we're having this line of inquiry?

3 MR. BRYANT: Because it impacts another  
4 section of the settlement.

5 JUDGE MOSS: Which is?

6 MR. BRYANT: Service Quality Indices.

7 JUDGE MOSS: Is the Company still proposing  
8 to go forward with the Get to Zero program?

9 MS. CARSON: It is still going forward with  
10 the Get to Zero program.

11 JUDGE MOSS: Okay, then I'll allow the  
12 questions.

13 MR. BRYANT: Thank you, Your Honor.

14 WITNESS BARNARD: So can you -- what was the  
15 question regarding Mr. Mills's testimony again?

16 Q. (BY MR. BRYANT) What metric does he state will  
17 determine the success of the Get to Zero program?

18 **A. Are you looking at a specific reference in his**  
19 **testimony? I apologize, but I haven't got his testimony**  
20 **memorized. In his testimony, in his rebuttal testimony**  
21 **I can see the express goal of Get to Zero is to provide**  
22 **the customers with their preferred and simplified**  
23 **pathway to address their needs.**

24 JUDGE MOSS: If you have something specific  
25 in mind, Mr. Bryant, you can just say what it is and

**BRYANT/PSE SETTLEMENT PANEL**

1 simply refresh the witness's recollection without  
2 requiring her to parse through Mr. Mills's testimony.

3 Q. (BY MR. BRYANT) Would it surprise you if the  
4 Get to Zero initiatives metric for its success would be  
5 drastically decreasing the number of calls coming into  
6 the call center from a current of about 2 million calls  
7 per year to about 300,000 annually?

8 **A. I think you're mixing something up. So there is**  
9 **approximately 2 million calls, and I do know that in**  
10 **benchmarking that we are looking at how many calls we're**  
11 **reducing. And that is in part because we want to --**  
12 **customers don't call us just because they want to say**  
13 **hi, so there's usually a reason behind that. They're**  
14 **looking for account balances, they're looking for**  
15 **information. So if we have that available and they can**  
16 **do that themselves, that makes it more efficient for**  
17 **them. Also, if they're calling about outages we can do**  
18 **proactive notification. That's the intent of Get to**  
19 **Zero.**

20 **And so yes, we are looking to reduce calls, that**  
21 **is part of the metric. I don't believe it's going from**  
22 **2 million down to 300,000, though. Can you tell me**  
23 **where that was in his testimony?**

24 Q. We can circle back to that. I think the point  
25 has been made.

## BRYANT/PSE SETTLEMENT PANEL

1 So did you file any testimony with respect to  
2 SQI Number 5?

3 **A. Did I personally file?**

4 Q. Right.

5 **A. No, I did not.**

6 Q. Who filed that testimony?

7 **A. It was Mr. Zeller. And I believe he was the**  
8 **primary witness on that.**

9 Q. Okay. Did you read that testimony?

10 **A. I have read his testimony.**

11 Q. Okay. With respect to the proposed change for  
12 SQI Number 5, would you agree that a brief  
13 characterization of it would be to allow PSE to  
14 double -- twice -- 60 seconds instead of 30 seconds to  
15 answer 80 percent of calls?

16 **A. The proposed modification in the SQI in the**  
17 **settlement is to have 80 percent of the calls answered**  
18 **in 60 seconds, which is consistent with the recently**  
19 **adopted metric by Avista. And that's a more current**  
20 **metric.**

21 Q. Okay. So turning back to the Get to Zero, with  
22 PSE's goal being to reduce the number of calls coming  
23 into the call center, is there any other reason why the  
24 settlement recommends changing the current SQI other  
25 than Avista has it to meet its current metric of

## BRYANT/PSE SETTLEMENT PANEL

1 answering 75 percent of calls within 30 seconds?

2 MS. CARSON: I'll object to the form of the  
3 question. Vague and ambiguous.

4 JUDGE MOSS: She's asking you to restate the  
5 question.

6 Q. (BY MR. BRYANT) Sure. I'll just move on.

7 You said you read Mr. Zeller's testimony. Do  
8 you recall his quote of Commission Orders UE-960195 and  
9 UE-951270?

10 MS. CARSON: Can you refer -- can counsel  
11 refer the witness to where in the testimony this is?

12 Q. (BY MR. BRYANT) Sure. Exhibit GJZ-1T.

13 **A. Okay. And what page?**

14 Q. Page 2. I'll give you a minute. Lines 15  
15 through 21, continued on to Page 3, Lines 1 through 2.

16 **A. Okay. So I see the docket. Can you repeat your  
17 question?**

18 Q. Do you recall Mr. Zeller quoting those  
19 commission orders that I stated earlier, those two  
20 commission orders?

21 **A. I can see that he's quoted those commission  
22 orders, yes.**

23 Q. Did you or Mr. Zeller, or I don't know if you  
24 would know, any other party to the settlement consult  
25 either one of those orders when you recommended that

## BRYANT/PSE SETTLEMENT PANEL

1 these Commissioners change the current SQI Number 5?

2 **A. So the Company's direct and rebuttal case**  
3 **included significant documentation on why we supported**  
4 **changing from the standard that was established back in**  
5 **1997 --**

6 Q. I'm sorry, I'm going to have to cut you off  
7 there. I'm talking about the proposed settlement  
8 change, not what you filed in testimony.

9 **A. Correct, but the settlement has come very late**  
10 **in the process and so there's the full evidentiary**  
11 **record. So this was a compromise or an alternative**  
12 **to -- you know, Staff wanted us to stay the same, the**  
13 **Company had proposed a different metric, and this is a**  
14 **compromised position.**

15 MS. CARSON: And I'm going to object to the  
16 extent this question is asking for settlement  
17 deliberations or details about how the settlement term  
18 was reached by the parties.

19 JUDGE MOSS: I'll sustain that objection.

20 Q. (BY MR. BRYANT) Does the settlement or your  
21 testimony cite either one of those two commission  
22 orders?

23 JUDGE MOSS: He's asking about your  
24 testimony.

25 WITNESS BARNARD: The settlement testimony

**BRYANT/PSE SETTLEMENT PANEL**

1 does not specifically cite this order. This was the  
2 order that established the original SQI and the  
3 settlement proposes a modification.

4 Q. (BY MR. BRYANT) Is there any testimony  
5 analyzing or explaining why this change is being  
6 proposed?

7 **A. Again, I think this comes back to, we had the**  
8 **full direct and rebuttal testimony, we had the response**  
9 **testimony of the parties in between that, so there was**  
10 **the full record. There is not a lot of additional**  
11 **testimony in the settlement per se because --**

12 Q. So your answer is no?

13 **A. Correct, because there was so much already on**  
14 **the record.**

15 **JUDGE MOSS: Mr. Bryant, I'm going to ask**  
16 **you to not interrupt a witness when they're in the**  
17 **middle of an answer, please.**

18 Q. (BY MR. BRYANT) So your answer, then, is no,  
19 there is no additional testimony on why this change is  
20 proposed?

21 **A. Again, no, there is not direct testimony, but it**  
22 **is well within the confines of what was presented by the**  
23 **parties in their direct. This is a compromised**  
24 **position. From the Company's perspective it's somewhere**  
25 **in the middle. The Company wanted to update, thought it**

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1 was time to update a 20-year-old metric.

2 Q. Why does Mr. Zeller cite those two orders in his  
3 testimony? I'm just asking.

4 **A. This portion of his testimony is providing the**  
5 **history. The metric was brought in at the time of**  
6 **1995-ish when Washington Natural Gas and Puget Power**  
7 **merged. They didn't want a lowering of service from**  
8 **then at that point. As he had done in his testimony, he**  
9 **used that as a starting point because that is when the**  
10 **metric was established.**

11 **But like I pointed out, the settlement includes**  
12 **what is now Avista's. And the reason we believe it's a**  
13 **reasonable compromise is because Avista's Service**  
14 **Quality metric of 80 percent in 60 seconds was just**  
15 **established in the last few years, clearly more recently**  
16 **than what Puget's metric has been. And we felt it was**  
17 **time. And there is testimony, quite a bit in the**  
18 **record, to support why it was time to change the metric.**

19 Q. Would it surprise you to learn that in 2015 PSE  
20 answered 80 percent of calls within 30 seconds six  
21 months out of the year, and in 2016 PSE answered  
22 80 percent of calls within 30 seconds five months out of  
23 the year?

24 **A. No. But again, there's penalties associated**  
25 **with the SQI. So it doesn't mean we're going to try to**

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1 answer them less efficiently, but we have 1.5 million of  
2 penalties associated with this. The times are changing,  
3 and the easy calls that Mr. Zeller had talked about both  
4 in his direct and rebuttal, a lot of these calls have  
5 gone to IVR, which is why the Company proposed something  
6 different. The settlement does not include IBR  
7 transactions, so that's where there is the benefit. It  
8 is a compromise.

9 JUDGE MOSS: Mr. Bryant, are you changing  
10 subjects?

11 MR. BRYANT: Yes, I am.

12 JUDGE MOSS: This would be a good  
13 opportunity for us to take our morning recess and allow  
14 people to stretch their legs for a minute or two. Let's  
15 take five minutes.

16 (A break was taken from  
17 10:40 a.m. to 10:50 a.m.)

18 JUDGE MOSS: Let's be back on the record.  
19 Mr. Bryant, you may continue.

20 MR. BRYANT: Thank you, Judge Moss.

21 Q. (BY MR. BRYANT) So I don't know who to direct  
22 the ROE questions to.

23 **A. (Katherine Barnard) I believe it's me. I'm**  
24 **kind of the clear winner today.**

25 Q. So the ROE testimony was filed by Dr. Morin?



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1 **A. That's correct.**

2 Q. Okay. And the direct testimony was filed on  
3 January 13th of this year?

4 **A. Yes, that's the date we filed our original**  
5 **testimony.**

6 Q. Okay. Could you please -- do you have that  
7 testimony with you?

8 **A. No. And really, I can only talk at a high level**  
9 **about the settlement and the 9.5 and why we believe it's**  
10 **reasonable. I now have a copy of it, but I'm not a cost**  
11 **of capital expert by any stretch of the imagination.**

12 **JUDGE MOSS: Mr. Bryant, let me just**  
13 **interject here for a moment so that we have a clear**  
14 **understanding. The direct testimony that PSE filed on**  
15 **this subject, as on others and as other parties filed on**  
16 **a variety of subjects, is something that we consider**  
17 **when we evaluate the Settlement Agreement.**

18 **It is not, however, something that is**  
19 **subject to cross-examination today. We don't have the**  
20 **witness here, we don't need the witness here. It speaks**  
21 **for itself, is the way we talk about the prefiled direct**  
22 **testimony in the context of a case that has settled**  
23 **among most of the parties and which one party opposes.**  
24 **And of course you have put forward your witnesses'**  
25 **testimony on this subject matter and you can refer to**

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1 whatever the direct testimony of other witnesses on this  
2 subject says, but we don't really have any need for  
3 cross-examination with respect to it because PSE is no  
4 longer supporting the ROE that Dr. Morin testified.  
5 They're supporting the settlement ROE which is 9.5. And  
6 so his testimony may be relevant to that as we consider  
7 whether we should approve that, but that's the extent of  
8 it.

9 Does that help you in any way?

10 MR. BRYANT: Help? No. No, it doesn't.

11 JUDGE MOSS: Well, let me try to be more  
12 clear then. It seems to me that you're venturing into  
13 forbidden territory here and I won't allow it. So just  
14 be on notice.

15 MR. BRYANT: If I could have a moment.

16 JUDGE MOSS: Sure.

17 MR. BRYANT: Public Counsel will rest its  
18 case on the ROE and just ask the Commission to move  
19 forward with our testimony -- or I'm sorry, with giving  
20 consideration to the testimony that Public Counsel has  
21 filed.

22 JUDGE MOSS: We are aware of your  
23 alternative view, fully aware. Thank you.

24 Q. (BY MR. BRYANT) So I will have a couple of  
25 questions for Ms. Free on environmental remediation.

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1           So PSE has actually collected the amounts, the  
2 environmental remediation amounts from third parties  
3 from insurance recoveries; correct?

4           **A. (Susan Free) Yes, we've recovered insurance**  
5 **proceeds and proceeds from third parties associated with**  
6 **our environmental sites.**

7           Q. And PSE wants to basically hold that money  
8 that's already been collected rather than pass it back  
9 to customers; correct?

10           MS. CARSON: Objection. Misstates the  
11 testimony.

12           JUDGE MOSS: Well, the witness can say so.

13           WITNESS FREE: I actually was going to say  
14 that, yes. We are proposing to pass back between I  
15 think 50 and 60 percent of the proceeds depending on if  
16 it's electric or gas. So no, we're not holding all of  
17 the proceeds.

18           Q. (BY MR. BRYANT) Okay. Thank you for that  
19 clarification.

20           **A. Sure.**

21           Q. So Public Counsel submitted testimony  
22 recommending -- requesting that PSE pass back  
23 100 percent of those insurance recoveries; correct?

24           **A. Yes, that's I believe Public Counsel's position.**

25           Q. And Commission Staff and NWIGU also submitted

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1 testimony to that effect; correct?

2 MS. CARSON: I'm going to object to the  
3 extent this is going to testimony other than the  
4 settlement position of these parties.

5 JUDGE MOSS: Yeah, again, their litigation  
6 position is not one they're currently advocating, so  
7 that evidence may in some fashion be relevant as we  
8 consider whether to approve the settlement or not, but  
9 beyond that it's off limits. It's the settlement  
10 position that you need to be asking questions about.  
11 That's the inquiry here. You're opposing that position,  
12 not the litigation position.

13 MR. BRYANT: Right, I understand that, sir.  
14 What I'm trying to get at is any analysis or work papers  
15 or any supporting evidence that was filed to support the  
16 settlement.

17 JUDGE MOSS: I'm not sure to what you refer.  
18 What was filed in terms of evidence to support the  
19 settlement was the testimony of the settlement witnesses  
20 and so that's not the earlier testimony.

21 MR. BRYANT: Right. And so maybe we can  
22 have a more thorough understanding on my part. So then  
23 are you saying that the Commissioners are not going to  
24 review the prior direct filed testimony?

25 JUDGE MOSS: That's not what I'm saying at

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1 all, Mr. Bryant. I'm saying that the Commission has  
2 before it a settlement; it is cognizant of your  
3 opposition to that settlement. As we consider both  
4 sides of that argument we will have the full record  
5 available to us. But the prefiled direct and response  
6 testimony, cross-answering testimony, all of that, is  
7 available to us as we consider the case, and we will  
8 take that fully into account, the full record will be  
9 taken into account. That's why we put the full record  
10 in even though we have a settlement in this case. All  
11 right?

12 But you're not allowed to cross-examine the  
13 witnesses, we're not going to call those witnesses  
14 forward and have you cross-examine them, because they  
15 are no longer supporting those litigation positions.  
16 They have compromised a way to a different position and  
17 that's what they're here supporting today.

18 MR. BRYANT: But the full record will be  
19 available to the Commission?

20 JUDGE MOSS: The full record is available to  
21 the Commission, absolutely.

22 Q. (BY MR. BRYANT) So Ms. Free, have you submitted  
23 any work papers with respect to the settlement?

24 **A. No. But the settlement position on**  
25 **environmental remediation is PSE's position, so there's**

**BRYANT/PSE SETTLEMENT PANEL**

1 plenty of support and work papers in the record. Maybe  
2 not in the record, but it's been available to parties.

3 MR. BRYANT: Okay, thank you. No further  
4 questions.

5 JUDGE MOSS: Thank you, Mr. Bryant.

6 Does that conclude the Public Counsel  
7 examination of this panel?

8 MS. GAFKEN: It does.

9 JUDGE MOSS: All right.

10 Do you have any redirect? It's PSE's  
11 prerogative.

12 MS. CARSON: I have no redirect.

13 JUDGE MOSS: All right, thank you very much.

14 Nothing from the bench? Then let's have our second  
15 panel which is Mr. Schooley and Ms. Cheesman for Staff.

16 I should say thank you to the PSE witnesses  
17 who just appeared. Appreciate your testimony today.

18 (Staff witness panel of Thomas Schooley and  
19 Melissa Cheesman sworn in.)

20 JUDGE MOSS: Mr. Shearer, are you putting  
21 these witnesses on?

22 MR. SHEARER: Yes.

23 JUDGE MOSS: Thank you very much. Please  
24 proceed.

25 MR. SHEARER: Good morning, Mr. Schooley and

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1 Ms. Cheesman. Can you please state your names and spell  
2 your last names for the record.

3 WITNESS SCHOOLEY: My name is Thomas  
4 Schooley, S-c-h-o-o-l-e-y.

5 WITNESS CHEESMAN: And I'm Melissa Cheesman,  
6 C-h-e-e-s-m-a-n.

7 MR. SHEARER: And are you the same  
8 Mr. Schooley and Ms. Cheesman who filed testimony in  
9 support of settlement in this docket?

10 WITNESS SCHOOLEY: Yes.

11 WITNESS CHEESMAN: Correct.

12 MR. SHEARER: Do you have any corrections or  
13 changes to that testimony right now?

14 WITNESS SCHOOLEY: No.

15 WITNESS CHEESMAN: No.

16 MR. SHEARER: Your Honor, the witnesses are  
17 available for cross-examination.

18 JUDGE MOSS: All right. Public Counsel, who  
19 is first.

20 MS. GAFKEN: I'll go first again.

21 JUDGE MOSS: Thank you very much. Proceed.

22

23 CROSS-EXAMINATION

24 BY MS. GAFKEN:

25 Q. Mr. Schooley, I have a question for you. The

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1 Commission is currently considering limited rate  
2 proceedings and rulemaking. If the Commission issues  
3 guidance either in a rule or a policy statement prior to  
4 PSE filing an ERF as contemplated under the settlement,  
5 would the Commission's guidance or the settlement  
6 govern, in your view?

7 **A. (Thomas Schooley) In my view it would be the**  
8 **Commission's guidance.**

9 MS. GAFKEN: Thank you. I'm going to pass  
10 the baton now.

11 JUDGE MOSS: Thank you.

12  
13 **CROSS-EXAMINATION**

14 **BY MR. BRYANT:**

15 Q. Good morning, Mr. Schooley.

16 **A. (Thomas Schooley) Good morning.**

17 Q. A couple questions. I don't know who to address  
18 them to. The first set is with respect to the ROE  
19 settlement term.

20 **A. Okay.**

21 Q. Have you provided cost of capital testimony in  
22 any previous rate cases?

23 **A. I attempted it once in the early 2000s.**

24 **JUDGE MOSS: I don't recall that,**  
25 **Mr. Schooley.**



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1     **A. (Melissa Cheesman) And I have briefly, but for**  
2     **a solid waste company.**

3     Q. (BY MR. BRYANT) Do you recall what equity cost  
4     rate approach you used?

5     **A. (Melissa Cheesman) No.**

6     Q. Mr. Schooley?

7     **A. (Thomas Schooley) It was the comparable**  
8     **utilities and what their rates were on various metrics.**

9     Q. Okay. Does the settlement cost of capital use  
10    PSE's proposed capital structure?

11    **A. (Melissa Cheesman) Yes.**

12    **A. (Thomas Schooley) She did the revenue**  
13    **requirement, so.**

14    Q. So the settlement indicates that the ROE is 9.5,  
15    within the range of Dr. Morin, PSE witness, and Staff  
16    Ms. Purcell; is that correct?

17    **A. (Melissa Cheesman) Yes. It's in the narrative**  
18    **in support of settlement.**

19           MR. BRYANT: Given the ruling with respect  
20    to ROE for PSE witnesses Piliaris and Barnard, I don't  
21    think I can ask any of my questions.

22           JUDGE MOSS: All right. Does that complete  
23    your cross-examination?

24           MR. BRYANT: For that subject. And I will  
25    peruse my cross on SQI really quickly.

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1 JUDGE MOSS: All right. When you get back  
2 from doing that perusal I'll ask that you either pull  
3 the microphone a little closer or raise your voice a  
4 little bit. You're fading for me a little bit at times.  
5 It may be just my hearing, but nevertheless.

6 MR. BRYANT: Or it could be the nature of  
7 today's proceeding.

8 JUDGE MOSS: It's not a piece of cake, is  
9 it, Mr. Bryant?

10 MR. BRYANT: No, not one bit.

11 Q. (BY MR. BRYANT) Who do I address the SQI  
12 questions to?

13 **A. (Thomas Schooley) I'll take those.**

14 Q. Did you draft the SQI testimony in the  
15 settlement?

16 **A. (Thomas Schooley) No, I did not. That's our  
17 witness Mr. Roberts.**

18 MR. BRYANT: So given that Mr. Schooley did  
19 not draft the settlement testimony or the direct  
20 testimony --

21 WITNESS SCHOOLEY: Well, it was in our  
22 settlement testimony.

23 MR. BRYANT: I'm sorry?

24 WITNESS SCHOOLEY: It was in our settlement  
25 testimony and I did have edits to Mr. Roberts'

## BRYANT/STAFF SETTLEMENT PANEL

1 testimony. I'm familiar with the subject.

2 MR. BRYANT: Oh, okay, got it.

3 JUDGE MOSS: Mr. Schooley is telling you  
4 that he can answer your questions regarding that part of  
5 the Settlement Agreement.

6 MR. BRYANT: Okay. But most of my questions  
7 refer to Mr. Roberts' direct testimony.

8 JUDGE MOSS: Well, it stands for itself. It  
9 says what it is.

10 MR. BRYANT: Exactly. No further questions.

11 JUDGE MOSS: All right. Does that complete  
12 Public Counsel's cross-examination of this panel?

13 MS. GAFKEN: It does.

14 JUDGE MOSS: All right. Is there any  
15 redirect?

16 MR. SHEARER: No, Your Honor.

17 JUDGE MOSS: Anything from the bench?

18 COMMISSIONER RENDAHL: No questions. My  
19 understanding is we're convening a panel, a full panel  
20 for our questions?

21 JUDGE MOSS: Yes, that's correct. I'll talk  
22 about it with the three Commissioners here in a moment  
23 off the record, but the plan is that we will have the  
24 full settlement panel either later this morning or this  
25 afternoon.

1           But for now at least, Mr. Schooley,  
2 Ms. Cheesman, I believe that completes your examination  
3 for this phase of the proceeding and I'll excuse you for  
4 now. You'll be recalled in a moment or two or an hour.

5           We're going to go off the record for ten  
6 minutes, and that will allow an opportunity for the full  
7 panel, I think there's ten witnesses, to array  
8 themselves up here at the front tables. And I will ask  
9 counsel to please take seats behind. I think we can  
10 dispense with the formalities and just have the  
11 panelists introduce themselves once I've sworn them, and  
12 our primary purpose, of course, is to take questions  
13 from the bench. So that will work. Let's take ten  
14 minutes.

15           (A break was taken from  
16           11:09 a.m. to 11:24 a.m.)

17           JUDGE MOSS: Let's be back on the record.  
18 So the way we're going to proceed here today, I had  
19 counsel sit back so you all could join us here at the  
20 front tables and ease our conversation to the extent we  
21 have some. And so rather than having counsel introduce  
22 you all and so forth and so on, I'm going to ask you all  
23 to do it yourselves. And what we'll do is I'll have you  
24 rise and swear you all in. I'll even ask the ones I've  
25 already sworn in to just stand up again and then we'll

1 seat you, allow you to be seated, and then we'll just go  
2 around the room. We'll start with Ms. Barnard even  
3 though we all know who she is, and we'll just go around  
4 and have you all introduce yourselves and state who you  
5 here for, and then we can proceed with our questions.

6 Does that make everybody comfortable? I see  
7 heads nodding. Let's all please rise.

8 (Full Settlement witness panel sworn in.)

9 JUDGE MOSS: Thank you. Please be seated.  
10 Now, Ms. Barnard, if you'll tell us again who you are  
11 for the record.

12 MS. BARNARD: I'm Katherine Barnard and I'm  
13 with Puget Sound Energy.

14 MS. FREE: I'm Susan Free and I'm with Puget  
15 Sound Energy.

16 MR. PILIARIS: Jon Piliaris, Puget Sound  
17 Energy.

18 MR. HOWELL: Doug Howell.

19 JUDGE MOSS: Mr. Howell, who are you with?

20 MR. HOWELL: Doug Howell, Sierra Club.

21 MS. GERLITZ: Wendy Gerlitz, Northwest  
22 Energy Coalition.

23 MR. MULLINS: Brad Mullins for the  
24 Industrial Customers of Northwest Utilities and the  
25 Northwest Industrial Gas Users.

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1 MR. COLLINS: Shawn Collins, The Energy  
2 Project.

3 MS. CHEESMAN: Melissa Cheesman, Regulatory  
4 Commission Staff.

5 MR. SCHOOLEY: Tom Schooley, Commission  
6 Staff.

7 JUDGE MOSS: All right. And with that, we  
8 are ready to have questions from the bench.

9 CHAIRMAN DANNER: So thank you all for being  
10 here today. I have a question for the non-Puget members  
11 of the panel, and basically that has to do with the SQI  
12 Number 5 that we heard some questions about this  
13 morning. And I would like to pursue, this does seem to  
14 be a reduced standard, and I just wanted to get your  
15 views on if you feel that this change in the standard in  
16 fact is averse to customers or do you think that this is  
17 something that overall in the settlement is neutral or  
18 beneficial to them?

19 MR. SCHOOLEY: I'll start out. I see it  
20 sort of as an outcome of the natural evolution of  
21 technologies in customer service centers where the  
22 questions that would come to customer service centers  
23 20 years ago when this began were a lot of easy  
24 questions and a number of hard questions. Since then  
25 there's been technologies come around so that the easy

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1 questions can be answered more automatically through the  
2 menus you run through and you get your answer without  
3 talking to a person. So the questions that are left  
4 that go to live representatives are ones that are much  
5 harder to deal with, so each question takes longer to  
6 answer for that customer.

7           And it would make sense to, without having  
8 to overstaff the customer service center, to have people  
9 wait a little bit longer, another 30 seconds, to receive  
10 a live voice rather than having to have people sit there  
11 waiting for calls to come in. I sort of think of it  
12 also like in banking. I've never used an ATM machine; I  
13 go into the bank to get cash. And the lines are  
14 generally those people that go into the tellers to  
15 answer longer questions, more difficult questions, so  
16 you wait a little bit longer in line than how the lines  
17 may have processed but there's fewer people in there  
18 overall.

19           CHAIRMAN DANNER: Okay. So anybody else on  
20 that one?

21           And a question for Puget, then, just sort of  
22 a follow-up.

23           JUDGE MOSS: I think Mr. Collins perhaps  
24 wanted to speak to your previous question.

25           CHAIRMAN DANNER: Oh, sure.

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1 MR. COLLINS: I'll just make it quick. The  
2 concerns for The Energy Project were that customers in  
3 need of billing arrangements, addressing past due  
4 arrearages would be handled by a live person. And we  
5 felt comfortable that this particular item allowed for  
6 that to occur since the SQL specific to the live answer  
7 calls. So we were comfortable with that.

8 CHAIRMAN DANNER: Okay. Actually, thank  
9 you, that was my follow-up question. So unless Puget  
10 has something to add to that, I'm satisfied. Thank you.

11 That's all I have for now.

12 COMMISSIONER RENDAHL: Well, this may be for  
13 the Company panel but any other witness is welcome to  
14 respond as well since this is a settlement.

15 So I'm looking at the settlement at Page 20,  
16 and this has to do with the power costs. And whoever  
17 wishes to talk about power costs, this is your time.

18 Would that be you, Ms. Barnard?

19 MS. BARNARD: I have a feeling it's me.

20 COMMISSIONER RENDAHL: If you look at the  
21 top of Page 20, it's a follow-on from Paragraph 70, and  
22 it's Subsection iii. Do you see it?

23 MS. BARNARD: Uh-huh.

24 COMMISSIONER RENDAHL: So the settlement  
25 basically says that PSE is going to remove major



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1 maintenance adders from the Aurora dispatch model in  
2 determining power costs in this proceeding. And I'm  
3 just curious about the difference between the  
4 determination of rates using the Aurora model and  
5 excluding major maintenance adders versus how PSE  
6 would -- whether PSE would also apply this during the  
7 rate-affected period.

8           Would PSE actually -- would the actual bid  
9 prices for, for example, gas-fired generation include  
10 the cost of major maintenance? And maybe the same for  
11 bilateral bids. And this is just for setting rates,  
12 this is not for the operation of bidding for power;  
13 correct?

14           MS. BARNARD: You are absolutely correct,  
15 yes.

16           COMMISSIONER RENDAHL: Okay, thanks. I just  
17 wanted to clarify.

18           MS. BARNARD: It doesn't change any of our  
19 actual processes, it's just for the purposes of the  
20 Aurora modeling which is used to establish rates. So  
21 you're correct.

22           COMMISSIONER RENDAHL: Okay, thank you.

23           And then for the full panel related to the  
24 water heater rental program. And the settlement says  
25 there will be a collaborative with Commission Staff and

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1 other interested stakeholders to discuss the future of  
2 the water heater rental programs in PSE's natural gas  
3 schedules. And that's on Page 35 if you need a page  
4 reference, but I think the concept is understandable.

5 So my question is, what sort of forum or  
6 collaborative process do you have in mind for this?

7 MR. SCHOOLEY: I guess it's our proposal. I  
8 don't think we had thought through any specifics on  
9 that, but we did think that it deserves a broader  
10 audience and a fuller discussion before coming to any  
11 conclusions or any proposals that we would bring to you.

12 COMMISSIONER RENDAHL: And what is your  
13 timing for that?

14 MR. SCHOOLEY: Probably in the relatively  
15 near future, the next six months or so.

16 COMMISSIONER RENDAHL: And that would be  
17 just all the parties coming together and having a  
18 discussion about this issue and how to pursue it  
19 further?

20 MR. SCHOOLEY: Yes. And I think it would  
21 be -- perhaps Staff would at least introduce our  
22 concepts as to why we're proposing what we propose and  
23 let the discussion flow from that. Because I do think  
24 it would behoove there to be something on the table to  
25 talk about rather than just staring at each other for a

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1 while.

2 COMMISSIONER RENDAHL: So you would use your  
3 litigation position in this case as a starting point for  
4 those discussions, or if Staff would come up with an  
5 alternative for those suggestions?

6 MR. SCHOOLEY: I think that would be a good  
7 starting point.

8 COMMISSIONER RENDAHL: Okay. That's all I  
9 have.

10 JUDGE MOSS: Mr. Schooley, just to follow up  
11 on that, thinking about some of the aspects of this case  
12 in which we had settlements that were achieved in other  
13 dockets informing positions in this case, do you  
14 contemplate that we would open a docket for this  
15 collaborative so that in the event that parties all  
16 reached an agreement through the collaborative process  
17 that this is how it should be, you all might -- the  
18 parties might or the interested persons might again  
19 bring us a Settlement Agreement of some sort that says  
20 this is the way everybody thinks it ought to be done?  
21 It just is a possibility. We don't have a docket;  
22 there's no basis for it.

23 MR. SCHOOLEY: Yes, and I think that's a  
24 good suggestion to make the procedure more formal and  
25 come up with a resolution that you can then refer to.

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1 JUDGE MOSS: Okay, thank you very much.

2 Anything further?

3 CHAIRMAN DANNER: I have one further  
4 question, and that is getting back to the depreciation  
5 schedules on Colstrip.

6 You heard from Public Counsel this morning  
7 that basically without a commitment to closure, that a  
8 depreciation schedule that would keep the lives  
9 somewhere between 2030 or 2035 was more appropriate.  
10 And I just wanted to get your view on how you came to  
11 that date for depreciation schedules, and given that we  
12 don't have a commitment on closure, what is the impact?

13 JUDGE MOSS: Go ahead, Mr. Howell.

14 MR. HOWELL: We think that the evidence is  
15 pretty clear that a 2025 retirement is likely, and so we  
16 want to make sure that we can align the depreciation  
17 schedule as close to that as possible. We've provided a  
18 number of specific pieces of evidence that is in the  
19 testimony, the prefiled testimony, and reiterated in my  
20 testimony. Briefly, we know that in terms of the  
21 majority of PSE's service territory now as represented  
22 by King County and the City of Olympia, they  
23 specifically have called for that. So in terms of  
24 reflecting a customer base, in addition there were  
25 dozens of state legislators as well representing elected

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1 officials across the service territory, and a number of  
2 other local officials chimed in. So in terms of  
3 reflecting as best we can as to elected officials, it  
4 seems to be clear that the majority sentiment is for  
5 2025.

6 Then we have just the economic issues of we  
7 know that the line owner, Westmoreland, has submitted to  
8 the Securities and Exchange Commission that they, under  
9 their existing permitted area, the end of their useful  
10 life of the mine just runs out to the end of 2024 and  
11 that they can't continue on maintaining their stripping  
12 ratios without getting an expansion. But those  
13 expansions are being contested because on the face of it  
14 they presume to be unlawful, in our view, and we expect  
15 to see a pretty significant challenge. And so that the  
16 mine may be limited in their ability to expand and they  
17 would be running out of useful coal by that timeframe.

18 We also have -- while it's less clear about  
19 what is the fate of the regional haze for doing  
20 reduction primarily of NOx, three of the Colstrip owners  
21 are still anticipating in their planning processes that  
22 they will see selective catalytic reduction roughly in  
23 the 2025 timeframe, ranging between 2022 and 2027. And  
24 the most recent evidence we have of costs came in the  
25 PacifiCorp case for comparable units where they were

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1 about a quarter million dollars for two units, about  
2 two-thirds of the size of 2 and 3. So if you  
3 extrapolate, it could be about 400 million in capital  
4 costs for SCR in 2025 plus potentially tens of millions  
5 of operating dollars at that time. And that seems  
6 rather --

7 CHAIRMAN DANNER: Those were not Colstrip,  
8 those were other units?

9 MR. HOWELL: Right. But if we're looking at  
10 what we know of these costs, what we're talking about  
11 potentially is capital costs around 2025, what could be  
12 up to about 400 million in additional operating costs on  
13 top of that. And at this point in time and where the  
14 utilities are planning for that, that just seems  
15 inconceivable that we would be taking on that level of  
16 cost at that late date.

17 So there are a number of these drivers going  
18 on. And if we look globally at the trend across the  
19 country, we only expect that these drivers will become  
20 more intense as the plant ages and needs more  
21 maintenance. As you probably saw in the Idaho case, we  
22 now know there's going to be 160 million of new  
23 capital/maintenance costs for 2018, 2019 and 2020, and  
24 that already is starting to send alarm. To what extent  
25 is that prolonging the life of the plant beyond what's

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1 useful to PSE customers. So we have already expenses  
2 now that need scrutiny and that we anticipate that's  
3 only going to increase.

4 CHAIRMAN DANNER: Okay. And so you're  
5 looking to a depreciation schedule that matches what  
6 your anticipations or what your expectations are?

7 MR. HOWELL: As best we can, and that's why  
8 it's a function of compromise. We still firmly believe  
9 that it actually will happen before 2027, so at least we  
10 can reduce the rate shock by moving it up to 2027.

11 CHAIRMAN DANNER: Thank you. Anybody else  
12 on this?

13 MS. CHEESMAN: Yeah, I had a comment. You  
14 know, strictly from Staff's point of view and why we  
15 support December 31, 2027 as not a retirement date but  
16 just the end of useful life is reflective of Colstrips  
17 1 and 2, what they're experiencing. And then also  
18 wanting to make sure that we have a smooth path to  
19 recovery for these assets for PSE and not have  
20 intergenerational inequity issues that we kind of have  
21 now for Colstrips 1 and 2.

22 CHAIRMAN DANNER: All right, thank you.  
23 Anyone else? Okay. That's all I have.

24 JUDGE MOSS: All right. Nothing further  
25 from the bench? All right. Well, we appreciate very

1 much all of you panelists being here today to offer your  
2 testimony in support of the settlement, and that  
3 exhausts questions from the bench, which was our purpose  
4 here, so you are all excused. And that I believe brings  
5 the evidentiary aspect of today's proceedings to a  
6 close.

7 I have several housekeeping matters to take  
8 up with the parties. The Commissioners are welcome to  
9 stay, of course, or they are welcome to go to other  
10 priorities. Counsel can resume their seats upfront.

11 MS. CARSON: Judge Moss, just to clarify,  
12 there's no questions from the bench for Public Counsel's  
13 witnesses?

14 JUDGE MOSS: No, but thank you for that.  
15 Let's see, post-hearing process. The current schedule,  
16 as orally amended during our August 30th hearing, is for  
17 initial briefs on October 4th and reply briefs on  
18 October 13th. Now, when we discussed that at the end of  
19 the earlier hearing, the focus was on briefing  
20 concerning the fully-contested issues. So now we have  
21 the settlement hearing behind us and so I need to ask  
22 what the parties' preferences are concerning briefing  
23 the settlement. I'm good with having initial briefs on  
24 the 4th or the 13th, if that works for you. And I don't  
25 really see the need for reply briefs in terms of the



1 settlement, but I am just expressing my thoughts and I  
2 want to have the parties' guidance on this.

3 So let me turn first to Public Counsel on  
4 this.

5 MS. GAFKEN: Sure. I would propose not  
6 having four briefs or two rounds of briefing and  
7 consolidating the briefing in one. It's just more  
8 efficient.

9 JUDGE MOSS: All right.

10 MS. GAFKEN: Having a brief due next week is  
11 quite frankly challenging, so I would propose moving  
12 those dates out. I'm just going to throw a couple of  
13 dates out. I don't know if they'll stick, but I will  
14 propose October 18th and 25th as due dates. Begging for  
15 mercy.

16 JUDGE MOSS: Now, in asking for those dates  
17 you're contemplating that you would brief both the  
18 fully-litigated issues and the settlement, that you  
19 would file an initial brief on that on October 18th.  
20 And then are you contemplating, then, that there would  
21 be a reply brief on the full gamut as well?

22 MS. GAFKEN: It's my understanding that in  
23 these proceedings with this company in particular, they  
24 do like reply briefs, and so that was my anticipation.

25 JUDGE MOSS: Well, I know they do on

1 contested issues. I don't know if they contested  
2 settlement. Same position for the Company? I figured  
3 you all had your briefs written by now.

4 MS. CARSON: They're getting there.

5 JUDGE MOSS: I'll bet.

6 MS. CARSON: It's less of an issue to have a  
7 reply brief for a settlement, obviously.

8 JUDGE MOSS: I think so.

9 MS. CARSON: I'm not opposed to that  
10 schedule to have the extra time to put them together.  
11 That would be fine.

12 JUDGE MOSS: Other parties want to be heard  
13 on this?

14 MR. SHEARER: Staff had been willing even to  
15 forgo settlement briefing, but if we're going to put it  
16 all together that makes more sense.

17 JUDGE MOSS: Well, now, of course let me say  
18 with respect to settlement briefing that the settling  
19 parties could certainly try to do a joint brief as well,  
20 or you could sign on to a brief drafted by PSE or by  
21 staff or whatever. That's an option that you have with  
22 respect to the settlement, of course. I don't mind  
23 getting two briefs, one on the settlement and one on the  
24 contested issues. I'm not sure that it's preferable,  
25 but I don't know that it's preferable the other way

1 either. So just talking through the options here, I'm  
2 literally thinking out loud with you.

3 MR. RITCHIE: Your Honor, I certainly  
4 appreciate wanting to eliminate the amount of paper that  
5 you and the Commissioners have to read. I will say from  
6 the Sierra Club's standpoint it was a lot of effort to  
7 get everybody onto the settlement terms. Getting  
8 everybody onto the brief might be really tough.

9 JUDGE MOSS: In my earlier life when I was  
10 an advocate I sometimes was invited to participate in  
11 joint briefing efforts, and I understand what you mean.  
12 It can be even more painful than a settlement because  
13 then you're dealing with nuanced lawyer arguments.

14 All right. Well, that may be an unrealistic  
15 thought then.

16 MR. RITCHIE: But from Sierra Club's  
17 standpoint, we are supportive of a single initial brief.  
18 I think we can make our argument pretty succinctly.

19 MS. CARSON: And I guess I would agree with  
20 Staff that we don't necessarily have to have briefs.  
21 From the settlement aspect of it, I think in past cases  
22 sometimes there's not been a brief.

23 JUDGE MOSS: A reply brief you mean? Even  
24 initial brief?

25 MS. CARSON: Yeah.

1 JUDGE MOSS: I imagine Ms. Gafken wants an  
2 initial brief on the settlement, but maybe I'm wrong.

3 Let me know.

4 MR. TABOR: Judge Moss, this is Adam Tabor  
5 for the State of Montana.

6 JUDGE MOSS: Yes, sir, Mr. Tabor.

7 MR. TABOR: I just wanted to say that  
8 Montana -- I'm assuming the court reporter has got this  
9 going, but Montana agrees with Sierra Club's statement  
10 about what might happen on briefing. But certainly  
11 happy to work together if the Commission would like that  
12 brief, and depending on whatever Public Counsel's  
13 position is, if that changes the Commission's mind about  
14 a settlement brief.

15 JUDGE MOSS: Well, I can't imagine there's  
16 any friction or tension between the Sierra Club and the  
17 State of Montana, but your point is well taken, Mr.  
18 Tabor.

19 MR. TABOR: Okay. Just wanted to add that  
20 in before we got off the record.

21 JUDGE MOSS: No problem, thank you for that.  
22 Turn back to Ms. Gafken now and ask whether Public  
23 Counsel does prefer to have an opportunity to brief the  
24 settlement or not.

25 MS. GAFKEN: As an advocate I always

1 appreciate the opportunity to put my case forward in a  
2 nice package for the Commission to tell our story, so we  
3 would appreciate the opportunity. And if the Commission  
4 finds it useful, we would of course be more than happy  
5 to do it. I think our position primarily is if there's  
6 a settlement brief, that we would prefer it to be  
7 combined with the contested portion of the proceedings  
8 as well.

9 JUDGE MOSS: All right. I would never want  
10 to deny counsel the opportunity to have a word at the  
11 end of the proceeding. Anyone else want to be heard on  
12 this?

13 All right. Although it cuts into my time,  
14 I'm willing to let this slip a bit as you all suggest is  
15 an appropriate thing to do given the proximity of the  
16 October 4th date. So let's go ahead and slip it out to  
17 October 18th for initial briefs concerning either or  
18 both the contested issues and the settlement. Parties  
19 are not obligated to brief on the settlement but they  
20 have the option to do so if they choose. I think it is  
21 necessary that we have argument on the contested issues  
22 and so I would expect briefing on that.

23 The October 27th date, that seems reasonable  
24 too. These are weekdays, aren't they? Can somebody  
25 check? I don't have a calendar with me today. So

1 October 27th then. Once again, the reply brief, I think  
2 it's a question of you can reply to the contested issues  
3 if you choose to do so, the settlement issues, or  
4 arguments I should say, if you choose to do so, or both.  
5 So that ought to give everybody the latitude that they  
6 need to bury me in paper that I'll then process in  
7 November as opposed to in October.

8 But we have a mid-December suspension date  
9 in this proceeding so that should be adequate for me as  
10 well. I say for me. The reason I'm saying that rather  
11 than talking about the Commission, the Commissioners of  
12 course will decide all the issues, but I have to write  
13 them up. So you understand, there's only one of me but  
14 there is a labor involved there that you all appreciate  
15 because you've it yourselves in terms of briefings and  
16 so forth. So there we have it, October 18th and 27th.

17 Comments. Public comment exhibit. Public  
18 comments I'm told are not accessible on the Commission's  
19 Web pages until we get the exhibit, so I'd like to get  
20 that done early. And I also find it important to close  
21 the record before the initial briefs. I was thinking to  
22 do that early next week, and I think probably that's  
23 still a good idea.

24 MS. GAFKEN: I was going to propose  
25 October 11th for that date. We usually do it about a

1 week after the hearing. My understanding is that  
2 they're quite voluminous, so I was going to propose just  
3 a few extra days to deal with the volume.

4 JUDGE MOSS: To file the exhibit?

5 MS. GAFKEN: So October 11th.

6 JUDGE MOSS: File on October 11th, all  
7 right.

8 Now, I have not previously announced to the  
9 world a closure date for the acceptance of public  
10 comments so I'm going to go ahead and set that early  
11 next week. What's Tuesday next week, the 3rd?

12 MS. GAFKEN: Yes.

13 JUDGE MOSS: All right. I'm going to set  
14 October 3rd close of business as the deadline for the  
15 receipt of public comments to be included in the public  
16 comment exhibit in this proceeding. Mr. Roberts will  
17 continue to work with Public Counsel and Staff to the  
18 extent involved to get that pulled together.

19 And I think that takes care of everything I  
20 needed to take care of. I always ask if there's any  
21 other business we need to consider, and I see Ms. Carson  
22 reaching for the microphone.

23 MS. CARSON: Well, just one other point. I  
24 sent an email, but on the exhibit list Bench Request 4  
25 was missing, and I think Judge Pearson said that that

1 would be added on the final exhibit list. So I wanted  
2 to remind you that that's missing.

3 JUDGE MOSS: And Judge Pearson has been  
4 doing an excellent job on that exhibit list throughout  
5 the proceedings, and so I'm sure if that's what she told  
6 you that's what will be done. And if for some reason  
7 that doesn't occur, then you'll get back in touch with  
8 us, I'm sure.

9 Anything else?

10 MS. GAFKEN: I have three exhibit-related  
11 items. One had to do with bench requests. I assume,  
12 but I just wanted to confirm, that those were included  
13 in the record?

14 JUDGE MOSS: Right. The bench requests  
15 typically do not draw objections, but just to confirm,  
16 the bench requests will be admitted as marked.

17 MS. GAFKEN: Okay. And this is a slight  
18 flub on my part, but we had talked earlier about the  
19 supplemented exhibit KJB-56, and I have the paper copies  
20 but we didn't get them passed out.

21 JUDGE MOSS: If you could distribute those  
22 to everybody before we leave today but off the record.  
23 And I assume you filed that, of course.

24 MS. GAFKEN: Yes, we have filed the  
25 electronic version so that's done.



1 JUDGE MOSS: We're moving full speed ahead  
2 toward paperless office here, so as long as they're  
3 filed, I and Judge Pearson are in good shape because  
4 we're using electronics, although mine didn't work  
5 today, it was very disappointing to me. My first  
6 effort. Oh, well.

7 Anything else? One more?

8 MS. GAFKEN: I had one more and then I think  
9 I'm done. The last item is just a point of  
10 clarification. I don't believe these exhibits were  
11 moved into the record, but I think they were intended  
12 to. There was a later comment from the bench that all  
13 of the exhibits were in the record, so I just wanted to  
14 make sure that everything is in the record that's  
15 supposed to be in the record.

16 So these are cross exhibits again, KJB-53  
17 through KJB-55. So these are the earlier exhibits on  
18 that list. So they were intended to be moved into the  
19 record. I'm not sure if they were in or out at the end  
20 of the day.

21 JUDGE MOSS: This is reflected in your  
22 red-line; right?

23 MS. GAFKEN: Yes. And it's in the beginning  
24 part of the exhibit list, so they are listed there.

25 JUDGE MOSS: All right. So you can rely on

1 that. All of the exhibits that are in today's exhibit  
2 list, which reflects your red-lining, those will be  
3 admitted. So all the cross exhibits that you identified  
4 for the purposes of today's hearing are admitted by  
5 stipulation, and I will make sure that we reflect that  
6 in the exhibit list. And I'll provide that to -- Judge  
7 Pearson probably will provide a complete copy to the  
8 court reporter for purposes of the formal record.

9 MS. GAFKEN: Those are the last three. I  
10 just didn't have a chance to --

11 JUDGE MOSS: I understand, thank you.  
12 That's fine. These housekeeping matters can be  
13 important down the road.

14 MS. GAFKEN: Yes, they can.

15 MR. SHEARER: I may have missed this, Your  
16 Honor, but I just wanted to confirm on the record  
17 whether or not the bench had any questions for Public  
18 Counsel's witnesses.

19 JUDGE MOSS: No. I did say something about  
20 that.

21 MR. SHEARER: Okay. I apologize. Thank  
22 you.

23 JUDGE MOSS: Not a problem. I've got all  
24 day. In fact, I may take the rest of the day off.

25 Anything else? Well, I'd like to thank you

1 all for being here today and doing a fine job of  
2 representing your respective clients' interests. And of  
3 course I have gratitude again to the witnesses who are  
4 with us today and provided their testimony.

5 And with that we are off the record. Thank  
6 you.

7 (Hearing concluded at 11:55 a.m.)  
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1                    C E R T I F I C A T E  
23        STATE OF WASHINGTON )  
4                                    ) ss.  
5        COUNTY OF SNOHOMISH )6                THIS IS TO CERTIFY that I, Diane Rugh, Certified  
7        Court Reporter in and for the State of Washington,  
8        residing at Snohomish, reported the within and foregoing  
9        testimony; said testimony being taken before me as a  
10        Certified Court Reporter on the date herein set forth;  
11        that the witness was first by me duly sworn; that said  
12        examination was taken by me in shorthand and thereafter  
13        under my supervision transcribed, and that same is a  
14        full, true and correct record of the testimony of said  
15        witness, including all questions, answers and  
16        objections, if any, of counsel, to the best of my  
17        ability.18                I further certify that I am not a relative,  
19        employee, attorney, counsel of any of the parties; nor  
20        am I financially interested in the outcome of the cause.21                IN WITNESS WHEREOF I have set my hand this 1st  
22        day of November, 2017.23  
24                                    DIANE RUGH, RPR, RMR, CRR, CCR  
25                                    CCR NO. 2399