Puget Sound Energy, Inc's Hearing Transcript Corrections (UE-090704/UG-090705)

PAGE	LINE	CORRECTION
173	13	Change “Patelco” to “Potelco”
179	5, 6	Insert “$” before “25,000”
185	7, 9	Change “2000” to “2008”
187	9	Delete “November”
187	11	Insert “to” before “95%”
281	17	Change “on” to “in”
281	21	Insert “It” before “Broadly”; change “Broadly” to “broadly”
281	23	Delete “The”; insert “a” after “had”
281	24	Delete “a” before “positive”; insert “with” after second “positive”
281	25	Change first “with” to “to”
282	11	Change “denigration” to “integration”
284	10	Change first “21” to “Exhibit WJE-21HCT”
289	20	Change “hence” to “because it”
290	18	Change “so” to “like a”
425	3	Delete “type of”
427	21	Change “general accounting office” to “General Accounting Office”
428	10, 11	Change "general accounting office" to "General Accounting Office” in both lines"
474	16	Change “over” to “open”
479	3	Change “RMR” to “MRM”

490	25	Change "41a" to "481(a)"
503	19	Change "was that was" to "did"; delete "to"
510	11	Insert "an" before "analysis"; change "we" to "would"
513	3	Change "cull" to "call"
513	7	Change "culled" to "called"
517	11	Change "Bullish" to "Bonus"
531	17	Change "they're" to "there is"
537	11	Change "wrath" to "raft"
552	23	Change first "the" to "this"
729	19, 20	Change "a 2" to "A 2"; change "a 3" to "A 3"
731	13	Change "on" to "with a"
734	13	Change "20" to "25"
735	7	Change "March" to "January"
793	11	Delete "th" following July 10, November 13, and July 17.
743	23	Change "WTC" to "WECC"
770	2, 3	Change "end" to "-in"
756	18	Change "fire" to "fired"

C R O S S - E X A M I N A T I O N

BY MR. CEDARBAUM:

Q. Good morning, Mr. Valdman.

A. Good morning.

Q. My questions relate to your rebuttal testimony, 10CT, at page 15 where you discuss the Quanta service provider contract issue with Staff.

A. Yes.

Q. Do you recall that? You don't need to switch to it it looks like.

A. No, I recall that testimony.

Q. And at that page you indicate that the company and ~~Patelco~~ Potelco and Quanta have already agreed to specific unit pricing increases for 2010, and then on the following page you indicate that you're finalizing minor contractual terms with those providers, and all of that taken together will result in a newly amended service provider contract prior to 2010. Do you recall that?

A. Yes.

Q. Is it correct that that service provider contract as amended has been signed by the parties?

A. Subject to check, I believe it has.

Q. Do you recall the date that it was signed?

A. I don't.

top bullet point on that page, wouldn't you agree with me that as stated here the new processing equipment was envisioned and expected to actually reduce historic expense levels by about 25%?

A. By about $25,000.

Q. Excuse me, $25,000.

A. Yes.

Q. All right. And if you go to the immediately preceding page, page 12 of the exhibit, third arrow point is another component of claimed savings regarding encoding, correct?

A. Correct, and it's a labor savings.

Q. All right. And as I understand it with the current, what that means is that with the current bill processing equipment, the same -- some type of encoding is not required any longer?

A. Correct.

Q. And am I correct that as a result of not having to encode checks that three quarters of a full-time FTE position can be eliminated; is that what that says here?

A. For bill processing.

Q. Right.

A. Correct.

Q. So as the company continues to grow and needs would imagine that your new orders are going down, so are you able to staff some of those seasonal workers from within the company?

A. Most of -- our customers continue to grow. We have, albeit less than historic, but we still have customer growth, and our calls into our call center have actually increased by 4% from ~~2000~~ 2008 to 2009, so our call centers experience greater volume of work.

Q. So from ~~2000~~ 2008 to 2009, the call center increased by 4%?

A. Correct.

Q. But your number of customers has to have increased by at least that same amount in that period of of time?

A. By less.

Q. By less?

A. What's happening, it could -- weather related generates call volume as well as payment issues. And as you might imagine in the current economic situation, we're receiving a number of calls from our customers requesting payment plans and payment options, so that's increasing our call volume.

CHAIRMAN GOLTZ: Thank you.

JUDGE MOSS: All right.

Any redirect?

A. It reflects what was originally proposed to be implemented.

Q. And just to be clear, well, were there efficiencies realized as a result of implementation of the mobile work force?

A. There were a number of benefits that were realized, and in fact we could see it in our SQI's. Our gas first response time has decreased. From memory as of ~~November~~ calendar year 2009 it's 33 minutes down from 38 minutes. Our levels of customer satisfaction in field operations have increased to 95%, which is considerably higher than in calendar year 2007, I believe it was 90%. So the operational benefits have been realized.

Q. And to the extent these are actual dollar efficiencies or savings, were those realized during the test year 2008?

A. Yes, that's when the mobile work force for gas was implemented and active.

Q. Now turning to the bill processing equipment which was discussed in BAV-12, a cross-exam exhibit.

A. Yes.

Q. Mr. ffitch asked you about cost savings or efficiencies that were recognized as a result of that. Were you, was the company able to recognize or has it

R E D I R E C T   E X A M I N A T I O N

BY MS. CARSON:

Q. Mr. Garratt, Mr. ffitch questioned you about the quantitative and qualitative analysis of Mint Farm and an alternative PPA. Do you recall that testimony?

A. I do.

Q. Is this an either/or determination in terms of whether PSE will acquire the alternative PPA as well as Mint Farm?

A. No, it's not, as I indicated in my testimony that our decision to acquire Mint Farm was not a rejection of the alternative PPA. And I think it's helpful to really think of those in terms of two separate decisions.

So with respect to Mint Farm, we had an opportunity to acquire a relatively new, modern, high efficiency combined cycle project and particularly ~~on~~ in the market environments that we describe or that I describe in my testimony on pages 4, 5, and 6, and it's an opportunity that we didn't necessarily see being around for too much longer in that environment. It ~~B~~broadly fits within what we consider to be a strategic and financial evaluation criteria. ~~The~~ Mint Farm had a positive economic evaluation and evaluated ~~a~~ positive with respect ~~with~~ to other criteria. And then again with this

-- in this environment it was we felt critical to take advantage of that and certainly contributed to our long-term need starting in 2011. And I mean as I talked about before, 2011 from a planning perspective, certainly contributed to our operational need from day one.

And then with respect to the alternate PPA, we made a decision to put in on the continuing investigation list, and in my rebuttal testimony talk about that. It has to do with some further assessment we wanted to do with respect to wind ~~denigration~~ integration with -- also with respect to compatibility with need because it didn't contribute to our need until once you got beyond 2011. And then finally I would say generally speaking because of some strategic and financial reasons that I would refer to my testimony starting on page 24 and 25, that's highly confidential, but because of those strategic and financial reasons, it made sense to put this on the continuing investigation list.

MS. CARSON: I have no further questions.

JUDGE MOSS: Thank you.

Anything further?

Apparently not. All right, Mr. Garratt, then we can release you from the stand subject to recall if needed. Thank you very much.

direct, supplemental, and rebuttal testimony and related exhibits in this proceeding?

A. Yes.

Q. Were these exhibits prepared under your supervision and direction?

A. Yes.

Q. Do you have any corrections to any of the exhibits at this time?

A. Actually I do. In my rebuttal testimony, which would be Exhibit WJE-21HCT ~~21~~, oh, yes, 21, page 18, on line 20, there's a sentence that ends with the word run.

Q. What page are you on?

A. Oh, excuse me, on page 18, line 20 of the rebuttal, and after the word run I would like to insert, as much as in other seasons of the year.

CHAIRMAN GOLTZ: What page, what line?

JUDGE MOSS: That's page 18, line 20.

CHAIRMAN GOLTZ: Thank you.

BY MS. CARSON:

Q. With that correction, are your prefiled direct, supplemental, and rebuttal testimony and accompanying exhibits true and correct to the best of your information and belief?

A. Yes.

MS. CARSON: Thank you.

specific resource.

Q. So for example if you have a benefit ratio of 5, that means that the benefits produced by a resource are 5 times the total cost associated with owning and operating the resource?

A. Yes. And let me give you a couple of clarifications. So back on portfolio benefit, if all else equal, a larger -- if everything else was equal about two projects and one was twice the size of another, I would expect the portfolio benefit to be twice the size of the smaller one. Now on the portfolio benefit ratio, the ratio is affected by obviously by the denominator, and I described the denominator as including all the costs, fixed costs, capital costs, variable O&M, as well as fuel. So in our board book, we try to describe the complexity of these measures and describe -- and I also put it in my rebuttal testimony where a larger -- a portfolio benefit of a larger plant might be larger, and a portfolio benefit ratio might be driven up because a plant doesn't run as much, because it ~~hence~~ has lower fuel cost, so its ratio grows relative to another plant that would run more. So each of these metrics has to be used. It doesn't -- each metric tells a story, but it doesn't tell the whole story, so we have to look at all of them.

Q. And do I understand correctly that the portfolio benefit metric considers all of the costs of the resource or portfolio?

A. Because we're comparing our portfolio with a resource and our portfolio without the resource, all the costs of the individual resource are in there. But as Mr. Garratt described, this is a -- the levelized cost is a -- it's a separate calculation from the portfolio benefit. And the levelized cost is the next one on this sheet if you would like me to go through that definition as well.

Q. Sure, why don't you define levelized cost?

A. So levelized cost is expressed in dollars per megawatt hour, and it's the average annual cost per megawatt hour produced over the life of a new resource. So what we do there is we take the denominator from the portfolio benefit ratio, which was the total cost of that resource, and we levelize that out over time, ~~so~~ like a mortgage payment, and divide it by the annual generation so that we're getting a dollar cost per megawatt hour that's a levelized dollar per megawatt hour over the life of the asset.

Q. Okay. And does that include capital costs in that calculation?

A. Describe what you mean by capital costs.

direction?

A. That's correct. Typically pension plan is used in the defined benefit plan ~~type of~~ terminology. It might include cash balance plans, so it could be hybrid plans such as we have for part of our employees, but generally understand pension plan to mean defined benefit, not defined contribution.

Q. Would you agree that many authoritative publications have documented the trend away from defined benefit plans and towards defined contribution plans?

A. For some industries I would agree, yes.

MR. FURUTA: And, Your Honor, at this time I would take up the issue of Exhibits 23 and 24.

JUDGE MOSS: All right, let's hear what counsel's objection to these is.

BY MR. FURUTA:

Q. First, Mr. Hunt, do you have those before you?

A. I do, yes.

MR. FURUTA: Okay.

MS. CARSON: Both Exhibit 23 and 24, TMH-23 and 24, are responses, FEA responses to PSE data requests. Mr. Hunt did not prepare these exhibits, so we object based on foundation. And also this is information that FEA could have included in their

MR. FURUTA: Thank you, Your Honor.

BY MR. FURUTA:

Q. And as one of the company's witnesses on pensions, Mr. Hunt, you're familiar with these two exhibits, TMH-23 and 24, by now?

A. I've reviewed them, yes.

Q. Okay. Now the response to the company's Data Request Number 3 to FEA provides documentation of the trend away from defined benefit pension plans, does it not?

A. The document that was attached to it talks about freezes within certain pension plans in general, but this exhibit didn't have any utility specific information. It does document a decreasing number of defined benefit plans, but it also -- it also mentions that on page 3 of the exhibit, sort of in the middle of the page, at the time of the survey most sponsors reported no plans to revise plan formulas, freeze, or terminate plans or convert to hybrid plans. So my interpretation of the program is that there have -- of the document from the general accounting office is that there have been companies that moved away from defined benefit pension plans, but it seems more like there's been a sort of stabilization of that process. And so this survey, which was of 44 companies of some of the largest Fortune 500 companies, was saying that they had changed some plans or formulas in the past, but at the time of the survey they didn't have plans to make -- to freeze or terminate additional plans.

Q. And were you referring to TMH-23 in your last response?

A. Yes.

Q. Okay. How about TMH-24 though?

A. TMH-24 is also a study. Includes a lot of material. One of the attachments is the general accounting office, a different general accounting office study, and that starts on page 42, 41 and 42 of the exhibit on the page numbers at the bottom. It's a broader survey in that it has 330 companies, but once again the industries are not specified. And the purpose of the survey I did find important to understand in that it's analyzing this question because the Congress has liability perhaps if the Pension Benefit Guarantee Corporation, which is severely underfunded, continues to have underfunding. So on page 42 in the bar on the left, why the GAO did this study, it talks about how they had placed in the -- it's on the sort of three quarters of the way down on the left-hand column, in 2003 we placed on our -- the PBGC on our high risk list of programs. So the context of this study is to

Q. Mr. Marcelia, do you know when the company files, generally files its federal income tax returns?

A. Typically that is in the middle of September of the following year.

Q. Okay. So for tax year 2008 did the company file its income tax return around September 15 of 2009?

A. That's correct.

Q. Okay. And the company's 2008 federal income tax return has not yet been audited by the IRS to your knowledge; is that correct?

A. That's correct.

Q. Do you know when the company anticipates that its 2008 return will have been audited by the IRS?

A. Well, I can't say with any certainty. Typically the company's audited on 3 year cycle, and we have open ~~over~~returns for 2006, 7, and 8, so it seems that it would likely to occur sometime soon, but I have no idea what the IRS audit schedule is for us.

Q. And now the 2009 bonus tax depreciation would be taken on the company's federal income tax return for 2009; is that correct?

A. Yes, correct.

Q. Okay. And does the company expect to file its 2009 return around the middle of September of 2010?

A. Yes.

A. It is the production tax credit.

Q. Okay. And the company's response to our part E, which is actually labeled D in Exhibit ~~RMR~~ MRM-12, indicates there that the Wild Horse expansion pro forma captured the estimated incremental production tax credits or PTC that the project is expected to produce. PTCs are passed through to customers under Schedule 95a and are not included in the general rate case filings. This part of the response here also notes that another tax benefit might be more beneficial. Do you know if that part of the response is still true and correct to your knowledge?

A. Well, it is true and correct and the -- that other tax benefit actually is more beneficial, and the company filed for a treasury grant on the Wild Horse expansion on December 22nd, and the Commission issued an order on I believe it was December 10th kind of articulating how that would be passed back to customers again on the Schedule 95a, which is the PTC tracker.

Q. Okay. And that's the methodology by which the benefit would be reflected in rates; is that true?

A. Yes, the Schedule 95a tracker.

Q. All right. Do you happen to have the Commission order number on that with you?

A. I believe it is UE-90, I'm sorry, 091570.

to verify that those figures are correct as well?

A. Actually the numbers that are on the top of page 4, they total the correct number. If you look at page 5 of the exhibit.

Q. Yes.

A. You can see there that the breakdown to electric and gas that I stated on Exhibit D is actually off a little bit. Those numbers should be slightly different.

Q. Is that difference due to more than just rounding?

A. Yes, I actually footed the columns down as opposed to across. Do you see gas is the top line on page 5 of that exhibit?

Q. Oh, I see.

A. Whereas the gas numbers are -- go across the top of that exhibit, that top line, whereas the numbers that I used actually come down. It's the same grand total, but the split between electric and gas would be different.

Q. Okay. And are the numbers, do you know which numbers are actually the correct numbers to be used?

A. The numbers that you see on page 5 are before considering the tax effect, so if you were to add the 481(a) ~~41a~~ line and the 2008 adjustment line, multiply those by

IRS back, or the rate payers would have to in a sense make the company whole because of the rate base deduction that was taken of the $72 Million?

A. The thought was because the $72 Million was subtracted from the rate base and it then had to be repaid that we should restore the $72 Million as part of the rate base calculation.

Q. Meaning the rate payers would have to restore to the company the $72 Million in rate base?

A. Yes.

Q. That was credited to the original refund for the tax treatment, excuse me?

A. Yes, because rate -- the rate base was being reduced to the benefit of the rate payers, so it would come -- the cost would come from the rate payer.

Q. And did the Commission allow that?

A. Well, the change to the tariff was revoked. I don't know if that was a Commission order or a company decision. Somehow it ~~was that~~ did ~~was~~ not ~~to~~ actually come to fruition. Instead what occurred was as the payments were made to the IRS over approximately 6 quarterly estimated payments, we put those into a deferred account as probably a 182 liability or something along those lines. We captured it on the balance sheet, which similar effect, but it allowed instead of being a tariff were.

Q. Now did the company pay more in income taxes in years 2002 and 2006 than it had received from rate payers for the purpose of paying those taxes?

A. Are you asking me a cash basis question?

Q. Yes.

A. For 2002 through 2006?

Q. Those are the years in reference in your testimony.

A. Let me think about that for a second. I am not sure what an analysis ~~we~~ would show on that.

Q. All right.

A. It could show more or less, but I can't place it in my mind right now.

Q. Well, I'm assuming from the company's testimony that what you're really saying here is that the company needs to be made whole?

A. For the interest.

Q. Right.

A. Yes.

Q. And the interest is a part of your overall tax payment, it's interest owed to the IRS?

A. It is interest owed to the IRS, but it is not recorded as tax expense.

Q. Right.

have an order though which kind of gives a foreshadowing of how the Commission would like us to address it. Because you're right, typically you wouldn't ~~cull~~ call out a particular item. This was unique, it has an accounting order or accounting language in a rate proceeding associated with it, so in kind of meeting that, it's unique, it's been called ~~culled~~ out, but I would think it needs to be addressed in a way that's consistent with how taxes are calculated.

Q. Getting back to your point, I mean the objective is to make the company whole, I mean that's really what you want here.

A. That's correct.

COMMISSIONER OSHIE: I don't really have any other questions, Mr. Marcelia, and I appreciate your -- I thought it was a good discussion, thank you.

JUDGE MOSS: Anything else from the Bench?

No, all right.

Then I believe that will bring us to any redirect.

MS. CARSON: Yes, thank you.

MR. FFITCH: Your Honor, excuse me, may I have a follow up to the Bench questions?

JUDGE MOSS: Sure, probably should do that before the redirect. Go ahead.

JUDGE MOSS: All right, redirect.

R E D I R E C T   E X A M I N A T I O N

BY MS. CARSON:

Q. Mr. Marcelia, how does the deferred tax associated with Wild Horse bonus depreciation compare to the deferred tax calculation associated with the accounting change for repairs?

A. Well, as I was -- as I was mentioning, I would classify them as being substantially different. ~~Bullish~~ Bonus depreciation is a fairly straightforward calculation. In this case Wild Horse expansion was eligible for -- the adjustment for Wild Horse, the bonus depreciation, is eligible for a 50% bonus depreciation. That is a fairly straightforward calculation. That contrasts greatly with the change of accounting method calculation for repairs. That is a very complicated calculation. The bonus depreciation has also been subject to audit, not the -- not as it relates to Wild Horse, but bonus depreciation has now been around for a number of years off and on, and some of those years have been subject to IRS audit, so we're fairly confident in how the IRS views that adjustment. And the accounting method change is much more complex and has the uncertainty of not being reviewed by the IRS at this

Q. This also shows that the Blue Ridge evaluation is to be done in two phases. The first phase is a -- occurs through a draft and a final two year evaluation, and a second phase is a draft and a final three year evaluation; is that right?

A. That's what's listed on the timeline, correct.

Q. Are you unfamiliar with this information?

A. Generally I'm familiar, but I haven't been involved deeply with the Blue Ridge folks.

Q. Would it be correct to say, and if you don't know just say so, that the first phase report, or excuse me, the second phase report would be a more detailed evaluation of the energy incentive mechanism?

A. I'm not familiar with what the distinctions are between the two different phases of the reports, if there is ~~they're~~ different information that will be provided or if it's just expanding on the same information for an additional year.

Q. So you don't know if the report that's in your exhibit is the ultimate final report to be issued by Blue Ridge?

A. I'm aware that they're going to issue another report following the one that --

Q. And you're not aware of any differences in electric hot water heater to a natural gas hot water heater.

A. Rather than waste the Commission's time, I could confirm that subject to check. It sounds correct, but I would prefer checking to make sure that that's accurate.

Q. All right. This is an honest clarification question. Frankly we were not able to determine with certainty from our review, and so we were asking you now whether or not those savings are incorporated.

A. Again, in this ~~wrath~~ raft of numbers, it would be -- it would take me a little while to find that.

Q. All right, let me ask one related question. Your answer may be the same, but at least we'll get the question on the record, then we can figure out how to get an answer. But the follow up is with respect to the natural gas conservation savings estimates that are the basis for the conservation phase-in adjustment, do those savings estimates reflect increased usage from the fuel switching customers who discontinued use of an electric appliance and moved over to the use of a natural gas appliance, the flip side of my first question?

A. So could you repeat the first part of your question?

Q. On the natural gas numbers?

conservation implemented in these two calendar years were projected to result in $46 Million in lost revenues and $34 Million in lost margin, I guess they didn't confirm those numbers, they just confirmed PSE's projection?

A. I guess the way I would respond to that is that they used those numbers without objection in drawing their conclusions in the report, so --

Q. What I'm asking though is, I don't see in the report that Blue Ridge confirmed the validity of those numbers. It looks to me like they accepted Puget's numbers.

A. That's a fair assessment.

Q. Okay, so -- and you don't know how they -- how Puget really got to those numbers?

A. I calculated those numbers.

Q. You calculated those numbers?

A. Yes.

Q. And it's based only on -- but we don't see the calculations how you got to the number of lost margin in any workpaper here?

A. No, because that wasn't necessarily the point of -- we were -- in ~~the~~ this case we're proposing the conservation phase-in adjustment. These numbers calculate the full effect of the lost margin, which exhibits in this proceeding?

A. They do.

Q. Were these exhibits prepared under your supervision and direction?

A. Yes.

Q. Do you have any corrections to any of your exhibits at this time?

A. I have two minor corrections to my original testimony, but they are not items that affect the revenue requirement in this case. I would like to go through them. They are both in my Exhibit DEG-1T, and if you would turn to page 17 in DEG-1T. There's basically an addition error on line 4. The number that reads 1.05 should read 1.15.

And then if we go to page 32 of that same exhibit, there was a transposition of the commercial paper ratings on lines 13 and 14. My testimony as written reads PSE's commercial paper rating was increased from A ~~a~~ 2 to ~~a~~ A 3, and it should be reversed, it should read from ~~a~~ A 3 to ~~a~~ A 2.

Q. Thank you, Mr. Gaines. With those corrections, are your prefiled direct, supplemental, and rebuttal testimony and accompanying exhibits true and correct to the best of your information and belief?

A. Yes, they are.

A. I do, yes.

Q. And in that data request, Staff asked you a question regarding the difference between what Puget had projected for its debt cost and what its current actual debt costs are; do you recall that?

A. The question actually dealt with how the most recent debt issue compared with what's being used, what the projected costs are, so we're comparing two different times periods, the current period or the then current period to the March period and the September period of 2010 when we have planned funding.

Q. All right. And you here are discussing a recent debt issue with a ~~on~~ cost rate of 5.757%, correct?

A. Well, that was in the question. What I was talking about here is it's unfair to use that picking that point in time for a period of time that's not known, it's unfair was my point. That was my answer.

Q. All right. But you characterize that number in your response as the lowest rate Puget has ever achieved on 30 year debt, correct?

A. I think yes, but with a slight correction, Mr. ffitch. We said it's the lowest rate that we believe is the lowest rate we've received. We didn't go back and do an exhaustive study, but in my 10 plus years of being the Treasurer and certainly looking back on the number that's roughly in line with my $30 Million that I just paraphrased here. At the time -- and I think the confusion dealt with the dates and the names of the various dates used in declaring and recording dividends.

There's three dates that really matter when you're setting a dividend policy. The first date is the declaration date, the second date is the record date, and the third date is the payment date. So what happens is a board of directors will, in general now, will declare a dividend on a date as of a record date that maybe is a few days hence, so they'll say maybe January 4th that starting on January 20th we'll pay a dividend of ~~20~~ 25 cents a share for shareholders on record as of January 22nd. That dividend will be paid on February 15th in our case. That quarterly dividend, if you will, covers the period from the prior record date to that January 22nd record date. So that's what that first dividend date, the regular dividend from 2008, it covered a period between record dates, and that was a quarterly period, so it was a quarterly dividend.

I think there's always confusion that the payment of the dividend corresponds with the payment date, it doesn't. It actually corresponds with the record date, which was prior. So when the company was acquired, the commitment to existing shareholders was that they would be entitled to their regularly quarterly dividends, and then they would be entitled to a dividend to cover them up to the period in which time their stock was purchased at $30 a share. So we have the normal dividend, not knowing what has been proposed to the board, declared a regular dividend for the quarter that ended January ~~March~~ 22nd, 2009, and that would be payable on February 15th, and that turned out to be after the date of the merger.

And then there was a period of time that spanned from January 21st through the February 6th, so that would be probably 16 days or so, so there was a dividend of basically 16/90, you know, going 16 days over 90 days in a quarter, that was declared, and that was the stub period dividend.

So the regular dividend of $32,400,000 was paid to the prior shareholders. The dividend, the stub dividend was paid to the prior shareholders, that was the $5.8 Million. And then also in a board meeting the board declared a dividend ~~up~~ from Puget Sound Energy up to Puget Energy up to Equico of the $30.4 Million. And I think what happens is when we -- when you just look at these quarters, you go, oh, gee, you know, we went from $32 Million to $68 Million, that's a doubling. Well, there's sort of some stub period dividends that confuse work tool, maintenance tool, reflected the simple cycle facilities that had been set up on a 10 year maintenance cycle, which we are currently dispatching more, which pursuant to the OEM recommendations would require that we perform maintenance sooner than when this was developed. Also I would like to point out that for the combined cycle facilities that the maintenance period is less than 120 months, so I just wanted to make that clarification. For example on page 23 you would see that the maintenance periods are covering, you know, from July 10~~th~~, November 13~~th~~, July 17~~th,~~ September 20.

Q. Okay, I think I'm finished asking you questions on this exhibit.

A. Okay.

Q. Mr. Odom, if you could turn back again to the cross-examination exhibit of Mr. Story, which is JHS-29, I would like to return to this discussion of major maintenance accounting. Earlier you stated that the Staff and the company are proposing the same treatment in accordance with the airline guide; do you recall that?

A. I do.

Q. This data request response indicates in part A that the company also has plans for setting up a regulatory asset, is that right, with respect to major

C R O S S - E X A M I N A T I O N

BY MR. VAN CLEVE:

Q. Good afternoon, Mr. Mills.

A. Good afternoon, Mr. Van Cleve.

Q. Does PSE use the AURORA model to determine the power costs that it includes in rates?

A. Yes, we do.

Q. And --

A. The AURORA model, cost - not in models adjustment.

Q. And there's a, the forward gas prices, there's a 90 day average that's an input to the model?

A. That's correct, it's a 3 month moving average of daily forward prices.

Q. And I think you alluded to the I believe it's called the cost - not in AURORA Excel Workbook, can you tell us what that is?

A. The not models or the cost - not in AURORA are intended to capture the costs that AURORA is not capable of catching. AURORA is a production cost model that dispatches units and takes that 3 month gas price and creates a power price and then dispatches units across the WECC ~~WTC~~ as well as the Puget system to calculate those power costs. There's a number of other costs, as an example transmission costs, that are not able to be economics or finance perspective, to calculate the margin you need to know the all-in ~~end~~ cost, the marginal, well, actually the all-in ~~end~~ cost of the product that was sold. And our portfolio is so diverse in terms of the assets that are involved that Mid Columbia hydro on one aspect, combined cycle combustion turbines on the other aspect, and for two reasons. One is electrons flow like water. I mean I can tell -- I can tell you I'm going to sell you a product at Mid-C, I might even tell you I can generate it off Mid-C, but in reality the electrons could come from anywhere on the system. So that's one aspect. We don't have the capability, the second aspect, we don't have the capability to track each individual unit's electrons and determine whether they flow to load, to an off system sale, or to clear transmission congestion. We are able to track total off system sales, and that's what we recorded here.

Q. All right. And so instead we simply have to rely on the AURORA output for the power cost calculations; that's the company's position, right?

A. The company in this proceeding went down the path of assuming all of -- all of the mandates that were put in force in prior proceedings in terms of the mechanisms. An example, the 90 day hydro filter or the 90 day gas price forecast, 50 year hydro forecast, now versus the hedges that have been executed for this time period, that would be correct.

Q. I would like you to take a look at a few of the cross-examination exhibits that we provided, and we'll start with the first one, which is Exhibit DEM-21.

A. I'm there.

Q. Is this the workpaper that supports the calculations in Table 3 in your rebuttal testimony?

A. Yes, it is.

Q. In footnote number 2 there, does that list out the contracts that are included in the long-term column?

A. That's correct.

Q. And do you know what specific resources that these contracts relate to?

A. I believe it's Tenaska and Encogen, but there may be some ability to move some of this gas to other gas fired generation, but I believe it's Tenaska and Encogen.

Q. Is each contract tied to a specific resource like for instance the Aquila contract, the first one?

A. Yes, but I couldn't tell you which exact resource.

Q. And the first two contracts identified there, Aquila and CanWest, those started in 1993 and 1991; is