

**EXH. DSL-8T
DOCKETS UE-190529/UG-190530
2019 GENERAL RATE CASE
WITNESS: DOUGLAS S. LOREEN**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-190529
Docket UG-190530**

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY
(NONCONFIDENTIAL) OF**

DOUGLAS S. LOREEN

ON BEHALF OF PUGET SOUND ENERGY

SEPTEMBER 17, 2019

PUGET SOUND ENERGY

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY
(NONCONFIDENTIAL) OF
DOUGLAS S. LOREEN**

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PUGET SOUND ENERGY

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY
(NONCONFIDENTIAL) OF
DOUGLAS S. LOREEN**

LIST OF EXHIBITS

Exh. DSL-9 Purchase and Sale Agreement

1 **PUGET SOUND ENERGY**

2 **PREFILED SUPPLEMENTAL DIRECT TESTIMONY**
3 **(NONCONFIDENTIAL) OF**
4 **DOUGLAS S. LOREEN**
5

6 **I. INTRODUCTION**

7 **Q. Are you the same Douglas S. Loreen who submitted prefiled direct testimony**
8 **on June 20, 2019, on behalf of Puget Sound Energy (“PSE”) in this**
9 **proceeding?**

10 A. Yes. I provided prefiled direct testimony, Exh. DSL-1T, and six supporting
11 exhibits, Exh. DSL-2 through Exh. DSL-7, on June 20, 2019.

12 **Q. What is the purpose of this supplemental testimony?**

13 A. In this supplemental testimony I discuss PSE’s planned sale of surplus property
14 surrounding its Shuffleton Electric Transmission Switching Station at 1095 Lake
15 Washington Boulevard in Renton (“Shuffleton”).

16 **Q. How does supplemental testimony on this topic by PSE witness Susan E.**
17 **Free, Exh. SEF- 12T, complement your supplemental testimony?**

18 A. In this supplemental testimony I describe the transaction and the reasons why PSE
19 decided to pursue this sale. Ms. Free’s testimony discusses the accounting and the
20 treatment of the net pre-tax gain from the proposed sale.

1 on wooden supports. This storage approach needs to be upgraded. Because the
2 current use of Shuffleton is considered an existing nonconforming use under the
3 City of Renton’s code, PSE is precluded from investing substantially at Shuffleton
4 for long-term continuing operations. Given the need to find an alternative long-
5 term solution, PSE began considering selling the Shuffleton Surplus Property.

6 **Q. Has PSE negotiated a sale of the Surplus Property?**

7 A. Yes. PSE entered into a purchase and sale agreement on November 27, 2018, with
8 Southport West LLC for \$13,500,000 for the Surplus Property. The purchase and
9 sale agreement, with amendments is provided as Exh. DSL-9. Southport West
10 LLC is controlled by SECO, which developed and operates the adjacent Southport
11 development. The purchase and sale agreement includes, as a condition to closing,
12 that PSE obtain any necessary approval of the sale from the Commission, and the
13 Commission determination in Order 01 in Docket UE-190606 fulfills that
14 condition.

15 **Q. Will PSE receive fair value for the Surplus Property?**

16 A. Yes. PSE commissioned CBRE Valuation & Advisory Services to provide a
17 property appraisal for the Surplus Property. The sales price PSE will receive for
18 the Surplus Property exceeds the appraised value. As stated in Order 01,
19 paragraph 7, in Docket UE-190606, Commission Staff “reviewed the results of
20 the confidential third-party property appraisal and believes PSE will receive fair
21 value for the property.”

1 **Q. When is the transaction expected to close?**

2 A. PSE and the buyer have completed the conditions precedent, including receiving
3 an order from the Commission confirming that the property is not necessary or
4 useful. The transaction is anticipated to close in late September 2019.

5 **Q. Please describe any closing costs for the sale.**

6 A. PSE's estimated closing costs consist primarily of broker's fees, excise taxes, and
7 legal costs. PSE's closing costs are estimated to be approximately \$791,000. The
8 actual costs may vary depending upon the date of closing and the actual costs
9 incurred.

10 **Q. When does PSE expect to vacate the site?**

11 A. PSE is currently building a substation maintenance building and equipment
12 storage yard utilizing PSE-owned property at 8001 S. 212th Street in Kent. The
13 new building and storage yard are designed to address seismic risks and
14 accommodate equipment that is currently stored on the Shuffleton Surplus
15 Property. PSE plans to vacate the Surplus Property by July 1, 2021. During the
16 time between the transaction closing and the final vacation of the Surplus
17 Property, PSE will lease back needed space at Shuffleton from SECO.

18 **III. CONCLUSION**

19 **Q. Does this conclude your testimony?**

20 A. Yes.