**EXHIBIT NO. \_\_\_(PKW-16T)
2013 PSE PCORC
WITNESS:  PAUL K. WETHERBEE**

**BEFORE THE**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| In the Matter of the Petition ofPUGET SOUND ENERGY, Inc. For an Accounting Order Authorizing Accounting Treatment Related to Payments for Major Maintenance Activities |  | **Docket No. UE-130583** |
| WASHINGTON UTILITIES ANDTRANSPORTATION COMMISSION,Complainant, v.PUGET SOUND ENERGY, INC.,Respondent. |  | **Docket No. UE-130617** |
| In the Matter of the Petition ofPUGET SOUND ENERGY, Inc. For an Accounting Order Authorizing the Sale of the Water Rights and Associated Assets for the Electron Hydroelectric Project in Accordance with WAC 480-143 and RCW 80.12. |  | **Docket No. UE-131099** |

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| In the Matter of the Petition ofPUGET SOUND ENERGY, Inc. For an Accounting Order Authorizing the Sale of Interests in the Development Assets Required for the Construction and Operation of Phase II of the Lower Snake River Wind Facility |  | **Docket No. UE-131230** |

**PREFILED REBUTTAL TESTIMONY**

**(NONCONFIDENTIAL) OF PAUL K. WETHERBEE
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**AUGUST 28, 2013**

**PUGET SOUND ENERGY, INC.**

**PREFILED REBUTTAL TESTIMONY
(NONCONFIDENTIAL) OF PAUL K. WETHERBEE**

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**PUGET SOUND ENERGY, INC.**

**PREFILED REBUTTAL TESTIMONY
(NONCONFIDENTIAL) OF PAUL K. WETHERBEE**

# I. INTRODUCTION

Q. Are you the same Paul K. Wetherbee who provided prefiled direct testimony in this docket on behalf of Puget Sound Energy, Inc. (“PSE”)?

A. Yes, I filed prefiled direct testimony, Exhibit No. \_\_\_(PKW-1CT), and supporting exhibits, Exhibit No. \_\_\_(PKW-2) through Exhibit No. \_\_\_(PKW-13C). I also filed prefiled supplemental testimony, Exhibit No. \_\_\_(PKW-14T), and one exhibit to my prefiled supplemental testimony, Exhibit No. \_\_\_(PKW-15C).

Q. What topics are you covering in your prefiled rebuttal testimony?

A. This prefiled rebuttal testimony responds to testimony of Commission Staff addressing the following topics:

* Adjustments for hydro operations and maintenance (“O&M”) expense for two hydro journey worker positions at the Lower Baker Generating Station, and an instrument, controls & electrical technician position to support the new generation at the Snoqualmie Falls Generating Station;
* Revisions to production O&M expense for the Electron Generating Station and the Snoqualmie Falls Generating Station; and
* PSE’s involvement in the FERC relicensing processes for the Baker and Snoqualmie Falls hydroelectric projects.

# II. COMMISSION STAFF’S ADJUSTMENT REMOVES KNOWN AND MEASURABLE O&M FOR PSE’S HYDRO PLANTS

Q. Do you agree with Commission Staff’s adjustment to remove labor costs for the Lower Baker Generating Station and the Snoqualmie Falls Generating Station?

A. No, I disagree with Mr. Mickelson’s conclusion that the labor expense associated with the new powerhouse at the Lower Baker Generating Station and the Snoqualmie Falls Generating Station are not known and measurable.

Q. Please describe the labor costs that Commission Staff removes in its adjustment.

A. Commission Staff’s adjustment removes two hydro journey worker positions at the Lower Baker Generating Station and the instrument, controls & electric (“ICE”) technician that supports the new generation at the Snoqualmie Falls Generating Station. My prefiled direct testimony provides detail regarding the need for these new positions to support the upgrades to the Lower Baker Powerhouse and the Snoqualmie Falls Generating Station.

Q. Do you agree with Mr. Mickelson that PSE’s labor adjustments for these facilities “are derived completely from expectations of future staffing levels”?

A. No. The ICE technician began work at the Snoqualmie Falls Generating Station in October 2012. PSE is advertising for candidates to fill the two hydro journey worker positions at Lower Baker Generating Station and expects to fill these positions in the next month. These positions are being added to the staff of the respective plants as a result of the additional maintenance requirements associated with the new generating equipment. Thus, as of the time of the hearings, the existence of the additional staff will be known and measurable. The rate of pay for all three positions is specified by the current union agreement and thus is known and measurable.

Q. Does inclusion of these labor costs in PSE’s production operations and maintenance violate the matching principle, as Mr. Mickelson claims?

A. No. Commission Staff includes the power generated from the Lower Baker Powerhouse and Snoqualmie Falls Generating Station in power costs in this case; therefore, inclusion of the labor expense needed to operate these new generating stations should also be included in power costs. There is no improper “matching” of expense and benefit. Indeed, it would be a violation of the matching principle to include the generation but not the incremental costs associated with that generation.

# III. REVISIONS TO PRODUCTION O&M EXPENSE FOR ELECTRON GENERATING STATION AND SNOQUALMIE FALLS GENERATING STATION

Q. What is the nature of Commission Staff’s adjustment with respect to O&M for the Electron Generating Station?

A. Commission Staff proposes to add $1.77 million for O&M at the Electron Generating Station. This is consistent with Commission Staff’s view that because the sale of Electron has not yet been finalized and there remains some uncertainty as to when the sale will occur, Electron should remain in rate base.

Q. Does PSE accept Commission Staff’s adjustment?

A. Yes, PSE will accept Staff’s approach to the Electron Generating Station and the addition of $1.77 million in O&M costs.

Q. What is the nature of PSE’s adjustment with respect to the O&M for the Snoqualmie Generating Station?

A. In its prefiled case, PSE included an adjustment of $193,146 to increase rate year production O&M expense at the Snoqualmie Falls Generating Station for personnel that had been assigned to Electron during the test year when the Snoqualmie Falls Generating Station was under construction. With the inclusion of the Electron Generating Station in power costs, PSE has reduced the Snoqualmie labor expense by 50 percent, to $96,573.

# IV. PSE HAS ACTIVELY WORKED TO MINIMIZE THE COST OF FERC HYDRO RELICENSING REQUIREMENTS

Q. How do you respond to the testimony of Commission Staff witness Juliana Williams regarding the FERC relicensing process?

A. This testimony paints an incomplete and inaccurate picture of PSE’s involvement in the FERC relicensing proceedings that were completed for its hydroelectric facilities. In particular, I disagree with Ms. Williams’s assertion that “[w]ith the exception of FERC, there is rarely a party advocating to minimize costs on behalf of the ratepayers”[[1]](#footnote-1) in the FERC relicensing process. First, it is important to clarify that FERC is not an advocate in a proceeding in which it is the decision maker, and FERC staff is not an advocate to minimize costs on behalf of ratepayers. Rather, FERC has made it clear that “minimizing costs on behalf of the ratepayers” is not its responsibility.[[2]](#footnote-2) The limited role of FERC’s economic assessment in a relicensing proceeding is, as stated in the Baker license, to provide a general estimate of the potential power benefits and the costs of a project, and reasonable alternatives to project power. This analysis is one of many factors FERC considers in making an informed decision concerning what is in the public interest with respect to a proposed license.

Second, and more importantly, PSE actively and aggressively worked to minimize costs on behalf of its customers in the Baker and Snoqualmie Falls relicensing processes. During the Baker River relicensing process, PSE’s Director of Regulatory Affairs met with the Baker Solution Team in October 2003 to explain the WUTC’s prudence standard and the steps and analyses that PSE needed to undertake and document in connection with any decision to enter into the Baker settlement or to accept the license. PSE revisited these principles many times at the negotiation table, and these principles were diligently applied in deciding to enter into the settlement and accept the new license.

# V. CONCLUSION

Q. Does that conclude your prefiled rebuttal testimony?

A. Yes, it does.

1. In *Mead Corp.,* 72 FERC ¶ 61,027 (1995), FERC stated:

In light of the specific and limited role of hydroelectric economic analyses, and ongoing changes in the electric industry, we wish to make several clarifications. First, our economic analyses do not involve determinations of a license applicant’s avoided costs for power, such as the determinations made by state regulatory commissions in implementing the Public Utility Regulatory Policies Act of 1978. Second, they are not determinations that it is prudent or reasonable for an applicant to continue to operate a project. *This means that it is an applicant’s responsibility to determine whether continued operation of an existing project is indeed a prudent decision.* Third, issuance of a new license does not bear on the issue of whether a public utility or transmitting utility can recover stranded costs associated with a hydroelectric project. (Emphasis added.) [↑](#footnote-ref-1)
2. Exhibit No. \_\_\_(JMW-1T), at page 44, lines 14-15. [↑](#footnote-ref-2)