

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

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of
PUGET SOUND ENERGY, Inc.

For an Accounting Order Authorizing
Accounting Treatment Related to Payments
for Major Maintenance Activities

Docket No. UE-130583

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,

v.

PUGET SOUND ENERGY, INC.,
Respondent.

Docket No. UE-130617

In the Matter of the Petition of
PUGET 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

In the Matter of the Petition of
PUGET 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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1 **PUGET SOUND ENERGY, INC.**

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

4 **I. INTRODUCTION**

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

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

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

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

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

24 **II. COMMISSION STAFF'S ADJUSTMENT REMOVES**
25 **KNOWN AND MEASURABLE O&M FOR PSE'S HYDRO**
26 **PLANTS**

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

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

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

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

41 **Q. Do you agree with Mr. Mickelson that PSE's labor adjustments for these**
42 **facilities "are derived completely from expectations of future staffing levels"?**

43 A. No. The ICE technician began work at the Snoqualmie Falls Generating Station in
44 October 2012. PSE is advertising for candidates to fill the two hydro journey
45 worker positions at Lower Baker Generating Station and expects to fill these
46 positions in the next month. These positions are being added to the staff of the

47 respective plants as a result of the additional maintenance requirements associated
48 with the new generating equipment. Thus, as of the time of the hearings, the
49 existence of the additional staff will be known and measurable. The rate of pay
50 for all three positions is specified by the current union agreement and thus is
51 known and measurable.

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

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

61 **III. REVISIONS TO PRODUCTION O&M EXPENSE FOR**
62 **ELECTRON GENERATING STATION AND SNOQUALMIE**
63 **FALLS GENERATING STATION**

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

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

70 **Q. Does PSE accept Commission Staff’s adjustment?**

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

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

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

81 **IV. PSE HAS ACTIVELY WORKED TO MINIMIZE THE COST**
82 **OF FERC HYDRO RELICENSING REQUIREMENTS**

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

85 A. This testimony paints an incomplete and inaccurate picture of PSE’s involvement
86 in the FERC relicensing proceedings that were completed for its hydroelectric
87 facilities. In particular, I disagree with Ms. Williams’s assertion that “[w]ith the
88 exception of FERC, there is rarely a party advocating to minimize costs on behalf

89 of the ratepayers”¹ in the FERC relicensing process. First, it is important to
90 clarify that FERC is not an advocate in a proceeding in which it is the decision
91 maker, and FERC staff is not an advocate to minimize costs on behalf of
92 ratepayers. Rather, FERC has made it clear that “minimizing costs on behalf of
93 the ratepayers” is not its responsibility.² The limited role of FERC’s economic
94 assessment in a relicensing proceeding is, as stated in the Baker license, to
95 provide a general estimate of the potential power benefits and the costs of a
96 project, and reasonable alternatives to project power. This analysis is one of
97 many factors FERC considers in making an informed decision concerning what is
98 in the public interest with respect to a proposed license.

99 Second, and more importantly, PSE actively and aggressively worked to minimize
100 costs on behalf of its customers in the Baker and Snoqualmie Falls relicensing
101 processes. During the Baker River relicensing process, PSE’s Director of
102 Regulatory Affairs met with the Baker Solution Team in October 2003 to explain
103 the WUTC’s prudence standard and the steps and analyses that PSE needed to
104 undertake and document in connection with any decision to enter into the Baker

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.)

² Exhibit No. ___(JMW-1T), at page 44, lines 14-15.

105 settlement or to accept the license. PSE revisited these principles many times at
106 the negotiation table, and these principles were diligently applied in deciding to
107 enter into the settlement and accept the new license.

108 **V. CONCLUSION**

109 **Q. Does that conclude your prefiled rebuttal testimony?**

110 **A.** Yes, it does.