

**EXHIBIT NO. \_\_\_(MJS-8T)  
DOCKET NOS. UE-090704/UG-090705  
2009 PSE GENERAL RATE CASE  
WITNESS: MICHAEL J. STRANIK**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-090704  
Docket No. UG-090705**

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY (NONCONFIDENTIAL)  
OF  
MICHAEL J. STRANIK  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**AUGUST 3, 2009**

**PUGET SOUND ENERGY, INC.**

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY  
(NONCONFIDENTIAL) OF  
MICHAEL J. STRANIK**

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1 **PUGET SOUND ENERGY, INC.**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**  
3 **MICHAEL J. STRANIK**

4 **I. INTRODUCTION**

5 **Q. Are you the same Michael J. Stranik who provided prefiled direct testimony**  
6 **in this proceeding on May 8, 2009, on behalf of Puget Sound Energy, Inc.**  
7 **(“PSE” or “the Company”)?**

8 A. Yes.

9 **Q. What is the purpose of your supplemental testimony?**

10 A. The purpose of this supplemental testimony is to correct for the treatment of  
11 \$3,209,260 of revenues associated with the lease for the Everett Delta Project  
12 (“Everett Delta”). These revenues should have been removed from the test year  
13 because, pursuant to the Company’s 2007 general rate case, Docket UG-072301  
14 (“2007 GRC”), the lease revenues from Everett Delta are passed through the  
15 Purchased Gas Adjustment (“PGA”) mechanism. The original filing in this  
16 proceeding did not include the adjustment to remove the Everett Delta lease  
17 revenues. Therefore, my prefiled supplemental direct testimony incorporates this  
18 correction.

1 This change to the pro forma and restating adjustment results in an adjustment to  
2 the Company's total revenue deficiency from \$27,199,177 set forth in PSE's May  
3 8, 2009 filing to \$30,408,378 in this supplemental filing. The percentage rate  
4 increase changed from 2.2% in the original filing to 2.5% in this supplemental  
5 filing.

## 6 II. UPDATE TO REVENUE REQUIREMENT

7 **Q. Are there any other changes to the revenue deficiency?**

8 A. No, the removal of \$3.2 million of Everett Delta lease revenues is the only  
9 difference between the supplemental testimony and the original filing.

10 **Q. Please explain Exhibit No. \_\_\_\_ (MJS-9)**

11 A. The First Exhibit to my Prefiled Supplemental Direct Testimony, Exhibit  
12 No. \_\_\_\_ (MJS-9), presents similar information as the Third Exhibit to my Prefiled  
13 Direct Testimony, Exhibit No. \_\_\_\_ (MJS-4), after being updated for the removal  
14 of Everett Delta lease revenues. The first column on page 9-A in this exhibit,  
15 titled "Actual Results of Operations 12ME DEC. 31, 2008", sets forth the  
16 ratebase and actual operating results for the test year ended December 31, 2008.  
17 The columns to the right of this first column show the impact of the pro forma and  
18 restating adjustments PSE is proposing for the pro forma rate year. The only  
19 adjustment that has changed since the May 8, 2009 filing is Adjustment 9.02, the  
20 top of the column is marked as "**REVISED**".

1 The total of the test year amounts plus the pro forma and restating adjustments is  
2 shown in the column titled "REVISED Adjusted Results of Operations" on  
3 page 9-D of Exhibit No. \_\_\_\_ (MJS-9).

4 **Q. Please explain the changes made to Adjustment 9.02, Revenue and Expenses?**

5 **A. Adjustment 9.02, Revenues and Expenses Line 21**, includes the correction to  
6 remove the Everett Delta lease revenues of \$3,209,260. Net operating income, as  
7 a result of this correction, increased to \$20,539,623 rather than the increase of  
8 \$22,535,434 shown in the original filing.

9 **III. CALCULATION OF THE SUPPLEMENTAL GAS**  
10 **REVENUE DEFICIENCY**

11 **Q. Would you please explain what is presented in the Second Exhibit to your**  
12 **Prefiled Supplemental Testimony, Exhibit No. \_\_\_\_ (MJS-10)?**

13 **A.** The Second Exhibit to my Prefiled Supplemental Direct Testimony, Exhibit  
14 No. \_\_\_\_ (MJS-10), presents similar information as the Fourth Exhibit in my  
15 Prefiled Direct Testimony, Exhibit No. \_\_\_\_ (MJS-5), after being updated for the  
16 removal of Everett Delta lease revenues. Exhibit No. \_\_\_\_ (MJS-10) presents the  
17 calculation of the revenue deficiency based on the supplemental pro forma and  
18 restated test period. The different pages in Exhibit No. \_\_\_\_ (MJS-10) are:

19 **10.01 General Rate Increase**

20 This schedule, shown on Exhibit No. \_\_\_\_ (MJS-10), page 10.01, shows the test

1 period pro forma and restated ratebase, line 1, and net operating income, line 6.  
2 Based on \$1,474,390,203 invested in ratebase, an 8.56% rate of return and  
3 \$107,297,105 of net operating income, the Company would have a total revenue  
4 deficiency of \$30,408,378.

5 **10.02 Cost of Capital**

6 This schedule, shown on Exhibit No. \_\_\_\_ (MJS-10), page 10.02, reflects the  
7 proposed capital structure for the Company during the rate year and the associated  
8 costs for each capital category. The capital structure and costs are presented in  
9 the Prefiled Direct Testimony of Mr. Donald E. Gaines, Exhibit No. \_\_\_\_ (DEG-  
10 1T). The rate of return is 8.56% and 7.38% net of tax. This exhibit page has not  
11 changed from Exhibit No. \_\_\_\_ (MJS-5), page 5.02.

12 **10.03 Conversion Factor**

13 The conversion factor, shown on Exhibit No. \_\_\_\_ (MJS-10), page 10.03, is used to  
14 adjust the net operating income deficiency for revenue sensitive items and federal  
15 income tax to determine the total revenue deficiency. The revenue sensitive items  
16 are the Washington State utility tax, Washington Utilities and Transportation  
17 Commission filing fee, and bad debts. The conversion factor is .621891. This  
18 exhibit page has not changed from Exhibit No. \_\_\_\_ (MJS-5), page 5.03, from the  
19 original filing.

1 **IV. UNIT COST STUDY**

2 To determine the major causes of the changes between two regulatory filings, the  
3 Company uses a unit cost analysis. This analysis is simply the major categories  
4 of the income statement and ratebase that have been pro formed and restated for  
5 each of the regulatory periods, divided by the delivered load for that period. This  
6 calculation determines the major categories' unit cost for that particular period.  
7 The prior period that is used in this calculation has also been adjusted for the  
8 restating and pro forma adjustments that were approved in PSE's 2007 GRC. The  
9 differences between the current period and prior period unit costs are then  
10 multiplied by delivered loads for the current regulatory period. This product  
11 determines how much that major category has increased or decreased in cost since  
12 the last regulatory period taking into consideration load growth.

13 The unit cost study is updated in the Third Exhibit to my Prefiled Supplemental  
14 Testimony, Exhibit No. \_\_\_\_ (MJS-11), and presents similar information as the  
15 Fifth Exhibit in my Prefiled Direct Testimony, Exhibit No. \_\_\_\_ (MJS-6). This  
16 calculation indicates the differences between the adjusted test year for this  
17 proceeding, as determined in Exhibit No. \_\_\_\_ (MJS-9), and the adjusted test year  
18 for the 2007 GRC.

V. CONCLUSION

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2 Q. Does that conclude your prefiled supplemental direct testimony?

3 A. Yes, it does.