

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

KIMBERLY-CLARK TISSUE COMPANY

Complainant

v.

Docket No. UG-990619

PUGET SOUND ENERGY, INC.

Respondent;

DIRECT TESTIMONY OF TIMOTHY J. HOGAN

ON BEHALF OF PUGET SOUND ENERGY, INC.

October 4, 1999

DIRECT TESTIMONY OF TIMOTHY J. HOGAN

Q. Please state your name, business address and position.

A. My name is Timothy J. Hogan. My address is One Bellevue Center, 411 108th Avenue, 15th Floor, Bellevue, Washington. I am Vice President System Operations at Puget Sound Energy, Inc. ("PSE").

Q. Would you describe your employment experience?

A. I was employed by Washington Natural Gas ("WNG") beginning in 1976 until its merger with Puget Sound Power & Light Company in February 1997. In February 1997, I became Vice President of System Operations at PSE, which is the position I hold today. When I first joined WNG, I worked in the legal department. I last served in that department in June 1994. At that point, I became Vice President of Supply and Administration, and my duties included energy procurement and contracting issues. In that position, my responsibilities also covered industrial marketing and managing industrial customer issues. I later became Senior Vice President of Supply and Administration. In 1996, I became Chief Operating Officer and Executive Vice President of WNG. My responsibilities included all of the operations of WNG.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to:

- **Provide an overview of the applicable tariff provisions**
- Describe the process used by PSE to manage a curtailment
- Describe my involvement in the curtailment of service to interruptible customers that took place from December 19, 1998 to December 28, 1998
- Explain the basis for my decision to continue the curtailment of service to interruptible customers until there was sufficient distribution capacity to serve those customers
- Explain why PSE's management of the curtailment was reasonable and complied with PSE's

service obligations as required by applicable tariff provisions and service agreements

OVERVIEW OF APPLICABLE TARIFF PROVISIONS

Q. Under what Rate Schedule did Kimberly-Clark take service during the period at issue in this case (December 1998)?

A. Kimberly-Clark takes firm and interruptible transportation service under Schedule 57.

Q. Can you provide an overview of PSE's Rules and Rate Schedule provisions which apply to the Company's decision to curtail interruptible customers?

A. Yes. PSE's Natural Gas Tariff includes a number of Rules and Rate Schedules that may apply in a curtailment where insufficient distribution capacity is the basis for curtailing interruptible services. First, Rule 21 establishes that customers receiving firm gas service have priority of service over all interruptible customers. The Rule states that "[n]o curtailment in firm gas service will be imposed by the company until all interruptible service customers in the area affected have been ordered to curtail to one hundred percent of their interruptible requirements." Rule 23 addresses curtailment of interruptible customers and service priority of those customers.

Under Rule 23, the Company

may curtail interruptible sales service . . . if the company's distribution capacity is insufficient to meet estimated requirements for all customers on interruptible sales and transportation service.

and the Company

may curtail interruptible transportation service if the company's distribution capacity is insufficient to meet estimated requirements for all customers on interruptible sales and transportation service.

Rule 23 also establishes the order of service priority when there are curtailments caused by

insufficient company distribution capacity. Rate Schedule 86 customers have the highest priority of service, followed by Rate Schedule 85 customers and finally by Rate Schedule 87 and 57.

The rate schedules for our interruptible customers also address curtailment in the context of insufficient distribution capacity. In particular Rate Schedule 57, provides that constraint periods, to be declared at the sole judgment and discretion of the company, may occur when the company's gas supply or distribution capacity is insufficient to meet the estimated requirements of all firm sales customers, interruptible sales customers, and transportation customers.

It is clear from the language of these provisions that firm service has priority of service over interruptible sales and transportation service, and that there are established priorities of service within the interruptible rate schedules. The rates for the interruptible customers reflect this priority of service, as well as other characteristics of the service.

Q. How are Rules and Rate Schedules interpreted?

A. Rule No. 1 of PSE's Natural Gas Tariff provides that the "rules and regulations shall govern all service except as specifically modified by the terms and conditions of the rate schedules, written contracts, or service agreements."

Q. Are customers under Rate Schedule 57 required to enter into a service agreement with PSE?

A. Yes. A copy of the service agreement that Kimberly-Clark entered into with PSE is attached to Mr. Lewis' testimony.

Q. What does the Rate Schedule 57 service agreement provide regarding curtailments of transportation service?

A. Paragraph 6 of the Agreement provides that transportation service is subject to constraint periods that may be declared at the Company's sole determination. These constraint periods may

be imposed by reason of distribution system curtailments, overrun entitlements and underrun entitlements. The Company will endeavor to give the Customer as much notice as reasonably practicable with respect to anticipated constraint periods, but reserves the right to declare these periods at such time and for such duration as the Company deems necessary in order to manage its gas distribution system.

HOW IS A CURTAILMENT MANAGED AT PSE

Q. What process does PSE have in place to manage curtailments?

A. Curtailments can be caused by a number of different events, and to some extent the process may be adjusted to account for the type of curtailment. However, PSE has an emergency response process that is initiated in the case of a major event such as a systemwide curtailment to respond to insufficient distribution capacity. The 24-Hour Operations Group and the Operations Planning Department develop an operational plan to respond to insufficient distribution capacity on the gas distribution system. Senior management is involved to review the operational plan and authorize key actions. Typically, the person who is on duty as the Emergency Response Planning Supervisor is the focal point in the process of executing these key actions, although others may share these responsibilities depending on the scope of the actions that have to be undertaken in the operational plan. The 24-Hour Operations office is staffed three hundred and sixty-five days a year, twenty-four hours a day to provide continuous emergency response. The 24-Hour Operations Group is charged with identifying the need to hand off specific responsibilities when system events exceed their ability to manage those events. Other areas become Emergency Operation Centers as necessary. Each group has responsibilities that are detailed in PSE's Emergency Response Plan. See Exhibit __ (TJH-1).

Q. Who were the individuals advising senior management during the curtailment in December 1998?

A. Many individuals from Operations Planning and 24-Hour Operations were advising senior management during the curtailment, but Ms. Caswell, Manager-Operations Planning and Mr. Riley, the Emergency Response Planning Supervisor and the System Manager – Gas were two of the primary advisors.

Q. Did Mr. Riley have the authority to call a curtailment in December 1998?

A. In an emergency situation, which requires immediate action, Mr. Riley would have had the authority to curtail customers. However, in a situation where curtailment is part of a planned response to a forecasted weather event, senior management would be involved in reviewing any operational plans and authorizing any curtailment action.

Q. Does the Emergency Response Plan require that senior management be involved in effecting all aspects of an operational plan?

A. No.

Q. Why not?

A. The purpose of developing an operational plan is to respond to an emergency in a way that effectively addresses the problem. Once an operational plan has been put into effect with senior management review, it is not necessary to require senior management to be involved in process of carrying out all aspects of the plan. Under an operational plan, individuals with specific expertise have responsibilities, and are expected to perform those responsibilities. With that said, different emergencies clearly require different levels of onsite participation by senior management. During a significant event such as a system-wide curtailment, senior management typically is on site or reachable by telephone or pager.

INVOLVEMENT IN THE CURTAILMENT

Q. How were you involved in the curtailment that took place in December 1998?

A. I was part of the senior management group that met with Mr. Riley and Ms. Caswell, as well as other PSE employees, on Friday, December 18, 1998 to plan for the upcoming cold weather and curtailment action that was anticipated to begin over the weekend of December 19, 1998. The Operations Planning Department and 24-Hour Operations Group were all involved in developing the operational plan for the curtailment. Members of senior management participated in the planning process on Friday, December 18, 1998 and Saturday, December 19, 1998. Once the curtailment began, senior management (including myself) was engaged in discussions with each other and with individuals from Operations Planning and 24-Hour Operations. These are the main groups that are responsible for monitoring the system and making recommendations on specific courses of action during curtailment. However, managing a curtailment involves many individuals and departments at PSE. On December 24, 1998, I was the individual from senior management who was involved in conference call meetings with Paul Riley and others to determine whether the curtailment should be continued after December 24, 1998.

Q. Why were you involved in the curtailment process?

A. Clearly, a curtailment can be a significant event for a utility. A number of senior managers have responsibility for groups that would be involved in curtailment activity, and they have the responsibility to review aspects of the operational plan. I was responsible for the industrial and commercial gas customers that would be curtailed during the event. In addition, I have had extensive experience with the gas distribution system, and had worked with many of the key individuals in both Operations Planning and 24-Hour Operations during my tenure at WNG.

THE BASIS FOR THE DECISION TO CONTINUE THE CURTAILMENT

AFTER DECEMBER 24, 1998

Q. Regarding the conference calls that you had with Mr. Riley and others on December 24, 1998, please explain your role in the determination to continue after December 24, 1998.

A. PSE had to make the determination as to when PSE could begin resumption of interruptible service. A number of factors had to be considered and consultation with a number of managers and supervisors was necessary. It was appropriate for the senior manager, who had the most experience with the gas distribution system and was in charge of those customers who would continue to be curtailed, to review the basis for continuing the curtailment and to approve the parameters for its continuation.

Q. What concerns did Mr. Riley have with resuming service on the weekend?

A. There was uncertainty in the weather forecasts and at the same time the system had been under extreme stress during the previous five days. Crews were working, and planned to work over the weekend to answer service calls. We had sizable losses of firm service to customers during the week. There were still a number of problems which affected the distribution capacity on the system. The condition of the distribution system is more fully described in the testimony of Mr. Riley and Ms. Caswell. Among other things, there were frozen regulators, mains, meters and service lines throughout the system. Some of the forecasts indicated continuing cold throughout the weekend. Because the weather forecasts had underestimated the low temperatures previously, there was significant concern over attempting to resume service to Rate Schedule 86 customers only to have temperatures drop further. In addition, the Monday morning peak flow was also a concern.

Q. What did you decide based on the conference calls you had on December 24, 1998?

A. I considered Mr. Riley's recommendations and decided that although keeping interruptible customers curtailed would result in reduced revenues to PSE, the Company's first priority was to ensure that firm service would be maintained. We reviewed the forecasts, the state of the distribution system, estimated peak on Monday and the parameters under which curtailment would continue. As of December 24, 1998, conditions continued to warrant the curtailment. Therefore, I made the determination to continue the curtailment until interruptible service could be resumed without jeopardizing firm service. Given the condition of the system on December 24, 1998, we anticipated that the curtailment would continue through the peak on Monday morning.

Q. Was it your understanding that Mr. Riley had conferred with Ms. Caswell and that he had considered her input?

A. Yes.

Q. Did you review the applicable tariff provisions in reaching your determination?

A. Yes. I reviewed those with Mr. Heidell, who was in our regulatory department at the time.

Q. Could this resumption plan have been revised?

A. Yes, to the extent changes in the situation warranted a different resumption plan. I was available by telephone over the weekend to discuss the situation with Mr. Riley. As Ms. Caswell states in her testimony, she was also available by pager and telephone.

Q. In your opinion did PSE senior management need to be on-site at this point?

A. No. Although we were still receiving customer service orders that indicated low pressure problems existed, we were not having large system outages. At this point in time 24-Hour Operations was able to monitor the gas distribution system through this part of the

curtailment.

Q. Was your decision on December 24, 1998 to extend the curtailment based on concerns about meter readers being home with their families on the weekend?

A. No. In my experience, working for a utility often requires that employees work through winter holidays.

Q. Did you discuss the availability of meter readers to work on the weekend of December 26 and 27, 1998 during either of your conference calls on December 24, 1998?

A. That issue may have been raised by Ms. Strand. However, in my experience meter readers are available if PSE needs them to be available, and in fact, meter readers were working on Friday, December 25, 1998 and Saturday, December 26, 1998.

**PSE'S MANAGEMENT OF THE CURTAILMENT WAS REASONABLE
AND COMPLIED WITH THE PSE'S SERVICE OBLIGATIONS**

Q. In his testimony, Mr. Owens states that it appears that PSE provided less than acceptable quality of service from December 24, 1998 to December 28, 1998. Please respond.

A. Under PSE's applicable Rules, Rate Schedule 57, and the terms of the service agreement for Rate Schedule 57 customers, PSE provided an acceptable quality of service to its Rate Schedule 57 customers. The acceptable level of quality of service is determined by the language of PSE's tariffs and its service agreements. Mr. Owens appears to be citing general statutory requirements that apply to firm service. PSE's decision to continue the curtailment was based on (1) maintaining service to firm customers, (2) determining whether there was sufficient distribution capacity to serve all firm and interruptible customers under the criteria PSE uses to make this determination, and (3) managing the gas distribution system to ensure that firm customers would continue to receive service. After the peak on Monday, December 28, 1998,

service was restored in the priority of service established in Rule 23. Throughout the curtailment, PSE complied with its tariff and met its service obligations to interruptible customers.

Q. What about Mr. Owens contention that "management involvement seems to have ceased after December 24, 1998"?

A. The parameters for a continuation of the curtailment were discussed in a conference call that I had with Mr. Riley and others on December 24, 1998. Contrary to Mr. Owens' contention, Mr. Riley, who was the Day System Manager-Gas, continued to monitor the curtailment situation over December 24, 1998 to December 28, 1998.

Q. Is it normal procedure for a System Manager in 24-Hour Operations to monitor a curtailment?

A. Yes. The System Manager is part of the group which is referred to as 24-Hour Operations. Gas Control and the System Managers monitor the gas distribution system 24 hours a day. Mr. Riley was the System Manager responsible at the time. He understood under what parameters the curtailment was to continue and, if PSE could have begun restoring service earlier, Mr. Riley would have spoken with me or his direct supervisor, Virgil Hofkamp. Mr. Riley is very experienced and has been involved in many curtailments.

Q. Were you aware that some customers may have complained to the WUTC regarding the curtailment?

A. Yes, but I did not participate in drafting or reviewing any responses to the WUTC regarding those complaints.

Q. Does this conclude your testimony, Mr. Hogan?

A. Yes.