

**EXHIBIT NO. _____ (BAL-4T)
DOCKET NO. UE-011570 (INTERIM)
WITNESS: BARBARA A. LUSCIER**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

**REBUTTAL TESTIMONY OF BARBARA A. LUSCIER
ON BEHALF OF PUGET SOUND ENERGY, INC.**

FEBRUARY 11, 2002

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
26

PUGET SOUND ENERGY, INC.

REBUTTAL TESTIMONY OF BARBARA A. LUSCIER

Q: Please state your name, business address, and present position with Puget Sound Energy.

A: My name is Barbara A. Luscier and I am a Regulatory Consultant in Revenue Requirements at Puget Sound Energy. My business address is 411 - 108th Avenue NE, Suite 300, Bellevue, Washington 98004.

Q: Have you presented direct testimony in this proceeding?

A: Yes, I have, in Exhibits BAL-1T, BAL-2 and BAL-3.

Q: Would you please summarize your rebuttal testimony?

A: My testimony addresses the mechanics of Puget Sound Energy Inc.'s (hereinafter "PSE" or the "Company") revised proposal to spread out its requested recovery of interim relief to reduce the near term impact of the increase on PSE's customers, and explains the resulting changes related to the ratemaking and accounting treatment of the Company's proposed Schedule 128. A copy of the revised proposed Schedule 128 is provided at Exhibit BAL-5. I also address the positions taken by certain intervenors in the interim case regarding the rate spread and rate design of any interim rate relief approved by the Commission, and explain why the Commission should approve the equal cents per kilowatt hour surcharge that the Company has proposed.

Q. What are the changes regarding the ratemaking and accounting treatment of the Company's proposed Schedule 128?

A. As described in the Rebuttal Testimony of Donald E. Gaines, the Company proposes to recover, through a surcharge, \$136 million of the \$170 million request for interim relief over the period from March 15, 2002 through October 31, 2002.

1 The Company's proposal then extends and adjusts the surcharge to recover the
2 remaining \$34 million over the period from November 1, 2002 through October 31,
3 2003.

4 **Q. Does the Company propose other changes to the surcharge mechanism?**

5 A. Yes, the \$170 million surcharge would be subject to adjustment under the
6 circumstances described in the Rebuttal Testimony of Donald E. Gaines at pages 8-
7 10, for the reasons described in the Rebuttal Testimony of Donald E. Gaines at
8 pages 8-10. Under those circumstances, the \$170 million surcharge would be
9 adjusted according to the methodology described below:

10 Consistent with the Commission Order issued under Docket No. UE-
11 011600 on December 28, 2001, the difference between actual power costs and
12 power costs embedded in rates will be deferred on a monthly basis over the
13 January 1, 2002 through October 31, 2002 period. Exhibit ___ (WAG-3) to the
14 Direct Testimony of William A. Gaines provides the methodology for calculation
15 of such deferred amounts. On November 1, 2002 and May 1, 2003, the surcharge
16 rate (collected through Schedule 128) will be adjusted to consider the unrecovered
17 balance net of any deferred amounts as of July 31, 2002 and February 28, 2003,
18 respectively. The resulting rate will be applied over the remainder of the recovery
19 period, November 1, 2002 through October 31, 2003. After the end of the recovery
20 period, a one time surcharge or credit will be applied to customers bills to true-up
21 differences in actual vs. projected volumes.

22 As discussed in the Rebuttal Testimony of Donald E. Gaines at pages 8-9, if
23 the Commission determines that less than the full amount of interim relief is
24 warranted, there would be no reason to adjust the amount of relief granted by a
25 true-up to PSE's actual power costs. After the end of the recovery period, a one
26 time surcharge or credit will be applied to customers bills to true-up the amount

1 recovered to that authorized by the Commission due to differences in actual vs.
2 projected volumes.

3 Additionally, regardless of the level of relief, should it be determined after
4 the end of the interim period (March 15, 2002 through October 31, 2002), that the
5 Company has earned a [proforma] [actual] rate of return in excess of its authorized
6 return of 8.99% on a 12-month period ending October 31, 2002, then an amount
7 equal to the excess recovery will be refunded to customers.

8 **Q. What will the impact of the surcharge over the recovery period be on customer**
9 **rates?**

10 A. Based upon the Company's calculation shown in Exhibit (BAL-6), the surcharge
11 will result in an increase of approximately 1.25 cents per kilowatt hour effective
12 March 15, 2002 through October 31, 2002. The surcharge would be reset to
13 approximately .18 cents per kilowatt hour (adjusted under the circumstances
14 addressed above, to consider any deferred balances at July 31, 2002 and February
15 28, 2003 respectively) for the remainder of the recovery period, November 1, 2002
16 through October 31, 2003. After the recovery period a small surcharge or credit
17 will be applied to true-up recovery for volume differences between actual and
18 projected amounts.

19 **Q. Please address the recommendations made by Kroger Co., Federal Executive**
20 **Agencies and Industrial Customers of Northwest Utilities regarding rate**
21 **spread and rate design of the proposed surcharge.**

22 A. These intervenors recommend that the Commission depart from the Company's
23 proposed equal cents per kilowatt hour surcharge and utilize other methodologies
24 for recovery of the surcharges. I note that Public Counsel has not taken issue with
25 the Company's equal cents per kilowatt hour surcharge method, and Staff supports
26 that method as stated in the Testimony of Merton Lott at p. 4, l. 18. An equal cents
per kilowatt hour surcharge has a number of advantages over the intervenors'

1 proposals and should be adopted by the WUTC in this proceeding for the following
2 reasons:

- 3 • The equal cents per kilowatt hour rate design is appropriate when
4 considering that the need for interim relief was caused substantially by
5 an increase in power costs. Power costs in the Company's last rate
6 case, under Docket UE-921262, were allocated primarily to customer
7 classes base upon a flat rate per kilowatt hour. Therefore, it would be
8 appropriate to design interim relief recovery rates which will recover
9 power costs in the same manner.
- 10 • Intervenors have suggested that the Company's cost of service from its
11 general rate increase filing be used as a basis for determining how the
12 Company allocates the surcharge to customers. Considering that the
13 Company's cost of service has not been fully examined in the context of
14 the Company's current general rate case, it would be premature to use
15 that for rate design purposes at this time.
- 16 • The rate design proposals provided by the intervenors would be more
17 administratively burdensome than the equal cents per kilowatt hour
18 method.
- 19 • The equal cents per kilowatt hour rate design allows the Company to
20 track and verify more easily the amounts collected within the recovery
21 period.
- 22 • The equal cents per kilowatt hour rate design is a simple and straight
23 forward calculation which is easy to apply and easy for customers to
24 understand.

25 For these reasons, the Company believes that the equal cents per kilowatt
26 hour methodology is the best rate design for the interim relief surcharge to be

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
26

applied over the recovery period. Of course, any rate design authorized would need to allow the Company to recover the full amount of interim relief granted by the Commission.

Q: Does this conclude your testimony?

A: Yes.

EXHIBIT NO. _____ (BAL-5)
DOCKET NO. UE-011570 (INTERIM)
WITNESS: BARBARA A. LUSCIER

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

EXHIBIT TO REBUTTAL TESTIMONY OF BARBARA A. LUSCIER
ON BEHALF OF PUGET SOUND ENERGY, INC.

**EXHIBIT NO. _____ (BAL-6)
DOCKET NO. UE-011570 (INTERIM)
WITNESS: BARBARA A. LUSCIER**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

**EXHIBIT TO REBUTTAL TESTIMONY OF BARBARA A. LUSCIER
ON BEHALF OF PUGET SOUND ENERGY, INC.**