

A P P E A R A N C E S

1
2
3 FOR THE COMMISSION: DONALD T. TROTTER
4 Assistant Attorney General
5 1400 South Evergreen Park Drive
6 Southwest
7 Olympia, Washington 98504
8
9 FOR PUGET SOUND JAMES M. VAN NOSTRAND
10 POWER & LIGHT Attorney at Law
11 COMPANY: One Bellevue Center, Suite 1800
12 411 108th Avenue Northeast
13 Bellevue, Washington 98004
14
15 FOR WICFUR: MARK P. TRINCHERO
16 Attorney at Law
17 2300 First Interstate Tower
18 1300 Southwest Fifth Avenue
19 Portland, Oregon 97201
20
21 FOR SKAGIT WHATCOM CAROL S. ARNOLD
22 AREA PROCESSORS: Attorney at Law
23 5400 Columbia Center
24 701 Fifth Avenue
25 Seattle, Washington 98104-7078

1 FOR BUILDING JOHN CAMERON
2 OWNERS AND MANAGERS Attorney at law
3 ASSOCIATION: Suite 1800
4 222 Southwest Columbia Street
5 Portland, Oregon 97201
6
7 PUBLIC COUNSEL: CHARLES F. ADAMS
8 Public Counsel
9 Suite 2000
10 900 Fourth Avenue
11 Seattle, Washington 98164
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

EXAMINATION BY:	PAGE
Mr. Trotter	7
Mr. Trincherro	20, 39
Mr. Cameron	22
Mr. Adams	30

EXHIBIT	DESCRIPTION	PAGE
1	Puget's Response to Staff Data Request Number 22 - Supplemental	19

DEPOSITION REQUEST NO.	PAGE
9	12
10	21
11	38

1 MR. TROTTER: This is the 5th day of
2 February, 1993 and this is the Commission's hearing
3 room on the second floor of the Commission offices at
4 1300 South Evergreen Park Drive Southwest in Olympia,
5 and this is the time and place scheduled for the
6 depositions of witnesses Lynch and Hoff which are
7 Puget witnesses in the rate case currently pending
8 before the Commission in Docket UE-921262. My name is
9 Donald T. Trotter. I'm an assistant attorney
10 general representing the Commission in this
11 proceeding. My address is as previously noted. If we
12 could just go around the table and have counsel
13 identify themselves.

14 MR. VAN NOSTRAND: For the respondent,
15 Puget Sound Power & Light Company, James M. Van
16 Nostrand.

17 MR. TRINCHERO: On behalf of WICFUR, Mark
18 P. Trincherro.

19 MS. ARNOLD: On behalf of Southwest Area
20 Processors -- excuse me, Skagit Whatcom Area
21 Processors, Carol S. Arnold.

22 MR. CAMERON: I'm John Cameron here on
23 behalf of the Building Owners and Managers
24 Association, BOMA.

25 MR. ADAMS: Appearing for public counsel,

1 Charles Adams.

2 MR. TROTTER: Ms. Lynch has been called and
3 she's at the witness table. If the reporter could
4 swear her in, please.

5 Whereupon,

6 COLLEEN E. LYNCH,
7 having been first duly sworn, was called as a witness
8 herein and was examined and testified as follows:

9

10 EXAMINATION

11 BY MR. TROTTER:

12 Q. Ms. Lynch, you've testified in the rate
13 design docket UE-920499, is that right?

14 A. That's correct.

15 Q. And your deposition was taken in that
16 docket also?

17 A. That's correct.

18 Q. So you're familiar with the process?

19 A. I am.

20 Q. You understand the same rules apply to this
21 deposition?

22 A. Yes.

23 Q. Your counsel just prior to convening this
24 deposition --

25 MR. TROTTER: Well, before we do that, does

1 any party object to waiving the presence of the ALJ in
2 this deposition? Hearing no response, we'll proceed.

3 Q. Your counsel distributed a substitute
4 Exhibit 566 and a revised page 17 to your Exhibit 565,
5 is that correct?

6 A. That's correct.

7 Q. Could you just summarize what gave rise to
8 those revisions.

9 A. What happened was that in a request to the
10 company from WICFUR, Number 329, an error was
11 discovered in the reporting of the total allocation
12 amounts. The description of that error is described
13 in our response to that request, and what this exhibit
14 is doing is correcting again just for the Total
15 Allocation columns for certain accounts which were
16 affected by the correction.

17 Q. Was that an issue that the columns did not
18 add?

19 A. That's correct. The class -- the column
20 totals for the class amounts were correct. The
21 summary column or the column entitled Total Allocation
22 did not add due to an error in the cost-of-service
23 model.

24 Q. Okay. The company has provided the parties
25 on disk a copy of the cost-of-service model. Was that

1 a programming error and is that now a part of what the
2 parties are using?

3 A. The company provided in our response to
4 WICFUR Data Request Number 329 revised diskettes which
5 correct for the problem.

6 Q. So those are the diskettes we should be
7 using?

8 A. That's correct.

9 Q. Now, you're sponsoring Exhibits T-563
10 through Exhibit 566, is that correct?

11 A. That's correct.

12 Q. And am I correct that those exhibits
13 reflect the same analysis that you produced earlier in
14 your testimony in the rate design docket, and with the
15 revisions that you've just made, plus costs updated
16 according to the company's new proposed revenue
17 requirement?

18 A. That's correct. These reflect the new
19 revenue requirements, the new allocation factors from
20 that test period and the principal methods used in our
21 cost of service filed under the rate design docket.

22 Q. So there were no changes in assumptions
23 made between your rate design docket testimony and
24 this testimony, just changes that flow from different
25 numbers due to an updated test year, is that correct?

1 A. Well, there was one change that was a
2 result of the company responding to Bench Request
3 Number 1 where we were asked to recast the cost of
4 service study at the proposed revenue amounts. In
5 doing that, we found that there were certain accounts,
6 namely, those dealing with the revenue sensitive
7 items, that needed to be tied to revenue prior to
8 being classified, and so that we've developed a method
9 to allocate those kinds of revenue sensitive items to
10 the classes and then classify them to demand, energy
11 and customer using the methods that we developed in
12 conversation in the Collaborative and used in the
13 previous docket, in the rate design docket.

14 Q. Is that the only change?

15 A. There were the changes that with the new
16 test period and the new revenue requirement additional
17 cost IDs were needed for the cost-of-service model, so
18 there are new cost IDs within the cost-of-service
19 model to reflect these new revenue requirements that
20 came from the development of the general case revenue
21 requirement, but that is -- in terms of methodology,
22 that is the major change. That's the only change, I
23 would say.

24 Q. With respect to the revenue sensitive
25 items, are those also tracked through on the revised

1 diskette?

2 A. The revenue sensitive items are -- the way
3 in which they are modeled on the revised diskette are
4 as we filed, so those changes are there.

5 Q. Could you give an example of some of the
6 new cost identification numbers that you entered to
7 reflect the new revenue requirement?

8 A. Sure. For example, in the revenues
9 portion.

10 Q. Which exhibit are you on?

11 A. I'm looking at CEL-3. I guess that's 565.

12 Q. Yes.

13 A. And if you turn to page 3 there is an
14 account there entitled ID450.01 Late Payment
15 Revenue - Interest. That's a new account.

16 Q. Which line is that on?

17 A. It's on line 5. Here it's identified as
18 45001. Class. That's a new account.

19 Q. And didn't this account exist in your
20 prior test year?

21 A. What happened -- no, it did not, not
22 according to the information that I have on my
23 schedules.

24 Q. Are there any other accounts on this page
25 that are new?

1 A. Yes, there are. I have a list prepared
2 that describes these kinds of differences. It
3 might --

4 Q. Were those provided in your work papers?

5 A. No, they were not.

6 Q. Okay. As Deposition Request 1, if you
7 could provide that work sheet showing the new accounts
8 and the explanation therefore.

9 A. Okay.

10 Q. Is that something you have right there?

11 A. Yes, it is. Would it be numbered Number 1?

12 Q. Well, we'll -- let's go off the record.

13 (Discussion off the record.)

14 Q. Let's make that Deposition Request Number
15 9.

16 A. Okay.

17 (Deposition Request No. 9.)

18 Q. Thank you. If you turn to your Exhibit 564
19 and I would like to turn your attention to pages 2 and
20 3 where you show your cost of the combined cycle plant
21 and the combustion turbine and I would like to compare
22 that with your Exhibit 5, page 1 and 2, where you show
23 the same plant but under the prior test year. Do you
24 have those?

25 A. Yes, I do.

1 Q. And these are the same -- you're using the
2 same plant in both exhibits?

3 A. That's right. The capital cost in both
4 exhibits is the same.

5 Q. I'm sorry. You said the capital cost was
6 the same?

7 A. The -- I'm trying to find it.

8 MS. ARNOLD: Excuse me. What is it you're
9 comparing Exhibit 564 to?

10 MR. TROTTER: I'm comparing Exhibit 564,
11 pages 2 and 3, to Exhibit 5, pages 1 and 2.

12 A. What I said by the capital cost being the
13 same is that both studies began with the cost for
14 these two plants as identified in our IRP, so the
15 beginning installed dollars per kW were the same.

16 Q. Okay. And comparing the combined cycle
17 plant, you show a capital cost in Exhibit 564 of \$13
18 levelized, is that correct?

19 A. That's correct.

20 Q. And in Exhibit 5 it is shown as \$12.58, is
21 that correct?

22 A. That's correct.

23 Q. Since the weighted cost of capital has
24 decreased from 12.22 percent to 10 percent, why is the
25 number in Exhibit 564 larger than the number in

1 Exhibit 5?

2 A. The number in Exhibit 564 began with the
3 \$670 per kW year and those dollars were in 1991
4 dollars. We then adjusted for those dollars to bring
5 them to 1993 dollars, and that was the reason for the
6 increase from 12.58 to \$13. We have prepared a
7 response to a recently received Navy request which
8 identifies these differences and shows how the
9 information on my two pages, pages 2 and 3 in 564,
10 were developed.

11 Q. Okay. So that would cover the difference
12 in capital cost for the combustion turbine as well?

13 A. That's correct. The one covering the
14 combined cycle would be our response to Federal
15 Executive Agency Number 701. The one covering the
16 simple cycle or just the CT would be response to 702.
17 And then on 703 we describe how we came down to the
18 actual peak credit number used in the study.

19 Q. Okay. But focusing just on the capital
20 cost, you're just saying that the difference is due to
21 a different year's starting point?

22 A. That's correct.

23 MR. CAMERON: Could I interrupt for a
24 second to ask one question? I understand how you
25 adjusted the number from 1991 to 1993. Did the cost

1 of capital remain constant in that adjustment?

2 THE WITNESS: The cost of capital used to
3 discount the stream was as proposed in the general
4 case under my Exhibit 564 so that would be the 10
5 percent.

6 MR. CAMERON: Okay. Thank you.

7 Q. And that's shown on page 3 of Exhibit 564,
8 the 10 percent on line 4 at the bottom?

9 A. That's correct.

10 Q. I would also like to trace through your
11 cost studies, the residential basic charge analysis.
12 And in your deposition testimony in the rate design
13 docket you had testified that the residential customer
14 charge -- cost was revised from \$5.35 to \$4.75 as a
15 result of eliminating some costs which were not
16 pro-rated and reflecting the tax benefit of interest
17 expense. Do you recall that?

18 A. Yes, I do. That's correct.

19 Q. In Exhibit 7, page 2, for the cost based
20 basic charge, on the bottom line for residence, you
21 show a figure of \$4.90. Do you see that?

22 A. Using the revision of that page as of -- is
23 that 11/27?

24 Q. Or I think it's July 27.

25 A. All right. 7/27. That's correct. \$4.90.

1 Q. What's the difference between the 4.75 and
2 the 4.90?

3 A. I'm sorry. The 4.75 you were referring to
4 our original filing in the rate design case?

5 Q. No. You were deposed in August and we
6 asked you about the 4.75 and you responded that that
7 was the number reflecting the corrections to some
8 pro-rated items and the tax benefit of interest. That
9 was on page 15 of your deposition.

10 A. Okay. What happens -- and I believe there
11 was a data response that covered that. What happens
12 is that the cost of service revised number came up
13 with the \$4.90 and then Mr. Hoff in actually setting
14 the basic charge rate itself converts from this number
15 being expressed on a dollars per customer basis to one
16 that reflects a dollars per bill basis. And there is
17 a data response -- and I'll check and find it -- that
18 shows that change.

19 In our response to Staff Data Request
20 Number 7 we begin with the \$4.90, take it back up
21 times the number of customers, and then divide by the
22 number of basic charges for the test period, which
23 comes down to 4.74, and we used for rate design
24 purposes 4.75.

25 Q. Okay. And that reflects what you said

1 changing from dollar per customer to dollar per bill?

2 A. That's correct. And that does include the
3 changes or the corrections that we were trying to do
4 in the revised exhibit.

5 Q. Okay. Let's move forward, then, to your
6 current proposal Exhibit 566, page 2, again the bottom
7 line. For the residential class we see \$5.15 for the
8 residential class. Do you see that?

9 A. \$5.15 per customer, right.

10 Q. And am I correct that this reflects the
11 elimination of the costs that ought to have been
12 pro-rated and -- or reflects the proration of the
13 costs that were not pro-rated in the initial proposal
14 and reflects the tax benefit of interest?

15 A. That's correct. These reflect the tax
16 benefit of interest and the correct allocation of
17 those particular accounts.

18 Q. And this is a dollar per customer figure?

19 A. That's correct.

20 Q. And what is that on a dollars per bill?
21 Have you done that?

22 A. That's in Mr. Hoff's testimony but I can
23 find it for you and refer you.

24 Q. He's supporting a charge of \$5, is that --

25 A. That's subject to, you know, a penny or

1 two. If you allow me, I can check and make sure
2 exactly what that number is.

3 Q. Fine.

4 A. On his Exhibit 569, DWH-3, page 3, in his
5 column 1 you can find the 5.15. Then over in column 4
6 he comes down to a 4.98.

7 Q. Thank you. Am I correct, then, that the sole
8 reason for the increase from \$4.90 in your Exhibit 7
9 to \$5.15 in Exhibit 566 is solely due to the new
10 revenue requirement proposal?

11 A. It is due to test period changes in revenue
12 requirement.

13 Q. The cost-of-service study you have
14 submitted in this proceeding reflects the results of
15 the test year in the rate case which is the 12 months
16 ended June 30, 1992, is that correct?

17 A. That's correct.

18 Q. On the last page of your testimony T-563,
19 it's page 8, you have a subject entitled Bifurcation
20 of Cost of Service by Class. Do you see that?

21 A. Yes.

22 Q. And you indicate that you prepared an
23 exhibit showing the identification of base and
24 resource costs by class and you indicate it is
25 included on page 1 of Exhibit 5 in the rate design

1 case. Should that reference be to Exhibit 6 in the
2 rate design case which was CEL-5?

3 A. It would be CEL-5, Exhibit 6.

4 Q. So you would make a correction on line 11
5 to change Exhibit 5 to Exhibit 6?

6 A. That's right. CEL-5 was numbered as
7 Exhibit Number 6.

8 Q. And referring to Exhibit 6, page 1, the
9 calculation of base and resource costs shown there was
10 based on the results of the test year in Puget's last
11 general rate case and a rate of return of 10.22, the
12 rate which was the rate of return allowed for that
13 case, is that right?

14 A. That's correct. This reflects the revenue
15 requirements being considered at that time within the
16 rate design case.

17 MR. TROTTER: The reporter could mark as
18 Deposition Exhibit 1 Puget's Response to Staff Data
19 Request Number 22 - Supplemental.

20 (Marked Deposition Exhibit No. 1.)

21 Q. Do you recognize Deposition Exhibit 1 as
22 your Response to Staff Data Request 22 - Supplemental?

23 A. Yes.

24 Q. And this response is a recast of page 1 of
25 Exhibit 6 to reflect a 10.16 percent rate of return,

1 the level of return allowed for PRAM filings, is that
2 right?

3 A. That's right. This reflects the rate of
4 return which was allowed when the base resource
5 bifurcation was developed.

6 Q. The calculation of base and resource cost
7 by customer class shown on this Exhibit 1, Deposition
8 Exhibit 1, is still based on the results from Puget's
9 last general rate case, is that correct?

10 A. That's correct.

11 Q. And not the test period in this case?

12 A. These reflect the previous general rate
13 case, that's true.

14 Q. Puget's last general rate case?

15 A. Puget's last general rate case.

16 MR. TROTTER: Those are all my questions.

17 Thank you. I guess Mr. Trincherro could go next.

18 MR. TRINCHERO: Very well.

19

20

E X A M I N A T I O N

21 BY MR. TRINCHERO:

22 Q. Good morning, Ms. Lynch.

23 A. Good morning.

24 Q. In Exhibit T-563 on page 1 you state that
25 the company uses the same principal concepts and

1 methods used in the company's rate design proceeding.
2 Is it correct to say that if you were asked the same
3 questions regarding methodology and underlying
4 assumptions that were asked of you in your deposition
5 in cause number UE-920499 and during cross-examination
6 in that proceeding that your answers would be the
7 same?

8 A. Yes, except for the differences which I
9 just recently -- or just discussed with Mr. Trotter.

10 Q. And those differences --

11 A. Were for the revenue sensitive items.

12 Q. -- were for the revenue sensitive items.

13 Regarding the peak credit method and the
14 adjustment of 1991 dollars to 1993 dollars, I would
15 like to make a deposition request. I guess that would
16 be Number 10 next in order. If you could provide the
17 responses that you named in response to Mr. Trotter's
18 questions, Federal Executive Agency data requests 701,
19 702 and 703.

20 (Deposition Request No. 10.)

21 A. Okay.

22 MR. TRINCHERO: I have no further
23 questions.

24 MS. ARNOLD: I have no questions.

25

1 EXAMINATION

2 MR. CAMERON:

3 Q. I just have a couple questions, Ms. Lynch.
4 I don't think this will take very long at all. Can
5 you tell me why you decided to classify all poles,
6 conductors and transformers to noncoincident peak?

7 A. That decision came out of discussions
8 within the Collaborative which was held prior to our
9 filing of our rate design case, and in that, there
10 were discussions about the appropriate methods used to
11 classify these type of accounts, and we felt that in
12 the interest of collaboration that we could go with
13 what we refer to as a basic customer method which only
14 classifies the meter and the service to customer and
15 leaves the remaining plants -- plant accounts to being
16 classified based on noncoincident demand.

17 Q. Do you consider alternative classification
18 methods such as minimum system or zero intercept?

19 A. Our proposals in the past have been
20 reflective of minimum system methodologies and company
21 is familiar with that type of classification and in
22 the past has proposed that as an appropriate means of
23 classifying those type of accounts.

24 Q. By that, can I assume that you have a
25 minimum system study that you have performed for the

1 company?

2 A. Yes, we do.

3 Q. And what about the zero intercept
4 methodology?

5 A. We have not done a zero intercept study for
6 our company, however, I have seen some studies done, I
7 believe Water Power, in cases -- I can't think of the
8 docket, but I believe they had a zero intercept study
9 and I have seen those results, so I'm familiar with
10 the kind of results that come out of that type of
11 analysis.

12 Q. But the data used by Water Power, not
13 Puget, I assume.

14 A. Right. What I have done is looked at Water
15 Power results. We have not done a Puget version of a
16 zero intercept study.

17 Q. What are the sources of information you
18 used to perform the minimum system study?

19 A. Well, the minimum system study that we've
20 filed within our past dockets has been the result of
21 actually inventorying circuits. That was the method
22 that we've used in our past cases. And I am aware
23 that we have an updated version of the minimum system
24 study that did not rely on that kind of analysis but
25 rather looked at feeder analysis and inventorying, you

1 know, stock that would be required to serve different
2 size loads and different configurations of customers.
3 So we have both of those kinds of study results
4 available regarding minimum system.

5 Q. All right. And again, what are the two
6 alternatives?

7 A. The first alternative was where we actually
8 -- and this was around -- it began around the days of
9 PURPA back in '78 or '80. We actually inventoried 36
10 distribution circuits across our service territory,
11 and then using some information as to the correct
12 classification of those circuits and then comparing
13 kind of minimum size versus what's installed out
14 there, you can come up with the ratios that typically
15 result from a minimum system analysis.

16 The second study -- second version of a
17 minimum system type of analysis that we recently
18 completed takes customer loads -- assumptions on
19 customer loads and customer configurations on a
20 circuit and builds -- buildings that given some
21 assumption on minimum size, according to what we have
22 in inventory, and then builds it, the system, on what
23 their -- actually their load requirements are, and
24 then the difference between those are referred to as
25 the minimum system or the customer related size.

1 Q. And in choosing this circuit used for
2 analysis you pick one that you feel is typical of the
3 Puget system?

4 A. In the current method or the old method?

5 Q. Let's stick with the current method for the
6 moment.

7 A. The current method or the method we've
8 moved towards is more of an engineering approach.
9 It's not identified to any of our circuits that we
10 have in the field.

11 Q. So you did not pick an actual circuit,
12 instead you picked a hypothetical?

13 A. We've designed a circuit to meet -- it's
14 more of a situation that we've designed a circuit to
15 meet some situations with which in terms of customer
16 configurations and densities that we exhibit on our
17 system, so it would be a hypothetical, I guess, or you
18 could call it a typical type of circuit, but it does
19 not exist in the field.

20 Q. I understand. And as for the older study,
21 the one that used the 36 distribution circuits, you
22 picked those 36 on the basis of their
23 representativeness of your entire system?

24 A. They were picked -- if I recall correctly,
25 they were picked to be representative of the types of

1 circuits we have on the system. And, frankly, I think
2 that the selection was also somewhat on a geographical
3 or how close, you know, ease in getting to the system
4 and doing the inventory. So I feel that they at the
5 time represented our system but I don't know that --
6 it certainly wasn't a statistically-selected sample.
7 It was selected as representative for other than just
8 statistical purposes. We feel it reflects our system
9 but that's about as far as I think we would go in the
10 description of those circuits.

11 Q. And where did you derive the data on these
12 circuits? Did they come from property records or some
13 other source?

14 A. The data in terms of -- I'm not sure which
15 data.

16 Q. The data on the 36 circuits.

17 A. Well, the data in terms of what is actually
18 out there was from a filed inventory kind of a
19 quantity takeoff, if you will, of what we've put in
20 the ground or put on the pole and we in looking at
21 that we also referred to as-built drawings.

22 Q. What was the relationship of this first
23 study to PURPA?

24 A. We were -- it was when we started looking
25 at, I would say, more closely the issues regarding

1 the basic customer, and the basic customer in the
2 minimum system within our case 7805 was discussed
3 quite a lot and we were encouraged to look at a cost
4 based allocation of those kinds of things and we
5 identified the minimum system study at that time as
6 being the appropriate way to treat those plant
7 accounts.

8 Q. I see. I think I'm going to cover the rest
9 of this in a data request and I'll put it in writing
10 and submit it to you probably Monday.

11 A. Okay.

12 Q. Can you tell me how you calculated your
13 interclass noncoincident peak and coincident peak
14 data? Did you use load research to derive these data
15 or --

16 A. We used load research for most of our
17 classes. For our industrial classes it was 100
18 percent of the population, but primarily they are
19 based on load research information.

20 Q. In terms of the industrial class, that
21 population is so small that you can actually survey
22 rather than perform load research?

23 A. Well, it's a combination of they are so
24 small and also because of the way in which they're
25 billed we have the information anyway. It's the way

1 in which they are metered in order to prepare their
2 bill we have that kind of information.

3 Q. Do any of your commercial class members
4 have the same sorts of billing metering devices that
5 the industrial class has?

6 A. I believe that some of our large commercial
7 classes are metered in such a way. I believe that's
8 correct.

9 Q. So you would have coincident peak data on
10 those large commercial customers?

11 A. Well, we have coincident peak data on large
12 commercial classes just as a result of a recent
13 survey, you know, the recent load research survey, so
14 we have that for our sample. In addition, I think we
15 might actually bill, you know, produce bills for some
16 of -- or actually not produce bills, but meter them in
17 a similar way as our large industrials, but I'm not
18 sure, but we definitely have some coincident peak data
19 just as a result of the load research study that we
20 have going on.

21 Q. My understanding is that some commercial
22 class members have their noncoincident peak measured
23 but not coincident peak. Are you saying that there's
24 a class of commercial customer that has coincident
25 peak metered?

1 A. No. I'm saying that actual hard data we
2 have load research information which would provide the
3 information for both the NCP, the noncoincident peak,
4 and for the coincident peak.

5 Q. I see. And is that true of all classes?

6 A. For the residential schedule we have a
7 class load study proportionate sample by schedule and
8 SIC code. For our small commercial, our Schedule 24,
9 we have a class load study stratified by average
10 monthly kilowatt hours. For our 29 we have a class
11 load study. For our schedule 35 we have the data for
12 the entire year. For our schedule 31 we have a class
13 load study in this case stratified by average bill
14 demand. For our Schedule 43 we have a class load
15 study. And then as I said, our 46 and 49, the data is
16 available for the entire population.

17 Q. What does the term stratified by kWh usage
18 mean?

19 A. The way I understand it is that we select
20 the sample based on the individual's kilowatt hours so
21 that -- and there are ranges of kilowatt hours which
22 we sample for or we attempt to get within our sample.
23 That's the variable or the determinant for selecting
24 the customer in or out of the sample, so I understand
25 it.

1 Q. Is it fair to say that for research
2 purposes you treat a class as composed of subclasses
3 delineated by kWh usage?

4 A. For purposes of certain samples we have
5 delineated or stratified by kilowatt hours, that's
6 correct.

7 MR. CAMERON: That's all I have. Thank
8 you.

9

10

E X A M I N A T I O N

11 BY MR. ADAMS:

12 Q. Good morning, Ms. Lynch. It's Chuck Adams,
13 public counsel. Would you turn first to your Exhibit
14 T-563, page 5. That's your testimony. And
15 specifically the paragraph that begins at line 8 where
16 you say that --

17 MR. CAMERON: What page?

18 MR. ADAMS: Page 5, line 8.

19 Q. -- where you state that forward-looking
20 relationships were used. Exactly how do you mean that
21 with respect to the transmission plant classification
22 that you refer to at line 9?

23 A. The transmission plant classification
24 factor refers to two things. First of all, our
25 generation-related transmission plant is classified

1 using the peak credit which is a forward-looking
2 classification method. The second way in which the
3 transmission plant reflects forward looking is our
4 assignment, our classification of the nongeneration-
5 related transmission investment on the basis of peak
6 demand. We looked at our planning documents and found
7 or considered that the reason that we were in the
8 business of building transmission plant was because or
9 due to a response to load or peak demand.

10 Q. Now I'm going to refer you to your Exhibit
11 564, CEL-2, page 2. Do you have that?

12 A. Okay.

13 Q. Okay. Am I correct that you used 100
14 percent natural gas as the assumed fuel in estimated
15 marginal cost for a combined cycle plant?

16 A. That's correct. For the combined cycle
17 it's using 100 percent natural gas.

18 Q. And turning to page 3 of that exhibit,
19 am I correct that you used 100 percent number two
20 distillate fuel oil as the assumed fuel in computing
21 marginal cost for a simple cycle plant?

22 A. The simple cycle plant uses 200 hours of
23 oil, the distillate oil number two. That's correct.

24 Q. Are you aware of which of the
25 company's simple cycle turbines are connected to

1 natural gas supplies? It's our understanding that
2 all but Whitehorn 1 and Whidbey are on natural gas.
3 Maybe you could confirm that.

4 A. You said Whitehorn 1 and Whidbey?

5 Q. Yes.

6 A. I believe that's correct. I can't seem to
7 find it now but I think there was a -- no, I think
8 that's correct.

9 Q. In computing the levelized cost per
10 megawatt hour and the levelized cost for kilowatt, did
11 you use the weighted cost of capital shown at the
12 bottom of page 3 in your CEL-2 as the discount rate or
13 did you use the net of tax cost of capital?

14 A. Pages 2 and 3 use the 10 percent cost of
15 capital as a discount rate, so it did not use the net
16 of tax.

17 Q. I want to briefly address a couple
18 questions, similar to some questions asked to you
19 previously by Mr. Trotter, that relate to the basic
20 customer cost for the residential class of \$4.90 a
21 month shown in your original Exhibit 7 and then the
22 revised level at \$5.15 per month. Do you recall that
23 testimony, I assume?

24 A. Yes.

25 Q. What changes contributed to this

1 difference?

2 A. Well, there were the changes -- the changes
3 that are causing the difference are due to test period
4 changes and revenue requirement changes, such things
5 as, you know, plant balance has changed, and we've
6 reflected the different net of tax rate on our line
7 36. Things like that are the only changes between
8 these two schedules. The method is the same. The
9 actual calculation is the same between the two.

10 Q. So are the changes primarily, then, inflation
11 and cost of capital?

12 A. Inflation, cost of capital, different
13 growth in number of customers, those kinds of things.
14 Because if you look on line 35 the total number of
15 customers has changed.

16 Q. Are the costs of meter reading and billing
17 for special meter reads, such as when people move in
18 and out between scheduled billing cycle meter reads,
19 are those amounts included in the meter reading and
20 customer accounts expense shown on lines 20 and 21 of
21 page 1 of your Exhibit 566?

22 A. I believe that's correct, but I would like
23 to check on that.

24 Q. Will you accept that subject to check and
25 you will notify us --

- 1 A. Yes.
- 2 Q. -- if it is not the case?
- 3 A. That the costs for special reads are
- 4 included in the line 20.
- 5 Q. What about line 21 special bills?
- 6 A. Okay. Line 21.
- 7 Q. I would like to leave it that you will
- 8 accept that subject to check, but if that is not the
- 9 case, you will let us know that's not the case and
- 10 explain why not, okay?
- 11 A. So if it's not the case, you want an
- 12 explanation as to why those expenses are not in the
- 13 account?
- 14 Q. That is correct.
- 15 A. Okay.
- 16 Q. And where they are as well.
- 17 A. Okay.
- 18 Q. Thank you. Are the revenues from the
- 19 company as account service charge of \$5 which is
- 20 listed in Rule 28 of Schedule 80 netted against lines
- 21 20 and 21 before the customer charge is calculated?
- 22 A. No. The revenues associated with the late
- 23 field charge there is no crediting for revenues within
- 24 this calculation.
- 25 Q. Could you indicate where those revenues are

- 1 shown?
- 2 A. The late pay revenues?
- 3 Q. They are called account service charge
- 4 revenues.
- 5 A. If you look in my Exhibit 565 on page 3,
- 6 on line 15 I have something, Account Service Charge
- 7 ID451.08.
- 8 Q. There's a cogen listing there. Could
- 9 you be referring to line 13?
- 10 A. I'm sorry. Line 13. Thank you.
- 11 Q. Okay. That shows the test year revenues
- 12 received under that -- for that item, is that correct?
- 13 A. For the account service charge.
- 14 Q. I want to change --
- 15 A. It's correct. The 451.06 is for those
- 16 revenues. I was just checking.
- 17 Q. I want to change gears and go into a
- 18 different area now. Does your proposed
- 19 cost-of-service study consider differential risks
- 20 among customer classes?
- 21 A. No, the cost of service study reflects the
- 22 system or Puget's total rate of return, so it does not
- 23 reflect differential risk.
- 24 Q. Does it consider differential risk among
- 25 property types? By that, an example is assigning

1 greater risk to generation property, say, than to
2 distribution property.

3 A. No. The study and information needed to do
4 that really isn't -- wasn't available to do that and
5 our study and our proposal is that that does not make
6 -- we don't accept that as a reasonable method.

7 Q. Are you generally familiar with the
8 testimony of Mr. Weaver -- actually, several
9 witnesses, Weaver, Miller, and Abrams, where they
10 associate additional risk to the company with purchase
11 power?

12 A. I've reviewed their testimony, yes.

13 Q. Okay. That risk that they discuss is
14 manifested, their testimony, in the form of a proposed
15 increase in the equity capitalization ratio, isn't it?
16 I'm just asking some general questions here.

17 A. If I recall, that was -- that was their
18 testimony.

19 Q. Does the cost-of-service study that you
20 have prepared assign the additional costs associated
21 with that increased equity capitalization ratio to all
22 customer classes based on their allocated share of
23 purchase power expense?

24 A. The cost-of-service study takes the
25 company's targeted or requested rate of return and

1 uses that against the allocated rate base to assign
2 whatever risk might be incorporated in our capital
3 request.

4 Q. So none of the -- of your cost of -- so
5 none of the cost of capital is allocated on the basis
6 of purchase power expense then, is that correct?

7 A. The cost of -- that's correct. The cost of
8 capital is used against the allocated rate base to
9 determine the correct amount of return within the cost
10 of service for each class.

11 Q. Okay. In the rate design case you prepared
12 several sensitivity runs of the cost-of-service model,
13 did you not?

14 A. Yes.

15 Q. And among those sensitivity runs was one
16 which allocated transmission costs in the manner that
17 the Commission has repeatedly affirmed that is on the
18 basis of -- same basis as production plant, correct?

19 A. I just want to check.

20 Q. I refer you to Exhibit 6, page 4.

21 A. I know the exhibit. It's finding it in my
22 books. Sorry.

23 That's right. We prepared a scenario which
24 classified and allocated transmission costs based on
25 production plant.

1 Q. Did you prepare a similar sensitivity study
2 in this proceeding?

3 A. No, in this proceeding we presented our
4 base case or our proposed case only.

5 Q. Could you provide a similar sensitivity
6 study based on the current rate case filing?

7 A. We could provide that scenario. I would
8 just like to add or point out that in the parties' --
9 in response to some data requests that have been made
10 of the company we've provided our model and it's
11 possible for individual parties to do those scenarios
12 as well, but we could do them also.

13 Q. I would like to request that as Deposition
14 Request Number -- I guess it's 11, just as a similar
15 sensitivity study to what is performed in Exhibit 6,
16 page 4, but for the revenue requirement in this
17 current case.

18 (Deposition Request No. 11.)

19 A. For the entire page 4?

20 Q. No, just the transmission and production
21 plant items is what we needed.

22 A. Okay.

23 MR. ADAMS: And that's all I have. Thank
24 you.

25 MR. TROTTER: Anything further of Ms.

1 Lynch?

2

3

E X A M I N A T I O N

4 BY MR. TRINCHERO:

5 Q. I do have one or two questions to follow up
6 on some questions that counsel for BOMA asked you
7 regarding the minimum system. Referring to Exhibit 6
8 in the rate design proceeding, page 5 shows a
9 comparison of results of different scenarios, one of
10 those being the use of the minimum system as opposed
11 to the basic customer. Have you prepared a similar
12 analysis in this proceeding?

13 A. No. This proceeding the proposal or the
14 cost-of-service filing in this proceeding is the base
15 case or the company's actual proposal. We did not
16 recast these scenarios.

17 Q. In response to counsel for BOMA's question,
18 you did say that you had prepared a study fairly
19 recently?

20 A. The study that I was referring to at that
21 time was what would be input to this kind of scenario.
22 I was referring actually to the minimum study --
23 minimum system study itself, not the cost of service
24 which might result from applying those study inputs.

25 Q. Could one using the inputs from that study

1 with the cost-of-service model that we have now
2 provided by the company for this case run a
3 sensitivity analysis similar to this one?

4 A. Yes.

5 Q. Very good. We'll save that for a data
6 request.

7 MR. TRINCHERO: I have nothing further.
8 Thank you.

9 MR. ADAMS: Counsel or perhaps Mr. Van
10 Nostrand, could you indicate. I have made the
11 assumption that all the data requests will be provided
12 to all parties, but if that's not the case, could I
13 request and I suspect other people may want to request
14 that they receive them.

15 MR. VAN NOSTRAND: Yes.

16 MR. ADAMS: Thank you.

17 MR. VAN NOSTRAND: I think that has been
18 the practice, yes.

19 MR. TROTTER: Anything further of Ms.
20 Lynch? I guess you're excused. Call Mr. Hoff.

21 (Deposition concluded at 10:40 a.m.)

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Colleen E. Lynch

COLLEEN E. LYNCH

STATE OF WASHINGTON)

) ss.

COUNTY OF KING)

SUBSCRIBED AND SWORN to before me this 12th
day of February, 1993.

Janita K. Maustas
Notary Public in and for the State

of Washington, residing at Kirkland

Please record all changes and corrections on this sheet, noting the page and line numbers of where you wish the changes to be made. Please sign this page AND the signature page.

DO NOT MAKE CHANGES IN THE ORIGINAL TRANSCRIPT, ONLY ON THIS SHEET.

Please return the ORIGINAL Transcript, signed and notarized signature page, and signed correction sheet to:


CONTINENTAL REPORTING SERVICE, INC., 500 Union Street, # 926, Seattle, WA 98101

Page, Line

FROM DEPOSITION UPON ORAL EXAMINATION OF COLLEEN E. LYNCH 2/5/93

Pg. 26 L.18 "filed" should be "field"

Pg. 28 L. 7 "classes" should be "customers"


Signature

Puget Sound Power & Light Company
Docket No. UE-920499
Response to Staff Data Request Number 22 - Supplemental

Request:

Ms. Lynch states in Exhibit T-2 (CEL-1), page 31, that the Commission in the Decoupling proceeding directed the company to identify base and resource costs for each customer class, and that this analysis is shown on page 1 of Exhibit 6 (CEL-5). However, this analysis appears to be based on a rate of return on investment of 10.22%, and results in a total base cost amount of \$396,667,070, which, when being divided by the total number of customers of 672,617, will produce an average amount of base cost per customer of \$589.74. Please therefore recast the analysis on page 1 of Exhibit 6 (CEL-5), using a rate of return that will produce a total amount of base cost of \$395,274,358, and an average amount of base cost per customer \$587.67 as determined by the company and approved by the Commission in the PRAM-1 proceeding.

Response by Ms. Lynch:

See attached workpaper for this analysis.

EXH. NO. 1

FEB 5 1993
WITNESS Lynch
LISA K. NISHIKAWA

Cost of Service Report

STAFF BIFURCATION

Puget Sound Power & Light Company
Bifurcation of Costs - UE-901183

Description	Category Reference	Category	Total Allocation	Summary Class	Summary Class	Summary Class	Summary Class	Summary Class	Summary Class
	ID #	Primary		Residential	Secondary Gen1	Primary Gen1 Sv	High Volt Gen'	Lighting	Firm Resale
1 Total Operating Revenues - Total	REV.T3	.	830,473,361	455,209,604	241,080,119	49,859,278	73,093,775	7,790,634	3,439,951
2 Total Operating Revenues - Base	REV.T3	B	378,389,591	231,271,336	103,145,454	18,659,358	18,848,366	6,011,169	1,134,213
3 Total Operating Revenues - Resource	REV.T3	R	452,083,770	223,938,268	137,934,665	31,199,921	54,245,408	1,779,465	2,305,738
Line 3 Includes:									
4 Sales of Electricity - Non Firm	ID447.03	.	10,855,200	5,573,175	2,876,303	769,392	1,543,522	34,601	58,206
Line 2 Includes:									
5 Other Operating Revenue - Total	REV.T2	.	10,932,730	7,463,316	1,688,878	525,145	1,212,204	25,733	17,454
6 Total Operating Expenses - Total	OE.T	.	642,600,266	363,284,274	163,238,464	40,307,280	67,377,605	5,559,644	2,832,999
7 Total Operating Expenses - Base	OE.T	B	317,178,217	195,666,514	77,047,292	17,349,457	21,613,603	4,404,333	1,097,018
8 Total Operating Expenses - Resource	OE.T	R	325,422,049	167,617,761	86,191,171	22,957,823	45,764,003	1,155,311	1,735,981
9 Rate Base - Total	RB.T	.	1,841,573,891	1,093,763,091	469,837,547	108,561,301	144,795,945	17,644,647	6,971,361
10 Rate Base - Base	RB.TB	B	1,094,551,821	711,488,291	271,508,957	55,477,475	37,897,118	15,240,626	2,939,355
11 Rate Base - Resource	RB.TR	R	747,022,070	382,274,800	198,328,590	53,083,826	106,898,826	2,404,022	4,032,006
12 Return on Net Investment - Total	RRB.T	.	187,873,091	108,452,885	48,326,426	11,536,366	17,227,087	1,557,739	772,587
13 Return on Net Investment - Base	RRB.TB	B	89,028,866	57,871,171	22,084,048	4,512,437	3,082,483	1,239,645	239,082
14 Return on Net Investment - Resource	RRB.TR	R	98,844,225	50,581,714	26,242,378	7,023,929	14,144,604	318,095	533,506
15 Return on Rate Base - Total	(12/9)	.	10.202%	9.916%	10.286%	10.627%	11.897%	8.828%	11.082%
16 Return on Rate Base - Base	(13/10)	.	8.134%	8.134%	0.134%	8.134%	8.134%	8.134%	8.134%
17 Return on Rate Base - Resource	(14/11)	.	13.232%	13.232%	13.232%	13.232%	13.232%	13.232%	13.232%
18 Total Cost of Service - Total	(6+12)	.	830,473,357	471,737,159	211,564,890	51,843,646	84,604,693	7,117,383	3,605,587
19 Total Cost of Service - Base	(7-5+13)	.	395,274,353	246,074,369	97,442,462	21,336,749	23,483,881	5,618,245	1,318,646
20 Total Cost of Service - Resource	(8-4+14)	.	413,411,074	212,626,300	109,557,246	29,212,359	58,365,085	1,438,804	2,211,280

Footnote:

The return on each component of the bifurcated cost does not individually equal the overall authorized rate of return due to the tax treatment of ratebase.

Puget Sound Power & Light Company
Docket No. UE-920499
RESPONSE TO STAFF DATA REQUEST NUMBER 22 - 2ND SUPPLEMENTAL

Request:

The company's supplemental response to Staff Request No. 22 has allocated the amount of "Total Cost of Service - Base" of \$395,274,353 shown on line 19 of the workpaper attached to this response to all customer classes, including Street Lighting.

However, as Street Lighting customers were not included in the company's calculation of the amount of overall average base cost per customer of \$587.67, please reallocate the amount of base cost allocated to Street Lighting of \$5,618,245 to other appropriate customer classes to make possible the calculation of a separate amount of base cost per customer for each customer class, excluding lighting.

Response by Ms. Lynch:

In terms of cost of service, it is not appropriate to allocate any costs associated with one class of customer to the other classes of customers. However, the attached workpaper shows the results of allocating base costs for street lighting to all other classes based on their allocation of base costs. This is one of many methods which could be used. For example these costs could be allocated based on average number of customers, kWhs, revenue, coincident peak kW, non-coincident peak kW or any combination of cost of service allocation factors and/or results. We do not believe the results derived from any of these methods are any more or less meaningful.

Cost of Service Report

STAFF BIFURCATION

Puget Sound Power & Light Company
Bifurcation of Costs - UE-901183

Description	Category Reference	Category	Total Allocation	Summary Class	Summary Class	Summary Class	Summary Class	Summary Class	Summary Class
	ID #	Primary		Residential	Secondary	Gen1 S	Primary Gen1 Sv	High Volt Gen'	Lighting
1 Total Operating Revenues - Total	REV.T3	*	830,473,381	455,209,604	241,080,119	49,859,278	73,093,775	7,790,634	3,439,951
2 Total Operating Revenues - Base	REV.T3	B	378,389,591	231,271,338	103,145,454	18,659,358	18,848,366	6,011,169	1,134,213
3 Total Operating Revenues - Resource	REV.T3	R	452,083,770	223,938,268	137,934,665	31,199,921	54,245,408	1,779,465	2,305,738
Line 3 Includes:									
4 Sales of Electricity - Non Firm	ID447.03	*	10,855,200	5,573,175	2,876,303	769,392	1,543,522	34,601	58,206
Line 2 Includes:									
5 Other Operating Revenue - Total	REV.T2	*	10,932,730	7,463,318	1,688,878	525,145	1,212,204	25,733	17,454
6 Total Operating Expenses - Total	OE.T	*	842,600,266	363,284,274	163,238,464	40,307,280	67,377,605	5,559,644	2,832,999
7 Total Operating Expenses - Base	OE.T	B	317,178,217	195,666,514	77,047,292	17,349,457	21,813,603	4,404,333	1,097,018
8 Total Operating Expenses - Resource	OE.T	R	325,422,049	167,617,761	86,191,171	22,957,823	45,764,003	1,155,311	1,735,981
9 Rate Base - Total	RB.T	*	1,841,573,891	1,093,763,091	469,837,547	108,561,301	144,795,945	17,644,647	6,971,361
10 Rate Base - Base	RB.TB	B	1,094,551,821	711,488,291	271,508,957	55,477,475	37,897,118	15,240,626	2,939,355
11 Rate Base - Resource	RB.TR	R	747,022,070	382,274,800	198,328,590	53,083,826	106,898,826	2,404,022	4,032,006
12 Return on Net Investment - Total	RRB.T	*	187,873,091	108,452,885	48,326,426	11,536,366	17,227,087	1,557,739	772,587
13 Return on Net Investment - Base	RRB.TB	B	89,028,868	57,871,171	22,084,048	4,512,437	3,082,483	1,239,645	239,082
14 Return on Net Investment - Resource	RRB.TR	R	98,844,225	50,581,714	26,242,378	7,023,929	14,144,604	318,095	533,506
15 Return on Rate Base - Total	(12/9)	*	10.202%	9.916%	10.286%	10.627%	11.897%	8.828%	11.082%
16 Return on Rate Base - Base	(13/10)	*	8.134%	8.134%	8.134%	8.134%	8.134%	8.134%	8.134%
17 Return on Rate Base - Resource	(14/11)	*	13.232%	13.232%	13.232%	13.232%	13.232%	13.232%	13.232%
18 Total Cost of Service - Total	(6+12)	*	830,473,357	471,737,159	211,564,890	51,843,648	84,604,693	7,117,383	3,605,587
19 Total Cost of Service - Base	(7-5+13)	*	395,274,353	246,074,369	97,442,462	21,336,749	23,483,881	5,618,245	1,318,646
20 Total Cost of Service - Resource	(8-4+14)	*	413,411,074	212,626,300	109,557,246	29,212,359	58,365,085	1,438,804	2,211,280
21 Restate Line 19 As Requested	See Note 2	*	395,274,353	249,622,385	98,847,433	21,644,393	23,822,483	0	1,337,659
				3,548,016	1,404,971	307,643	338,602	-5,618,245	19,013

Footnotes:

Note 1. The return on each component of the bifurcated cost does not individually equal the overall authorized rate of return due to the tax treatment of ratebase.

Note 2. Line 21 = (Line 19 / (\$395,274,353 - \$5,618,245)) * \$5,618,245 + Line 19