

**EXH. SEF-12T
DOCKETS UE-190529/UG-190530
2019 PSE GENERAL RATE CASE
WITNESS: SUSAN E. FREE**

**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**

SUSAN E. FREE

ON BEHALF OF PUGET SOUND ENERGY

SEPTEMBER 17, 2019

PUGET SOUND ENERGY

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY
(NONCONFIDENTIAL) OF
SUSAN E. FREE**

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PUGET SOUND ENERGY

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY
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SUSAN E. FREE**

LIST OF EXHIBITS

- | | |
|-------------|--|
| Exh. SEF-13 | Updated Summary of Qualifications (updating Exh. SEF-2) |
| Exh. SEF-14 | Electric Net Revenue Change Requested – Supplemental Filing (updating Exh. SEF-3E) |
| Exh. SEF-15 | Electric Summary Pages and Detailed Summaries – Supplemental Filing (updating Exh. SEF-4E) |
| Exh. SEF-16 | Electric Restating and Pro forma Adjustments – Supplemental Filing (only change is to Electric Adjustment SEF-16.20 EP) (updating Exh. SEF-6E) |

1 **PUGET SOUND ENERGY**

2 **PREFILED SUPPLEMENTAL DIRECT TESTIMONY**
3 **(NONCONFIDENTIAL) OF**
4 **SUSAN E. FREE**

5 **I. INTRODUCTION**

6 **Q. Are you the same Susan E. Free who provided prefiled direct testimony in**
7 **these dockets on behalf of Puget Sound Energy (“PSE”)?**

8 A. Yes, I filed prefiled direct testimony and ten supporting exhibits (Exh. SEF-1T
9 through Exh. SEF-11).

10 **Q. Have there been any changes to your qualifications since that time?**

11 A. Yes. When the filing was made, I was the Manager of Revenue Requirement for
12 PSE. Since the original filing, I have assumed the role of Director of Revenue
13 Requirement and Regulatory Compliance. I have provided an update to my
14 professional qualifications in Exh. SEF-13.

15 **Q. What topics are you covering in your prefiled supplemental direct**
16 **testimony?**

17 A. This prefiled supplemental direct testimony presents an update for the Shuffleton
18 surplus property sale anticipated to be completed later this year. This update is
19 allowed by the prehearing conference order, which is Order 03 in this docket. I
20 will provide updates to my exhibits that are impacted as a result of these changes.
21 I also address the regulatory treatment for the potential water heater and
22 conversion burner leasing business.

Negotiated Sales Price for Shuffleton Surplus Property	\$13,500,000
Less: Net Book Value	550,000
Less: Estimated Seller's Costs	791,000
Estimated Pre-Tax Gain (Rounded)	\$12,159,000

1 The resulting gain will be recorded in FERC Account 254 (Other Regulatory
2 Liabilities), consistent with the final order in Docket UE-190606. The above
3 amounts are primarily actual amounts but include some estimates, such as the
4 seller's costs. Therefore, these amounts can either be trued up to actuals on
5 rebuttal or in PSE's next rate proceeding.

6 **Q. Which of your exhibits are impacted by the inclusion of the Shuffleton**
7 **Surplus Property gain?**

8 A. In the initial filing on June 20, 2019, I presented the calculation of the net revenue
9 requested for electric in Exh. SEF-3E. The summary of the test year plus restating
10 and pro forma adjustments for electric was presented in Exh. SEF-4E, and a detail
11 of each individual restating and pro forma adjustment for electric was presented in
12 Exh. SEF-6E. The only adjustment that is impacted by the inclusion of the
13 Shuffleton Surplus Property net gain is the deferred gains and losses adjustment,
14 which was reflected in the exhibits to my prefiled direct testimony on page 20 of
15 Exh. SEF-6E as adjustment 6.20EP. This adjustment further impacts Exh. SEF-3E
16 and Exh. SEF-4E. Accordingly, I have updated my Exh. SEF-3E, Exh. SEF-4E
17 and Exh. SEF-6E for the impacts of the Shuffleton adjustment, and these updated
18 exhibits are presented as Exh. SEF-14 (update to Exh. SEF-3E), Exh. SEF-15
19 (update to Exh. SEF-4E), and Exh. SEF-16 (update to Exh. SEF-6E).

1 **Q. How did you calculate the adjustment for the Shuffleton deferred gain that is**
2 **included in Adjustment No. 16.20EP?**

3 A. PSE has included the \$12.1 million gain with an amortization period of three
4 years. PSE's treatment of deferred gains and losses is governed by Dockets U-89-
5 2688-T, U-89-2955-T Findings of Fact paragraph 19, and the Stipulation and
6 Order of Dismissal dated May 26, 1992, Washington Court of Appeals,
7 No. 29404-1, in which it was agreed that an amortization period of no shorter than
8 three years should be used. As such, PSE has amortized its deferred gains and
9 losses over a period of three years. The adjustment to include the amortization of
10 the gain increases electric net operating income by \$3.2 million.

11 **Q. Does the Shuffleton adjustment result in a change to PSE's rate request?**

12 A. No. The rates requested by PSE in this proceeding do not change as a result of the
13 Shuffleton adjustment. The reason for this is because the Shuffleton adjustment is
14 a pro forma adjustment. In general, pro forma adjustments were not included in
15 the attrition analysis performed by Mr. Ronald J. Amen on which PSE's requested
16 rates are based.

17 **Q. Please explain the impact of this change to Adjustment 6.20E (now**
18 **Adjustment 16.20EP) on Exh. SEF-3E (now Exh. SEF-14) and Exh. SEF-4E**
19 **(now Exh. SEF-15).**

20 A. Exh. SEF-4E provided a detailed summary of the electric restating and pro forma
21 adjustments to the test period results. Page five of this exhibit changes as a result
22 of the change to Adjustment 6.20E. There are other changes within this exhibit

1 that are the result of reliance on the amounts reflected on page five. I have
2 prepared Exh. SEF-15, which provides the updated results for electric.
3 Exh. SEF-3E provided the calculation of the electric net revenue change being
4 requested. Page one of this exhibit changes as a result of the change to
5 Adjustment 6.20E. I have prepared Exh. SEF-14, which provides the updated
6 electric results. Only amounts on lines 6, 7, 10, 17 and 19 change on page one of
7 this exhibit. As the attrition results on line 21 are not impacted by the Shuffleton
8 gain, as discussed earlier, the net revenue change requested on line 25 also does
9 not change. This is the result of an equal and offsetting amount of change on line
10 17, the net revenue change before attrition, and line 19, the attrition adjustment,
11 that is necessary to arrive at the unchanged attrition results on line 21.

12 **III. REGULATORY TREATMENT FOR POTENTIAL SALE OR**
13 **TERMINATION OF WATER HEATER AND CONVERSION**
14 **BURNER LEASING BUSINESS**

15 **Q. What would be the regulatory impacts of any deferred gain or loss on the**
16 **potential sale and or termination of the gas water heater rental and**
17 **conversion burner businesses?**

18 A. It is not known at this time what the amount of any gain or loss on the leasing
19 business would be. Nor is it likely to be known in enough time to incorporate the
20 gain or loss into this case. Therefore, any gain or loss will be handled in the next
21 general rate case, once known, which is commensurate with how PSE treats the
22 gains and losses on all other utility property.

1 **IV. CONCLUSION**

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

3 **A. Yes, it does.**