

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

2 WASHINGTON UTILITIES AND )  
 3 TRANSPORTATION COMMISSION, )  
 )  
 4 Complainant,) )  
 vs. )  
 5 PUGET SOUND POWER & ) Hearing No. UE-930622  
 LIGHT COMPANY, ) Volume 2  
 6 Respondent. ) Pages 11 - 49  
 -----)

7 A hearing in the above matter was held on  
 8 August 2, 1993 at 9:40 a.m., at 1300 South Evergreen  
 9 Park Drive Southwest, Olympia, Washington before  
 10 Administrative Law Judge ALICE HAENLE, Chairman SHARON  
 11 NELSON, and Commissioner RICHARD CASAD.

12

13 The parties were present as follows:

14 WASHINGTON UTILITIES AND TRANSPORTATION  
 15 COMMISSION, by SALLY BROWN, Assistant Attorney General,  
 1400 South Evergreen Park Drive Southwest, Olympia,  
 16 Washington 98504.

17 PUGET POWER SOUND & LIGHT COMPANY, by  
 18 JAMES M. VAN NOSTRAND, Attorney at Law, 411-108th  
 Avenue NE, Seattle, Washington 98004.

19 PUBLIC, by ROBERT MANIFOLD, Public Counsel,  
 900 Fourth Avenue, Suite 2000, Seattle, Washington  
 20 98164.

21 WICFUR, by PETER RICHARDSON, Attorney at  
 Law, 702 West Idaho, Suite 700, Boise, Idaho 83702.

22

23

24

25 Marilyn Johnson, RPR, CSR  
 Court Reporter

I N D E X						
	WITNESS	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
1						
2	J. LAUCKHART	14	16			
3			25			
4			44			
5						
6	EXHIBITS	MARKED	ADMITTED			
7	T-1	14	16			
8	2 - 10	14	16			
9	11	18	19			
10	12	20	20			
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12	BENCH REQUEST	PAGE				
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## 1 P R O C E E D I N G S

2 JUDGE HAENLE: The hearing will come to  
3 order. This is a second day of hearing in docket  
4 number UE-920622, which is the PRAM 3 filing. The  
5 hearing is taking place on August 2, 1993, before the  
6 Commission. The purpose of the hearing today is to  
7 take direct and cross-examination of company testimony  
8 as indicated in the July 12th, 1993 notice of hearing.  
9 I'd like to take appearances from those of you who have  
10 already entered an appearance. Please just give your  
11 name and your client's name. If this is your first  
12 appearance, if you would give your full name and  
13 client's name that would be helpful.

14 MR. VAN NOSTRAND: For respondent Puget  
15 Sound Power & Light Company, James M. Van Nostrand,  
16 411 - 108th Avenue NE, Bellevue, Washington 98004.

17 MS. BROWN: Sally G. Brown, Assistant  
18 Attorney General.

19 MR. MANIFOLD: Appearing for Public Counsel,  
20 Robert F. Manifold, Assistant Attorney General, 900  
21 Fourth Avenue, Suite 2000, Seattle, 98164.

22 JUDGE HAENLE: Thank you. Mr. Richardson?

23 MR. RICHARDSON: Appearing on behalf of  
24 WICFUR, Peter J. Richardson, of the firm Davis Wright

25 Tremaine, 702 West Idaho Street, Suite 700, Boise,

14

1 Idaho 83702.

2 JUDGE HAENLE: All right. Are you the  
3 contact person as opposed to Mr. Tanner on this one?

4 MR. RICHARDSON: I am, Your Honor.

5 JUDGE HAENLE: All right. I might note that  
6 there's several other people who were involved in this.  
7 There have been some traffic problems on I-5. I don't  
8 know if they're held up by it or not but we've held up  
9 for ten minutes to give them a little extra time. I  
10 guess we'll find out. Anything in the way of  
11 preliminary matters before we take the witness? Okay.

12 We had discussed briefly the tentative  
13 schedule that I announced at the initial session  
14 involved hearings on Wednesday, Thursday and Friday in  
15 September. Mr. Manifold suggested that if it did not  
16 look like we were going to go into Friday with the  
17 testimony, that we might consider changing the public  
18 hearing from that Friday to the Thursday to be sure  
19 that people didn't have to come back unnecessarily.  
20 Everybody look at your calendars. I will check with  
21 the commissioners on it. We might want to consider  
22 that, but let's take care of that one way or the other  
23 before we go today.

24 All right. We have the one witness, I

25 believe. Is there anything we need to talk about

(LAUCKHART - DIRECT BY VAN NOSTRAND)

15

1 before we take the witness' testimony? All right.

2 Thank you. Would you raise your right hand, sir?

3 Whereupon,

4 J. RICHARD LAUCKHART,

5 having been first duly sworn, was called as a witness

6 herein and was examined and testified as follows:

7 JUDGE HAENLE: Thank you. Mr. Van Nostrand?

8 MR. VAN NOSTRAND: Thank you, Your Honor.

9 (Marked Exhibits T-1, 2 through 10.)

10

11 DIRECT EXAMINATION

12 BY MR. VAN NOSTRAND:

13 Q. Mr. Lauckhart, do you have before you what's  
14 been marked for identification as Exhibit T-1?

15 A. Yes.

16 Q. And do you recognize that document as your  
17 prefiled direct testimony in this case?

18 A. Yes.

19 Q. Do you have any additions or corrections to  
20 make to your testimony at this time?

21 A. Yes, I have a correction. On page six, line  
22 four, the last four words of that sentence say that  
23 this will be \$6.4 million lower. That should be \$4.7  
24 million higher. It's a small change.

25 Q. Does that complete your additions or

(LAUCKHART - DIRECT BY VAN NOSTRAND)

16

1 corrections?

2 A. Yes.

3 Q. And if I asked you the questions set forth  
4 in Exhibit T-1 today as corrected, would you give the  
5 answers as set forth in that exhibit?

6 A. Yes.

7 Q. And do you also have before you what's been  
8 marked for identification as Exhibits 2 through 10?

9 A. Yes.

10 Q. And were these exhibits prepared under your  
11 direction and supervision?

12 A. Yes.

13 Q. Do you have any additions or corrections to  
14 make to these exhibits?

15 A. No.

16 Q. Are these exhibits true and correct to the  
17 best of your knowledge?

18 A. Yes.

19 Q. Your Honor, I would move the admission of  
20 Exhibit T-1 and Exhibits 2 through 10 and Mr. Lauckhart  
21 is available for cross-examination.

22 JUDGE HAENLE: Any objection to the  
23 documents, Ms. Brown?

24 MS. BROWN: No.

25 MR. MANIFOLD: No objection.

(LAUCKHART - DIRECT BY VAN NOSTRAND)

17

1 MR. RICHARDSON: No objection, Your Honor.

2 JUDGE HAENLE: All right. T-1 and 2 through

3 10 then will be entered into the record. Go ahead,

4 Ms. Brown.

5 (Admitted Exhibits T-1, 2 through 10.)

6

7 CROSS-EXAMINATION

8 BY MS. BROWN:

9 Q. Thank you. Mr. Lauckhart, could you please  
10 turn to page one of your testimony? Beginning at line  
11 16, you state that "Because the company's general rate  
12 proceeding will determine the revenue requirement for  
13 base and resource cost for the 12-month period  
14 beginning October 1, 1993, the rate increase sought in  
15 this filing is limited to the recovery of deferred  
16 amounts from prior periods," is that right?

17 A. Yes.

18 Q. Turning to page two of your testimony, you  
19 state at line 11 that "The company is seeking in this  
20 filing an increase of \$76,254,437," is that right?

21 A. Yes.

22 Q. And on line 15, you state that the company  
23 is proposing to recover this amount over a two-year  
24 period, and therefore the amount to be recovered during

25 this PRAM 3 proceeding period would be one half of that

(LAUCKHART - CROSS BY BROWN)

18

1 increase or about 38.1 million, is that right?

2 A. Yes.

3 Q. And does this mean that the company will  
4 propose to recover the remaining 38.1 million during  
5 the PRAM 4 period?

6 A. Well, we're asking for approval for recovery  
7 of the whole 76 million now, but it would be spread  
8 out over two years, so I guess I don't know technically  
9 if we would be asking again for the other 38 million or  
10 what, but the idea would be to pick up the other 38  
11 million in the second year.

12 Q. Does the company propose to accrue any  
13 interest on this amount?

14 A. No.

15 Q. Please turn to page four. There you  
16 indicate that out of the total proposed increase of  
17 76.3 million, 48.9 million is for the deferred amounts  
18 from the first seven months of PRAM 2, that is, the  
19 period from October 1992 through April 1993, is that  
20 right?

21 A. Yes.

22 JUDGE HAENLE: You've handed me a two-page  
23 document. At the top -- gosh, the hole took out what  
24 the entire caption was. It begins PRAM and then



25 something. Docket number UE-920630. I'll mark this as  
(LAUCKHART - CROSS BY BROWN) 19

1 11 for identification.

2 (Marked Exhibit 11.)

3 MS. BROWN: Thank you.

4 Q. Mr. Lauckhart, do you recognize these  
5 documents as pages 32 and 33 of the company's deferral  
6 work paper submitted in this docket?

7 A. Yes.

8 JUDGE HAENLE: Could you tell me what the  
9 whole caption is, please? Just out of curiosity.

10 THE WITNESS: Mine has a hole punched in it  
11 also.

12 JUDGE HAENLE: Oh, all right. Fair enough.

13 COMMISSIONER CASAD: Second page might help  
14 you a little bit.

15 THE WITNESS: Thank you. Looks like that  
16 second line should be PRAM period 2, docket number  
17 UE-920630.

18 JUDGE HAENLE: Thank you.

19 MS. BROWN: Your Honor, I move the admission  
20 of Exhibit 11.

21 JUDGE HAENLE: Any objection, Mr. Van  
22 Nostrand?

23 MR. VAN NOSTRAND: No objection.

24 MR. MANIFOLD: No objection.

25 MR. RICHARDSON: No objection, Your Honor.

(LAUCKHART - CROSS BY BROWN) 20

1 JUDGE HAENLE: All right. Exhibit 11 will  
2 be entered into the record.

3 (Admitted Exhibit 11.)

4 Q. Thank you. Page 32 shows the calculation of  
5 the deferred amount of 48.9 million that we just  
6 referred to, is that right?

7 A. Yes.

8 Q. Like to direct your attention now to line 20  
9 of work paper page 32, specifically the first seven  
10 figures on this line. Are they the trued up amounts of  
11 revenue for base costs for the months of October 1992  
12 through April 1993?

13 A. Generally that's a correct identification of  
14 that, yes.

15 Q. How do you mean, generally?

16 A. Well, if you want to know specifically what  
17 they do, if you'd turn to page 33, which is the second  
18 page of this exhibit, it describes how that number is  
19 calculated.

20 Q. Okay. Could you turn to line 18? Are the  
21 first seven figures on this line the trued up customer  
22 accounts for the months of October 1992 through April  
23 1993?

24 A. Generally that's true.

25 Q. And by generally you mean what you just

(LAUCKHART - CROSS BY BROWN)

21

1 described?

2 A. Specifically you can look on the next page  
3 to see where they come from.

4 JUDGE HAENLE: You've handed me a multi-page  
5 document. At the beginning it is entitled Customers  
6 Account True Up, T R U E U P, and in the upper  
7 right-hand corner is 70 with a circle around it. I'll  
8 mark this as Exhibit 12 for identification.

9 (Marked Exhibit 12.)

10 Q. Do you recognize what's been identified as  
11 -- what's been marked for identification as Exhibit 12,  
12 as being pages 70 through 76 of the company's deferral  
13 work papers?

14 A. Yes.

15 Q. Your Honor, I move the admission of Exhibit  
16 12, please.

17 JUDGE HAENLE: Any objection, Mr. Van  
18 Nostrand?

19 MR. VAN NOSTRAND: No objection.

20 MR. MANIFOLD: No objection.

21 MR. RICHARDSON: No objection, Your Honor.

22 JUDGE HAENLE: Exhibit 12 will be entered  
23 into the record.

24 MS. BROWN: Thank you.

25

(Admitted Exhibit 12.)

(LAUCKHART - CROSS BY BROWN)

22

1 Q. And do these pages show the calculation of  
2 the trued up customer accounts for the months of  
3 October 1992 through April 1993?

4 A. Yes.

5 Q. And does page 70 show the calculation of the  
6 trued up customer account for the month of October  
7 1992?

8 A. Yes.

9 Q. Looking at column D, the column entitled  
10 Actual Count, is the circled figure of 790,894 at  
11 the bottom of this column the trued up number of  
12 customer accounts for the month of October 1992?

13 A. Yes.

14 Q. And is this 790,894 figure the average of  
15 the customer accounts for the 12 months from October  
16 1992 through September 1993?

17 A. Yes.

18 Q. Like to direct your attention to the  
19 footnote for column D which appears in the middle of  
20 the page. This footnote explains that this column has  
21 actual customer accounts up to the current month, which  
22 is the month of October 1992 in this case, and that for  
23 each of the remaining months the so-called actual count  
24 is calculated by adding a monthly delta increase to the

25 prior month count, is that correct?

(LAUCKHART - CROSS BY BROWN)

23

1 A. Yes.

2 Q. And is it true that the delta increase  
3 numbers are the numbers of customer growth estimated by  
4 Puget for each month?

5 A. Yes.

6 Q. So of the 12 numbers of customer account  
7 used by the company in this calculation of the trued up  
8 customer account for the month of October 1992, only  
9 the number for the month of October 1992 is an actual  
10 customer account?

11 A. That's correct. The rest of them are  
12 estimates based on the forecasts that we had of the  
13 increases that would be occurring from month to month.

14 Q. So is it also true, then, or would you  
15 accept subject to check that the trued up customer  
16 account figures for the months of November 1992 through  
17 April 1993 are also estimates because this calculation  
18 also involves a number of estimated customer accounts?

19 A. Yes. Actually, we go into the PRAM period  
20 with all of these as estimated, and then as we get  
21 actuals from the month in the PRAM period, we replace  
22 the estimated values for that month with the actual  
23 value and then readjust the remaining months for the  
24 growth that we had forecast would happen between those.

25 So it's not until you get to September that you have

(LAUCKHART - CROSS BY BROWN)

24

1 all actuals.

2 Q. During the Puget rate design case, Mr. Hough  
3 testified that PRAM 3 increases should be allocated to  
4 the tail blocks of the residential class until the tail  
5 blocks reach marginal cost. Can you tell us why PRAM  
6 charges have not been allocated to the tail blocks but  
7 instead have been allocated across all blocks on a  
8 cents per kilowatt hour basis?

9 A. Yes. Mr. Hough changed that proposal in the  
10 general rate case, and the primary reason was because  
11 of the complexity of trying to track recoveries on the  
12 basis where you would do it as had been originally  
13 proposed, and so his revised testimony was to do it on  
14 a uniform cents per kilowatt hour.

15 Q. So does that mean that the tail blocks of  
16 the schedules with more than one block are not at  
17 marginal cost?

18 A. That's correct.

19 Q. Now, if Puget were to buy low priced  
20 secondary power in the Northwest, and then use its  
21 capacity rights on the third AC intertie to resell the  
22 secondary power to California utilities at a higher  
23 price, wouldn't it be true that these purchases, which  
24 are a later result, the California utilities will be

25 part of Puget's calculation of its average secondary

(LAUCKHART - CROSS BY BROWN)

25

1 purchase rate for the true up element of the SDM?

2 A. Yes.

3 Q. And isn't it also true that the non-firm

4 sales which would be made -- which would be made to

5 California utilities under this hypothetical would be

6 part of Puget's calculation of its average secondary

7 sales rate for the true up element of the SDM?

8 A. Yes.

9 JUDGE HAENLE: You've handed me a multi-page

10 document entitled PRAM 3, rate design work papers, and

11 I'll mark this as Exhibit 13 for identification.

12 (Marked Exhibit 13.)

13 BY MS. BROWN:

14 Q. Mr. Lauckhart, do you recognize what's been

15 marked for identification as Exhibit 13 as the rate

16 design work papers, pages one through seven?

17 A. Yes.

18 Q. Your Honor, I'd move the admission of

19 Exhibit 13.

20 JUDGE HAENLE: Any objection, Mr. Van

21 Nostrand?

22 MR. VAN NOSTRAND: No, Your Honor.

23 MR. MANIFOLD: No objection.

24 MR. RICHARDSON: No objection, Your Honor.

25 JUDGE HAENLE: Exhibit 13 will be entered

(LAUCKHART - CROSS BY BROWN)

26

1 into the record.

2 (Admitted Exhibit 13.)

3 MS. BROWN: I have nothing further.

4 JUDGE HAENLE: Have you questions, Mr.

5 Richardson?

6 MR. RICHARDSON: No, Your Honor.

7 JUDGE HAENLE: Mr. Manifold?

8

9 CROSS-EXAMINATION

10 BY MR. MANIFOLD:

11 Q. Yes, just a few. Good morning, again.

12 A. Good morning, Mr. Manifold.

13 Q. Referring to your testimony at page three,  
14 line 20, you say that the deferral from the period from  
15 May 1992 to September 1992 was 5.3 million, is that  
16 right?

17 A. Yes.

18 Q. Then the deferral from October of 1992  
19 through April of 1993 is 48.9 million over on page  
20 four, is that right?

21 A. Yes.

22 Q. So the deferral from -- for the period May  
23 1992 to April 1993 is the sum of those two numbers, or  
24 54.2 million, is that correct?



25 A. Yes.

(LAUCKHART - CROSS BY MANIFOLD)

27

1 Q. On page five at line 18, does your answer to  
2 that question refer to the same one year period from  
3 May 1992 to April 1993?

4 A. Yes.

5 Q. And in that answer you state that the  
6 deferrals in this case arose from higher power costs  
7 caused by adverse hydro conditions and from lower sales  
8 due to warm weather, is that accurate?

9 A. Well, it identifies those two components.  
10 That wasn't a -- intended to be a comprehensive listing  
11 of the -- what caused the 54.2 million.

12 Q. Okay. Good. Have you in your work papers  
13 shown how the 52.6 million related to the hydro  
14 conditions was derived?

15 A. Not in the work papers. There has been a  
16 data request on that, and that's due this week.

17 Q. Could you provide a copy of that to us when  
18 you provide that?

19 A. Sure.

20 Q. Do you happen to recall the number of that  
21 data request?

22 A. Ten. Just off the top of my head.

23 Q. And the lower power sales created a deferral  
24 of 6.4 million. Have you also been asked for a data

25 request showing how that was derived?

(LAUCKHART - CROSS BY MANIFOLD)

28

1 A. I might remind you that that's one of the  
2 corrections I made to my testimony.

3 Q. Yes.

4 A. But we do have a -- that same data response  
5 asks for that question, so you'll get the work sheet on  
6 that also.

7 Q. And have you been asked for a calculation of  
8 actual and weather adjusted sales and revenues for the  
9 months from May 1992 through April 1993?

10 A. I don't believe so.

11 Q. Could you provide that?

12 A. Actual and weather adjusted sales --

13 Q. Sales and revenues for the months of May  
14 1992 through April 1993.

15 A. Yes.

16 JUDGE HAENLE: We'll make that record  
17 requisition 1.

18 (Record Requisition 1.)

19 MR. MANIFOLD: There's no celebration at my  
20 first record requisition? Fine.

21 JUDGE HAENLE: If you hold it to one,  
22 perhaps we'll celebrate. You're not exactly dabbling  
23 your feet at this, Mr. Manifold. Done this before.

24 Q. Am I correct that during the period from May

25 1992 to April 1993, secondary power rates were higher

(LAUCKHART - CROSS BY MANIFOLD)

29

1 than the company had projected?

2 A. I believe that's true.

3 Q. And was this one of the facts that

4 contributed to the size of the deferral?

5 A. Yes.

6 Q. Do you know the size of the secondary rate  
7 effect?

8 A. I think it was a little over \$1 million.

9 Q. Is that something you could provide more  
10 accurately in a record requisition?

11 A. Yes.

12 Q. Would you please, in response to record  
13 requisition number 2 -- sorry -- provide a detail on  
14 the effect of a secondary rate effect on the deferral?

15 (Record Requisition 2.)

16 A. Yes.

17 Q. Another item that's trued up in the PRAM is  
18 the wheeling costs. Were actual wheeling costs higher  
19 than projected for this period?

20 A. Yes, by approximately one million.

21 Q. Could you in response to record requisition  
22 number three provide a work paper showing that?

23 A. Yes.

24 (Record Requisition 3.)

25 Q. Is it correct that the rates for the PRAM 2  
(LAUCKHART - CROSS BY MANIFOLD) 30

1 period were set without including any costs for the  
2 -- I need you to help me now -- Encogen?

3 A. Encogen.

4 Q. -- Encogen and Sumas power contracts?

5 A. Yes.

6 Q. E N C O G E N, S U M A S.

7 Did those plants in fact begin production  
8 during the May 1992 to May '93 time period?

9 A. Yes.

10 Q. Did the beginning of commercial operation of  
11 those two plants contribute to the size of this  
12 deferral?

13 A. Sumas contributed slightly because of its  
14 commercial operation date. Encogen did not go  
15 commercial until July, so it didn't contribute. It had  
16 some test power that impacted these numbers.

17 Q. Do you know the amount of the impact of the  
18 Sumas plant?

19 A. I don't have that detailed here.

20 Q. Could you provide that in response to record  
21 requisition number 4?

22 A. Yes.

23 (Record Requisition 4.)

24 Q. Were there any other power contracts other

25 than these two whose actual costs during this period

(LAUCKHART - CROSS BY MANIFOLD)

31

1 were different from projected costs?

2 A. Yes.

3 Q. Which contracts were those, and if you  
4 prefer, we could make that a record requisition?

5 A. Let's just make that a record requisition.

6 Q. Okay. That would be number five.

7 JUDGE HAENLE: Yes, and you're asking for  
8 the identity of the contracts and the amount of impact?

9 MR. MANIFOLD: Yes.

10 (Record Requisition 5.)

11 Q. Was actual customer count higher or lower  
12 than projected during this period?

13 A. Subject to check, I believe it was slightly  
14 lower.

15 Q. And did that contribute to the amount of the  
16 deferral in this case?

17 A. Yes.

18 Q. Do you know --

19 A. No.

20 Q. Would you in response to record requisition  
21 number 6 provide a work paper showing the effect of the  
22 lower customer account on the deferral in this file?

23 A. That begins to get a little messy, of  
24 course, because you have fewer customers. That also

25 contributes to probably lower loads. I assume that you

(LAUCKHART - CROSS BY MANIFOLD) 32

1 would go with the simple calculation, ignoring the load  
2 effect of fewer customers and just using the customer  
3 impact.

4 Q. Yes.

5 JUDGE HAENLE: And your response was you can  
6 do that?

7 THE WITNESS: Yes, I can do that.

8 JUDGE HAENLE: Thank you.

9 (Record Requisition 6.)

10 Q. In your testimony at page 6, line 18, you  
11 refer to the hydro conditions during the past year.  
12 The, I believe it's 103 average megawatts, and you say  
13 that's comparable to the 1928-'29 operating year, is  
14 that correct?

15 A. Let's see. You said 103 average megawatts?

16 Q. I meant to say 803.

17 A. Yes.

18 Q. 803 would be correct?

19 A. Yes.

20 Q. Do you recall that in your rebuttal  
21 testimony at the general rate case, you presented  
22 testimony on the range of possible power costs under  
23 various hydro conditions?

24 A. Yes.

25 Q. Would you accept subject to check that that  
(LAUCKHART - CROSS BY MANIFOLD) 33

1 was Exhibit JRL-19?

2 A. I'll accept that subject to check.

3 Q. Do you recall that your testimony was that  
4 power costs could range from 43.7 million in the worst  
5 water year to negative 39.6 million in the best water  
6 year?

7 A. I'll accept that subject to check.

8 Q. And negative power costs means that Puget's  
9 revenues actually exceed its costs, so that would be  
10 good?

11 A. By power costs here, we're talking about net  
12 variable power costs, that has some secondary sales,  
13 credits in there, so that's right. Secondary sales --  
14 when the net variable power cost is negative, the  
15 secondary sales are greater than the variable costs.

16 Q. Do you recall that the power cost amount  
17 that you calculated in that case for the 1928-'29  
18 operating year -- do you recall what that was?

19 A. No.

20 Q. Would you accept subject to check that that  
21 was 35.196 million?

22 A. That's net variable power cost.

23 Q. Yes.

24 A. Right. I'll accept that subject to check.

25 Q. Do I gather from this that the -- there's

(LAUCKHART - CROSS BY MANIFOLD) 34

1 simply a difference between the computer modeling which  
2 produced the \$35 million figure and the actual  
3 operating experience?

4 A. I'm not sure I understand the comparison  
5 you're trying to make here.

6 Q. Well, were your actual hydro related  
7 deferral during the PRAM -- during these dates \$52.6  
8 million?

9 A. That's the portion of the deferral that was  
10 caused by the hydro adjustment, and my testimony in the  
11 rebuttal, in the general rate case, indicated a range I  
12 think that was a little over \$80 million that could  
13 occur, so this is saying that \$52 million did occur.  
14 Now, you could get \$80 million of deferrals caused by  
15 hydro if you estimated the best hydro in history was  
16 going to occur, and then the worst hydro occurred, you  
17 would have \$80 million worth of deferrals caused by  
18 hydro. Obviously we didn't estimate that the best  
19 hydro conditions were going to occur when we establish  
20 rates. We estimated something in the middle there.  
21 We've talked about what the middle means, but this  
22 52.6 million falls within the range of 83 million that  
23 was testified to in that case.

24 Q. Well, what I'm focusing on is the 1928-'29



25 hydro year comparison and you've said in your testimony

(LAUCKHART - CROSS BY MANIFOLD)

35

1 that this past year was for hydro purposes similar to  
2 the 1928-'29 year, is that right?

3 A. Yes.

4 Q. And then your model, as I understand it,  
5 predicted that your power costs, your -- during the  
6 water conditions similar to the 1928-'29 time period,  
7 would be \$35 million?

8 A. It predicted the net variable power costs  
9 under -- in that case would be that under those water  
10 conditions. This \$52.6 million is not a net variable  
11 power cost number.

12 Q. Okay. I'd like to turn to the residential  
13 exchange rate. You discussed it at pages 12 and 13 of  
14 your testimony. Is it correct that basically BPA buys  
15 power from Puget at Puget's average system cost and  
16 sells Puget the same amount of power at BPA's PF rate,  
17 in an amount equal to the residential and small farm  
18 load of Puget?

19 A. That's pretty close to correct. It's the  
20 PF exchange rate that they sell to us, the power.  
21 Generally your statement is correct.

22 Q. All right. And since given the relative  
23 costs Puget is selling power to BPA at a higher price  
24 than it's buying the equivalent amount of power from

25 BPA and therefore there is a benefit which is equal to  
(LAUCKHART - CROSS BY MANIFOLD) 36

1 the difference in the -- Puget's buying and selling  
2 price?

3 A. Yes.

4 Q. And that's -- that benefit is designed to be  
5 past through to customers in the schedule 94 credit?

6 A. Yes.

7 Q. At page 13, line 13, you say that you'll  
8 have more information about BPA's rates in June and  
9 July. I guess the basic question is do you?

10 A. Yes.

11 Q. And what is that information?

12 A. Well, their PF exchange rate is going up in  
13 the neighborhood of 13 plus percent.

14 Q. Do you know about how many mills that would  
15 be? Is that about three mills?

16 A. Approximately three mills.

17 Q. In order to calculate the revised schedule  
18 94, one would have to know what your Puget average  
19 system cost is going to be as a result of the currently  
20 pending general rate case, is that correct?

21 A. Yes.

22 Q. And you do not expect -- we do not expect,  
23 we all do not expect a decision in that prior to the  
24 termination of this case, is that correct?

25           A.     I think we expect those decisions will all  
             (LAUCKHART - CROSS BY MANIFOLD)                             37

1     be made about the same time.

2           Q.     And could you explain exactly what your  
3     intention is regarding refiling the schedule 94 credit?

4           A.     Our thinking at this point is that after  
5     receiving the orders in this proceeding and the general  
6     rate case, that we would do the calculations necessary  
7     to determine what schedule 94 should be given then  
8     Bonneville's rate and given then our rate, and we will  
9     bring that down immediately and file for a schedule 94  
10    adjustment, if necessary.

11          Q.     So that would probably be in August or  
12    September?

13          A.     That would be probably shortly -- about  
14    October 1st.

15          Q.     Could you do a calculation of the estimated  
16    residential exchange benefits over the PRAM 3 year  
17    period making a -- using the current information about  
18    the BPA PF exchange rate, and assuming in one instance  
19    that the company receives its full request in the  
20    general rate case and in the second instance assuming  
21    that it receives no increase in the general rate  
22    case?

23          A.     Let's see. This gets a little messy. Would  
24    the assumption on what the company gets its full

25 request, would that include rate moderation?

(LAUCKHART - CROSS BY MANIFOLD)

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1 Q. Yes.

2 JUDGE HAENLE: Shall we make that in  
3 response to bench request 7? I'm sorry, record  
4 requisition 7.

5 THE WITNESS: We do not -- we have not  
6 computed our average system cost with our current  
7 filing in this case, and we weren't intending to do  
8 that. We're not required to do that with Bonneville.  
9 It's a relatively lengthy calculation, so that  
10 information is not currently available and I'm just  
11 wondering if it's necessary -- if it's worth doing that  
12 work for this purpose.

13 Q. Well, let us consult on that, then.

14 MR. MANIFOLD: Your Honor, I'd be happy to  
15 hold that record requisition in abeyance and we can  
16 make it as a dated request after we've consulted with  
17 the company on what needs to be done and what the  
18 complexity of that is.

19 JUDGE HAENLE: Thank you.

20 (Record Requisition 7.)

21 Q. Would you refer, please, to your Exhibit  
22 No. 7? This is a summary of the rate effect of the --  
23 of this PRAM 3 filing, is that correct?

24 A. Yes.

25 Q. And at the bottom of this, the exhibit, the  
(LAUCKHART - CROSS BY MANIFOLD) 39

1 rate increase for the demand charge is shown as zero  
2 for every schedule except schedule 7 which, being a  
3 residential schedule, has no demand charge. Is there  
4 anything in your direct testimony which explains why  
5 demand charges are not being increased in this case?

6 A. That was in Dave Hough's general testimony  
7 in the general rate case.

8 Q. And could you indicate why that is?

9 A. Well, there had been some discussion as I  
10 understand it in the rate design collaborative about  
11 how to do that and it got relatively complicated, and  
12 tracking became quite an issue, so Dave Hough's  
13 testimony indicates that the idea was to try to  
14 simplify the tracking.

15 Q. Thank you. I have no other questions.

16 JUDGE HAENLE: All right. Commissioners, do  
17 you have questions?

18 CHAIRMAN NELSON: No.

19

20 E X A M I N A T I O N

21 BY COMMISSIONER CASAD:

22 Q. I have a couple of quick ones. Could you  
23 turn to your Exhibit 10, Mr. Lauckhart? Would you  
24 assist me in advising me just what is contained in that

25 exhibit? One is the approved costs for T&D, and then

(LAUCKHART - EXAM BY COMMISSIONER CASAD) 40

1 a projection of costs which apparently you prepared for  
2 Bonneville, in accordance with your agreement on  
3 computing the exchange. That projection does not  
4 consist of approved costs, is that correct?

5 A. Well, I think the idea was to have the  
6 Commission take a look at those costs as we forecast  
7 them to see if the Commission and then the staff felt  
8 that they were reasonable. These costs are used with  
9 Bonneville to establish an initial average system cost  
10 which money would be exchanged under, and then these  
11 costs are ultimately trued up to actuals. Bonneville  
12 was interested in having some review of our estimate of  
13 those costs, and for that purpose, they wanted us to  
14 put them in this case on the hopes that somebody might  
15 look at them, but the bottom line is it all gets trued  
16 up in final in any event, so it's just a question of  
17 whether it's a reasonable estimate.

18 Q. As far as you know, there is no connotation  
19 of preapproval of those costs by this Commission by  
20 the mere fact that they have been reviewed by the staff  
21 or by the Commission?

22 A. That's correct.

23 Q. You indicated in response to a question to  
24 Mr. Manifold that you have the PF exchange rate which

25 you use in average system cost. Would you refresh my

(LAUCKHART - EXAM BY COMMISSIONER CASAD)

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1 memory, or maybe create a whole new -- whole new unit  
2 here, as to why the -- or what additional components  
3 are added to the PF exchange rate as compared to the PF  
4 rate?

5 A. Going back to the Regional Power Act, and  
6 recalling that part of that act was to settle some  
7 litigation over who preference customers were, and why  
8 -- when residential customers to Puget Power would be  
9 considered a public with respect to public preference,  
10 and why would a company like British Petroleum be  
11 considered a public and get public preference power,  
12 when they were the only customer of a PUD, and  
13 litigation occurred, and that was addressed in the  
14 Regional Power Act of 1980, I guess, and the parties  
15 agreed on certain things, including the publics. The  
16 publics had to agree in order to get support of various  
17 congressmen to that whole act. One of the ideas was to  
18 provide preference rate power to the residential  
19 customers of industrial utilities. Where was that  
20 money going to come from? The publics didn't think  
21 they should have to come up with that money. The  
22 theory there for a while was that the DSI's who out  
23 of this whole act would get additional contracts,  
24 long-term contracts, they would pay more for those

25 contracts, enough more to provide moneys to accomplish

(LAUCKHART - EXAM BY COMMISSIONER CASAD)

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1 this residential exchange.

2           Now, the publics also insisted there be a  
3 test done in Bonneville's rate setting program to show  
4 that the -- because even under the residential exchange  
5 arrangements, that the publics would pay no more for  
6 their power than they would have paid if there wasn't a  
7 residential exchange. As we get farther and farther  
8 away from 1980, that calculation is more, you know,  
9 dream world kind of calculations, and becomes messy,  
10 and very much debated in the Bonneville rate case, but  
11 when it happens that we call this triggering 7B2,  
12 which is -- looks like the customers -- the publics  
13 might be paying more, then they make the PF exchange  
14 rate a little bit higher so that the industrial end  
15 utilities customers don't get quite as much of a  
16 benefit. That's why you have a difference between the  
17 PF rate and the PF exchange rate.

18           COMMISSIONER CASAD: That was a nice long  
19 answer but it was an accurate one and I thank you very  
20 much. Appreciate it. That's all I have.

21           JUDGE HAENLE: All right. Have you done an  
22 analysis of the monthly first in, first out balances  
23 through April of 1993?

24           THE WITNESS: I believe we have.



25 JUDGE HAENLE: Is that somewhere in the

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1 record?

2 THE WITNESS: That's I believe a part of  
3 another data request.

4 MR. VAN NOSTRAND: Number nine.

5 THE WITNESS: Data request number nine.  
6 That will be provided. We can make that available.

7 JUDGE HAENLE: Well, I don't know if we want  
8 to make it as a bench request or whether it would be  
9 coming through another party. Okay. We do. As  
10 response to bench request 1, please, can you provide  
11 that analysis through April of 1993 and then additional  
12 month through July or August or whatever you have  
13 available, please?

14 THE WITNESS: Yes.

15 (Bench Request 1.)

16 JUDGE HAENLE: Okay. And, go ahead, finish  
17 writing that down. And the rate spread that you  
18 propose here is different than that which was used in  
19 PRAM 2, is it not?

20 THE WITNESS: Yes.

21 JUDGE HAENLE: Can you provide a calculation  
22 of the rate spread based on the immediate methodology  
23 that was used in PRAM 2?

24 THE WITNESS: Yes.

25 JUDGE HAENLE: Would you do that as response  
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1 to bench request 2, please?

2 (Bench Request 2.)

3 THE WITNESS: Just help me since I'm not  
4 exactly a rate design expert. As I understand it, the  
5 -- between the customer classes is done the same way as  
6 it was done in PRAM 2, it's just within a customer  
7 class that it's been changed.

8 JUDGE HAENLE: If that's true, then you  
9 don't need to respond. You can indicate in your  
10 response that that is the case. If that is not true,  
11 then you do need to respond. Thank you. That's all I  
12 had. Was there anything else, Commissioners?

13 COMMISSIONER CASAD: Just one quick one. Is  
14 it correct that in Bonneville's rate case just  
15 concluded, that the 7B2 test was not triggered?

16 THE WITNESS: That's correct. It had  
17 triggered before, and therefore there was a higher PF  
18 exchange rate than there was a PF rate. In this case,  
19 at least to date, and I haven't seen the filing record  
20 of the decision, they've concluded it no longer  
21 triggers, and that's why you will see reported that the  
22 PF rate is going up faster than the PF exchange rate.  
23 That's because they've eliminated that differential in  
24 this case.

25 COMMISSIONER CASAD: Thank you.

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1 That's all I have. Thank you.

2 JUDGE HAENLE: Any redirect?

3 MR. VAN NOSTRAND: No, Your Honor.

4 JUDGE HAENLE: Anything more of the witness?

5 Go ahead, Mr. Manifold.

6

7 CROSS-EXAMINATION

8 BY MR. MANIFOLD:

9 Q. Let me ask a couple of questions about that  
10 rate spread issue. Is it correct that the base cost  
11 revenue requirement was allocated in this case in the  
12 same way that it has been in the past, but the energy  
13 portion was not -- excuse me, but the revenue costs  
14 were not?

15 A. Well, I think in theory, both the base and  
16 the resource costs were allocated under the same theory  
17 they were -- allocated in the past. Of course, the  
18 numbers changed, the allocation factors changed, but  
19 the theory was the same. What we were talking about  
20 before was once you allocated the money to the customer  
21 classes now within the customer class, you know, which  
22 end block gets the money, or does the demand charge  
23 get some or the energy charge get some, that's what's  
24 been changed.

25 Q. Is it correct that the resource costs in  
(LAUCKHART - CROSS BY MANIFOLD)

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1 previous programs have been allocated based on 80  
2 percent energy and 20 percent demand?

3 A. Yes, and those were the demand energy  
4 factors used in 2688-T. What we did here is we used  
5 I think 84 percent energy and 16 percent demand, and  
6 that's factors that we proposed in this current general  
7 rate case.

8 Q. So that's a change from your previous PRAM?

9 A. Well, I guess I would have not characterized  
10 it as a change. We're using the energy capacity  
11 allocation factors that were established in the most  
12 recent general rate case.

13 Q. You mean offered?

14 A. Well, in this case, if the Commission adopts  
15 something different, in this general case, we will take  
16 that into account when we finalize our schedule 100  
17 rates.

18 Q. Well, when you say established, you mean  
19 that the company has offered, because that allocation  
20 between energy and demand is a contested issue in that  
21 case, isn't it?

22 A. Yes, and all I'm saying here is for this  
23 purpose of this estimate at this time, we've used what  
24 we proposed in that case, but if this Commission adopts

25 something different in that case, we will use what they

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1 order for this purpose.

2 Q. Is this change mentioned anyplace in your  
3 direct testimony?

4 A. It's in the work papers. I don't know that  
5 my direct testimony mentions it.

6 Q. Let me make sure I've got this right. Based  
7 upon what Puget has proposed in the general rate case,  
8 it has changed the energy demand allocation from 80/20  
9 to 84 percent energy, 16 percent demand?

10 A. Yes.

11 Q. And is it correct that Mr. Lazar, for  
12 instance, has recommended an 87 percent energy, Mr.  
13 Sorrells an 88 percent energy, and Mr. Schoenbeck, a 70  
14 percent energy allocation in the general rate case?

15 A. I don't know who has recommended what, but I  
16 know there's always some debate over this.

17 Q. Would you accept those subject to check?

18 A. I'll accept that subject to check.

19 Q. Okay. Would it be possible for you to redo  
20 the rate design portion of the program based upon a 87  
21 energy 13 percent demand allocation?

22 A. I don't know how hard that is, but -- we can  
23 do that.

24 Q. Would you do that, please, in response to

25 record requisition number 8? That's all I have.

(LAUCKHART - CROSS BY MANIFOLD)

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1 (Record Requisition 8.)

2 JUDGE HAENLE: For purposes of the bench  
3 request, consider that a change, the change from 80/20  
4 to 84/16, please. Anything more of the witness? All  
5 right. Thank you, sir. You may step down.

6 Other than us needing to doublecheck on the  
7 date of the public hearing and perhaps move it up,  
8 anticipating we may not have as much as we thought, is  
9 there anything else we need to discuss at this point.  
10 Let's go off the record, we will establish that before  
11 we go off the record.

12 (Discussion off the record.)

13 JUDGE HAENLE: Let's be back on the record.  
14 During the time we were off the record, I think we  
15 determined that there is no open meeting scheduled for  
16 September 1st, so we would be starting on September 1st  
17 at 9:30 in the morning for the direct and cross of  
18 staff, intervenor, public counsel, and I assume the  
19 cross and rebuttal that same day, so what we've  
20 determined is that we will set the public hearing then  
21 for 1:30 in the afternoon on September 1st, which is a  
22 Wednesday. Please note your calendars. This is a  
23 change from the tentative schedule I gave you already.  
24 We're doing this anticipating that we will not have

25 three full days' worth of testimony and trying to be as

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1 efficient as possible. I'll send out a two liner

2 letter as soon as I can indicating that the change in

3 the tentative schedule will set the public hearing at

4 1:30 in the afternoon on September 1. Anything more we

5 need to discuss? All right. The hearing will be in

6 recess until 9:30 on September 1. Thank you.

7 (Hearing adjourned at 10:30 a.m.)

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