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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION  
2 WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
3 ) DOCKET NO. UE-940728  
Complainant, )  
4 )  
vs. )  
5 ) VOLUME 2  
PUGET SOUND POWER & )  
6 LIGHT COMPANY, ) PAGES 31 - 133  
Respondent. )  
-----)  
8

9 A hearing in the above matter was held on  
10 July 20, 1994, at 9:30 a.m., at 1300 South Evergreen  
11 Park Drive Southwest, Olympia, Washington, before  
12 Chairman SHARON NELSON, Commissioner RICHARD HEMSTAD  
13 and Administrative Law Judge ALICE HAENLE.

14 The parties were present as follows:

15 THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION STAFF, by SALLY JOHNSTON, Assistant  
16 Attorney General, 1400 South Evergreen Park Drive  
Southwest, Olympia, Washington.

17 FOR THE PUBLIC, ROBERT MANIFOLD, Assistant  
18 Attorney General, 900 Fourth Avenue, Suite  
2000, Seattle, Washington 98164.

19 PUGET SOUND POWER & LIGHT COMPANY, by JAMES  
20 VAN NOSTRAND, Attorney at Law, 411 - 108th Avenue  
Northeast, Bellevue, Washington 98004.

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24 Cheryl Macdonald

25 Court Reporter

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1

I N D E X

2	WITNESS:	D	C	RD	RC	EXAM
	R. LAUCKHART	35	38			
3						
	D. HOFF	56	58			
4						
	M. SMITH	64	66			
5						
	J. STORY	99	101			130

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	EXHIBITS:		MARKED		ADMITTED
8	T-1, 2 through 8				37
	T-9				65
9	T-12, 13 through 17				101
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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 the Puget  
4 PRAM 4 which is docket No. UE 940728. The hearing  
5 is taking place on July 20, 1994 at Olympia before the  
6 commissioners. Today we will be taking direct and  
7 cross-examination of the company's witnesses according  
8 to the notice of hearing of June 30, 1994. I would  
9 like to take appearances. Just give your client's  
10 name if you've already given your address.

11                              MR. VAN NOSTRAND: For respondent, James M.  
12 Van Nostrand.

13                              JUDGE HAENLE: For the Commission?

14                              MS. JOHNSTON: Sally Johnston, assistant  
15 attorney general representing Commission staff.

16                              JUDGE HAENLE: Mr. Manifold.

17                              MR. MANIFOLD: Robert F. Manifold,  
18 assistant attorney general, public counsel.

19                              JUDGE HAENLE: Do we have anyone here from  
20 the intervenors? I have no response there. In the  
21 way of preliminary matters we have a company motion  
22 that was filed yesterday afternoon for protective  
23 order. Do I understand that you all have discussed  
24 this, Mr. Van Nostrand, and that you've been providing  
25 information on the agreements of the parties to act as

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1 if they are bound by the protective order?

2 MR. VAN NOSTRAND: At least it's been  
3 discussed with Commission staff and Commission staff  
4 data requests that led to the -- I can't say that I've  
5 discussed it directly with Mr. Manifold.

6 JUDGE HAENLE: Why was this not filed until  
7 yesterday?

8 MR. VAN NOSTRAND: It didn't arise until  
9 the last week in a data request, and at the time of  
10 the pre-hearing conference there wasn't any need for  
11 the protective order but as the discovery requests  
12 came in, the need arose.

13 JUDGE HAENLE: Excellent. Let's go off the  
14 record and figure out how to hook up the mikes.

15 (Discussion off the record.)

16 JUDGE HAENLE: So the company has filed a  
17 request based on recent data requests, and you, Ms.  
18 Johnston, is that all right with you?

19 MS. JOHNSTON: Yes, that's fine. Staff  
20 asked the data requests and the company's response  
21 was, subject to the entry of protective order, we're  
22 not going to provide the information, so Mr. Van  
23 Nostrand and I agreed that staff members would sign  
24 the confidentiality agreement and we would exchange  
25 the information. That's what was done so we have

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1 no objection to entry of the protective order in the  
2 case.

3 JUDGE HAENLE: Fine. Mr. Manifold.

4 MR. MANIFOLD: We have no objection either.  
5 We did receive it, we have not discussed it, and  
6 we'd be happy to be bound by it.

7 JUDGE HAENLE: The Commission would be  
8 pleased to issue a protective order and we appreciate  
9 your cooperation. It will take a day or to. I'll try  
10 to have it out by the end of the week subject to  
11 getting the proper signature on it. Anything else in  
12 the way of preliminary or procedural matters? Anyone?

13 If you want to call your first witness, Mr.  
14 Van Nostrand.

15 MR. VAN NOSTRAND: Company calls Mr.  
16 Lauckhart.  
17 Whereupon,

18 RICHARD LAUCKHART,  
19 having been first duly sworn, was called as a witness  
20 herein and was examined and testified as follows:

21

22 DIRECT EXAMINATION

23 BY MR. VAN NOSTRAND:

24 Q. Could you state your name and spell it for  
25 the record, please?

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1 A. Richard Lauckhart, L A U C K H A R T.

2 Q. And do you have before you what's been  
3 marked for identification as Exhibit T-1?

4 A. Yes, I do.

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

7 A. Yes, I do.

8 Q. And do you have any additions or  
9 corrections to make to Exhibit T-1 other than as set  
10 forth in the errata sheet which was circulated on July  
11 11?

12 A. Yes. I have one additional correction.  
13 That's on page 2 of Exhibit T-1. The very last line  
14 there's a number there that's 0.9 percent. That  
15 should be 0.2 percent.

16 Q. Does that complete your corrections?

17 A. Yes.

18 Q. And as corrected this morning and as  
19 reflected in the errata sheet, if I asked you the  
20 questions as set forth in Exhibit T-1 today, would you  
21 give the answers as set forth in that exhibit?

22 A. Yes.

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

25 A. Yes.

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1 Q. And does that include a revised Exhibit 4  
2 and a revised Exhibit 6 which were circulated on and  
3 indicated that they were revised on July 11?

4 A. Yes.

5 Q. And were these exhibits prepared under your  
6 direction and supervision?

7 A. Yes.

8 Q. Do you have any additions or corrections to  
9 make to those exhibits at this time?

10 A. No.

11 Q. Now, are these exhibits true and correct to  
12 the best of your knowledge?

13 A. Yes, they are.

14 MR. VAN NOSTRAND: Your Honor, I move the  
15 admission of Exhibit T-1 and Exhibits 2 through 8 and  
16 Mr. Lauckhart is available for cross-examination.

17 JUDGE HAENLE: Any objection to the entry  
18 of the documents?

19 MR. MANIFOLD: No.

20 MS. JOHNSTON: No objection.

21 JUDGE HAENLE: Exhibits T-1 and 2 through 8  
22 will be entered into the record.

23 (Admitted Exhibits T-1 and 2 through 8.)

24 JUDGE HAENLE: Go ahead, Ms. Johnston.

25 MS. JOHNSTON: Thank you.

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CROSS-EXAMINATION

3 BY MS. JOHNSTON:

4 Q. Morning.

5 A. Morning.

6 Q. Is it true that on July 12 you filed  
7 certain revisions to your filing in this case with the  
8 end result reducing your rate request from 66.8  
9 million to 60.6 million?

10 A. Yes.

11 Q. And it's also true, isn't it, that these  
12 revisions contained corrections of errors made by the  
13 company?

14 A. Yes.

15 Q. And could you briefly describe for us in  
16 general terms what these errors were?

17 A. Yes. There was actually one major error  
18 here; if it wasn't for that we probably wouldn't have  
19 refiled. It had to do with the removal of the  
20 Skagit, Hanford and Creston amortizations from the  
21 costs that are allowed in this case. And although we  
22 had removed those in our initial filing, the tax  
23 implications of those removals had not been correctly  
24 included in that removal. And so this filing, the  
25 bulk of the change was a correction of that tax



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1 calculation. There were some minor changes in the  
2 amount of dollars under this PRAM that should be  
3 properly allocable to the wholesale customers. I  
4 think that was in the neighborhood of \$100,000, and  
5 there was another minor change. I can't remember it  
6 right off the top of my head. If you want that  
7 detail, probably Dave Hoff could give you that.

8 Q. Now, when you filed this case in June, it's  
9 correct, isn't it, that the company issued a press  
10 release describing the \$66 million dollar rate  
11 increase proposal by the company?

12 A. I believe we did.

13 Q. And to your knowledge, has the company  
14 issued a press release about the reduced rate increase  
15 proposal and the reason why the company has reduced  
16 the magnitude of its proposal?

17 A. I believe we did issue a release that  
18 indicated we had reduced the request.

19 MS. JOHNSTON: I would like a record  
20 requisition, Your Honor.

21 JUDGE HAENLE: That will be 1.

22 (Record requisition 1.)

23 Q. What action has the company taken to inform  
24 its shareholders about this reduced rate increase  
25 request other than the press release, to your

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1 knowledge?

2 A. I don't know what specific action. Of  
3 course it was, I think, widely reported that we had  
4 reduced our rate request.

5 Q. Would you please turn now to your testimony  
6 at page 3.

7 A. Yes.

8 Q. There you discuss the breakdown of your  
9 requested increase. Is it true that the \$35 million  
10 dollars increase attributable to the projected  
11 increase in power costs and conservation investment is  
12 composed of these elements: 23.6 million due to net  
13 Tenaska costs, 1.7 million due to wheeling and 10  
14 million due to conservation?

15 A. Yes.

16 Q. As of the end of September of 1994, is it  
17 true that the burden is on the ratepayers in  
18 connection with the abandoned generating projects,  
19 i.e., Skagit, Hanford and Creston?

20 A. Yes.

21 Q. So during the PRAM 4 period, the company's  
22 revenue requirement would be reduced by the revenue  
23 requirement of these projects. Is that true?

24 A. That's correct.

25 Q. Would you accept subject to check that the

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1 combined revenue requirement of Skagit, Hanford and  
2 Creston included in the last general case is  
3 approximately 16.7 million?

4 A. I would accept that subject to check.

5 Q. You would agree, would you not, that this  
6 is a fairly significant sum of money that's going to  
7 go away in PRAM 4 and off into the future?

8 A. Yes.

9 Q. And that fact isn't mentioned anywhere in  
10 your testimony, is it?

11 A. I don't believe so.

12 Q. Please turn to page 10, line 19.

13 A. Yes.

14 Q. At that place you revised downward the  
15 allowance per customer from \$484.61 to \$476.96. I  
16 can't find anything in your testimony explaining this  
17 particular revision so could you do that for me now?

18 A. Yes. That in fact is the correction of the  
19 tax implications of the removal of the Skagit, Hanford  
20 and Creston amortizations.

21 Q. Is it true that the company's intention is  
22 to reflect in rates the full revenue requirement  
23 reduction associated with the Skagit, Hanford and  
24 Creston projects beginning in PRAM 4? And that  
25 treatment would be similar to the recognition of

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1 Pebble Springs amortization completion in PRAM 2?

2 A. Yes. I believe that's correct.

3 Q. And it's true, isn't it, that the  
4 Commission in its order in the last general rate case,  
5 the 11th supplemental order, the Commission adopted  
6 the staff's position to move the costs associated with  
7 Creston and Skagit, Hanford, among other items, to the  
8 resource cost category?

9 A. Yes.

10 Q. And is it correct that the base costs is  
11 affected by your reduction of the allowance per  
12 customer because not all associated costs were moved  
13 to the resource category?

14 A. Well, the tax implications of these  
15 amortizations, it's not clear to me whether anybody  
16 intended those to be in the base or the resource. I  
17 think they've come out here as the Commission  
18 suggested on whether they should have been all in one  
19 side or all in the other, and they should have come  
20 all out, therefore all out of one side or the other.  
21 I don't think that has any material impact on this  
22 request we've made here.

23 Q. Now, the magnitude of the amount not moved  
24 to the resource category is \$7.65 per customer. Would  
25 you agree or can you accept that subject to check?

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1 A. Yes, I will accept that subject to check.

2 Q. Please turn to your Exhibit 8. Is it  
3 correct that the costs productions contained in this  
4 exhibit are to be reviewed and approved by the  
5 Commission in response to BPA's requests?

6 A. Yes.

7 Q. And is it true that these costs under the  
8 PRAM are classified as base category?

9 A. I believe that's true.

10 JUDGE HAENLE: You have handed me a  
11 multi-page document. At the top it says Staff Data  
12 Request No. 30. I will mark this as Exhibit 22 for  
13 identification.

14 (Marked Exhibit 22.)

15 Q. Mr. Lauckhart, do you recognize this as  
16 your response to staff data request No. 30?

17 A. Yes.

18 MS. JOHNSTON: Your Honor, I move the  
19 admission of Exhibit 22.

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

22 MR. VAN NOSTRAND: No, Your Honor.

23 JUDGE HAENLE: Mr. Manifold?

24 MR. MANIFOLD: No.

25 JUDGE HAENLE: 22 will be entered into the

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1 record.

2 (Admitted Exhibit 22.)

3 MS. JOHNSTON: No further questions.

4 JUDGE HAENLE: Mr. Manifold.

5

6 CROSS-EXAMINATION

7 BY MR. MANIFOLD:

8 Q. Morning.

9 A. Morning, Mr. Manifold.

10 Q. Would you accept subject to your check that  
11 in the 11th supplemental order in the company's last  
12 general rate case the Commission at page 14 regarding  
13 emergency backup power and second subsidiary sales  
14 said, "emergency backup power costs are not to be  
15 included in the calculation of actual secondary  
16 purchase rates."

17 A. Gee, I don't recall them saying that in  
18 that order but I guess I can check that.

19 Q. Would you like to see a copy?

20 A. I will accept that subject to check.

21 Q. So you don't recall that in the order?

22 A. No, I don't.

23 MR. MANIFOLD: Your Honor, I would like to  
24 have a document marked as an exhibit.

25 JUDGE HAENLE: All right. You have given

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1 me a one-page document. At the top it says "No. 219.

2 I will mark this as Exhibit 23 for identification.

3 (Marked Exhibit 23.)

4 Q. Mr. Lauckhart, do you recognize what's been  
5 marked as Exhibit 23 as the company's response to the  
6 indicated data request?

7 A. Yes.

8 Q. And do you recognize this data request from  
9 you indicates that the emergency backup power was  
10 included, not excluded, from the secondary purchase  
11 rate?

12 A. Yes.

13 Q. Do you know what effect this would have had  
14 if this had been treated the way it was ordered in the  
15 Commission's last order?

16 A. Well, if it was not included it would have  
17 had very minor impact.

18 Q. De minimus impact in this particular case?

19 A. Yes.

20 Q. At page 5 of your testimony you discuss  
21 what you describe as escalating costs under Puget  
22 Power's contracts for power from the mid Columbia dams  
23 and from Grays Harbor PUD; is that correct?

24 A. Yes.

25 Q. And as I understand it, you're concerned

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1 about this escalation in costs because under the PRAM  
2 these costs are in the category of expenses that are  
3 not trued up between general rate cases; is that  
4 correct?

5 A. Yes. And in fact to clarify that a little  
6 bit, there are sort of three categories of costs that  
7 we reduced several years ago. One was a category that  
8 we would fix in a general rate case, and we would not  
9 even reforecast or update for a forecast purpose in a  
10 PRAM period. Then there was a second category of  
11 costs where we updated the forecast every PRAM period  
12 but we never trued those up to actuals, and then there  
13 was a third category of costs that got trued up all to  
14 actuals sort of as they come in through the deferral  
15 accounting process. So this is the first category of  
16 costs and we're concerned because they are going up in  
17 this and this proceeding to date has not allowed us to  
18 adjust those.

19 Q. Are you proposing in this case that the  
20 Commission modify how those costs are treated in the  
21 PRAM?

22 A. We haven't proposed that in my direct  
23 testimony, but we wouldn't be against that.

24 Q. Are you planning on proposing that in your  
25 rebuttal testimony?



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1           A.     As I said here, we've had some discussion  
2 with some members of the collaborative. We would like  
3 to get to a point where we could propose it with the  
4 agreement of the members of that collaborative.  
5 Whether we get there or not, I don't know.

6           Q.     To date that hasn't been the result from  
7 the collaborative?

8           A.     That's right.

9                    JUDGE HAENLE: If you do not reach an  
10 agreement by the members of the collaborative, do you  
11 intend to propose this on rebuttal?

12                   THE WITNESS: I think that would depend on  
13 -- there are a number of members in that  
14 collaborative. I mean, if there was a huge fight  
15 against this we probably wouldn't in this case. If  
16 there was quite a bit of support, we might.

17                   JUDGE HAENLE: Thank you. Go ahead, Mr.  
18 Manifold.

19           Q.     Would you agree that there are other costs  
20 that are incurred by Puget that are also not trued up  
21 between general rate cases?

22           A.     Yes.

23           Q.     Is the base revenue cost -- base cost  
24 revenue requirement of approximately \$371 million not  
25 trued up between general rate cases?

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1 A. Well, I wouldn't say that exactly.

2 Q. With the exception of the abandoned plant  
3 matter upon which you've already testified this  
4 morning?

5 A. Even with that exception, I wouldn't agree  
6 to that characterization. Here's the reason why. In  
7 the base costs, of course, those are costs that are  
8 probably going to have some inflation in them. We  
9 increase the amount of base revenue dollars, we get to  
10 recovery if we have growth in number of customers, so  
11 we do have increasing levels of revenues to cover  
12 increasing costs in that sense. On these power cost  
13 issues we don't have that kind of increase allowed in  
14 revenues to help cover increased costs.

15 Q. Would you agree that advertising costs is  
16 one of the items that is not trued up in the PRAM?

17 A. Yes.

18 Q. Would you agree that in the last general  
19 rate case the Commission set a proforma expense level  
20 for conservation advertising at 2.1 million dollars  
21 per year?

22 A. I don't know what was established in the  
23 last rate case.

24 Q. Would you accept that subject to check?

25 A. Subject to check, yes.

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1 Q. And the source is the 11th supplemental  
2 order, page 88.

3 A. Okay.

4 Q. Do you know what Puget's conservation  
5 advertising expenses, whether they have been more or  
6 less than that in 1993 and 1994?

7 A. I would sort of hope they would have been  
8 less. We've had some troubles, as you know, from what  
9 the company has been having to do internally  
10 controlling our costs so that we can get close to  
11 earning our allowed returns, and there are a number of  
12 costs that are not as controllable as others.  
13 Conservation is one area where we have some  
14 flexibility.

15 Q. Would you accept subject to your check that  
16 Puget's budget for conservation advertising in 1993  
17 was 2.644 million per record requisition 521 in a  
18 general case?

19 A. I will accept that subject to check.

20 Q. And would you accept subject to your check  
21 that Puget actually stopped its conservation  
22 advertising campaign in May of 1993 per Marie Smith's  
23 response to data request No. 36 of the staff in this  
24 case?

25 A. Maybe you should ask Marie Smith that

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1 question.

2 Q. You didn't get a nod from her. I would  
3 like to ask you some questions on projected power  
4 costs and dispatchability, a subject you touched on in  
5 your testimony. Referring to Exhibit 5, your Exhibit  
6 5, does this exhibit show how Puget calculated the  
7 projected resource cost revenue requirement for the  
8 PRAM 4 period?

9 A. Yes. Pages 1 through 8 include those  
10 calculations.

11 Q. Is it correct that in this PRAM case your  
12 projections assume some cost savings due to the  
13 partial displacement of several of the purchased power  
14 contracts?

15 A. Yes.

16 Q. And is it correct that the purchase power  
17 contracts that you're assuming will be displaced  
18 during the upcoming year are March Point 1, March  
19 Point 2, Sumas, Encogen and Tenaska?

20 A. I will accept that subject to check.

21 Q. In the projected displacement work papers,  
22 does IGR stand for incremental generation rate of the  
23 cogeneration project?

24 A. Yes.

25 Q. And does RPG stand for replacement power

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1 costs to Puget?

2 A. Yes, that's RPC.

3 Q. And that is what it stands for?

4 A. Yes.

5 Q. What's the source of your projections of  
6 the cogenerator's incremental generation rates?

7 A. I believe we essentially looked at what  
8 they told us last year or recently and for this  
9 purpose, and this is something that we estimate and  
10 then we true up. This is one of those true-ups in  
11 this PRAM. We just assumed, I believe, that this next  
12 year would have the same as as last year.

13 Q. So what's the source of your projection of  
14 Puget's replacement power cost? Is that the simple  
15 dispatch model?

16 A. Well, in all cases we need to forecast the  
17 secondary rate. Secondary rate is another one that's  
18 difficult to forecast, and we made that forecast based  
19 off of sort of an average of the last four years of  
20 secondary rates, I believe. So we made a forecast of  
21 secondary rates. This is another item that will be  
22 trued up in this PRAM and we used it in the simple  
23 dispatch model and we used it for purposes of this  
24 estimate of displacement.

25 Q. Are you projecting displacements of these

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1 cogeneration contracts whenever the cogenerator's  
2 incremental generation rate in a particular month is  
3 greater than Puget Power's replacement power costs in  
4 that month?

5 A. I believe so.

6 Q. Overall, do you know what percentage of  
7 energy from these projects are expected to be  
8 displaced during the PRAM 4 year?

9 A. It's a small percentage.

10 Q. Would you accept subject to your check that  
11 it's the following percentages for each plant, March  
12 Point 1, 14 percent; March Point 2, 25 percent; Sumas,  
13 8 percent; Tenaska 18 percent; and Encogen 18 percent?

14 A. I will accept that subject to check.

15 Q. You're going to be busy. Is it correct  
16 that you're projecting that all five of these projects  
17 will be displaced at least in part during June of  
18 next year, June of 1995?

19 A. That's very likely.

20 Q. It's likely that that's what you're  
21 projecting or it's likely that they will be?

22 A. Both.

23 Q. Would you accept subject to your check that  
24 that's what's in your projections?

25 A. I will accept that subject to check. June

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1 of course is a month where the fish flush and a lot of  
2 extra power generally and the loads in the region were  
3 down, so it tends to be a month where displacement is  
4 going to happen if it's going to happen.

5 Q. What is the effect on projected power  
6 costs of these assumed displacements and would you  
7 accept subject to your check that it's about 1.8  
8 million dollars in reduced power expenses during the  
9 PRAM 4 period?

10 A. I will accept that subject to check.

11 Q. If the projection turns out to be  
12 inaccurate, this is, as you said, one of these items  
13 that will be trued up in the next PRAM?

14 A. Yes.

15 Q. Do you know in the general rate case last  
16 year what level of displacement you were projecting  
17 for these specific projects?

18 A. I don't know that we forecast any  
19 displacement. I don't recall. For the first few  
20 years we didn't forecast any, which was the reason  
21 that I think it was Jim Lazar that was very anxious in  
22 having this as a true-up item, and I don't know when  
23 we started forecasting some of these displacements.

24 Q. What caused you to change from not  
25 forecasting any displacement to the current forecast

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1 of displacement of these projects?

2 A. Our experience with operating with the  
3 cogenerators. We began to get from them what their  
4 incremental generation rates were, so based on that we  
5 could look at what we thought might happen.

6 JUDGE HAENLE: Did you intend to move the  
7 entry of 23 for identification while you're at it?

8 MR. MANIFOLD: I sure do. Thank you.

9 JUDGE HAENLE: Any objection, anyone?

10 Exhibit 23 will be entered into the record.

11 (Admitted Exhibit 23.)

12 MR. MANIFOLD: I have no other questions.

13 JUDGE HAENLE: No other questions? You've  
14 got some minutes to fill up still.

15 MR. MANIFOLD: I used to know how to tap  
16 dance.

17 JUDGE HAENLE: Commissioners, do you have  
18 questions?

19 CHAIRMAN NELSON: No.

20 COMMISSIONER HEMSTAD: I don't have any  
21 question.

22 JUDGE HAENLE: Have you redirect?

23 MR. VAN NOSTRAND: No.

24 JUDGE HAENLE: Anything else?

25 MS. JOHNSTON: No.



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1                   JUDGE HAENLE: Thank you, you may step  
2 down. Let's go off the record to change witnesses,  
3 please.

4                   (Discussion off the record.)

5                   JUDGE HAENLE: Let's be back on the record.  
6 During the time we were off the record a new witness  
7 assumed the stand.

8 Whereupon,

9                                   DAVID HOFF,  
10 having been first duly sworn, was called as a witness  
11 herein and was examined and testified as follows:

12                   JUDGE HAENLE: You also distributed a new  
13 document while we were off the record, Mr. Van  
14 Nostrand. Up in the upper right-hand corner it says  
15 Exhibit No. 19 DWH-2 revised 7-20-94. You've also  
16 distributed another part of a document. Would you  
17 explain what these are and what is to happen to them,  
18 please.

19                   MR. VAN NOSTRAND: Yes, Your Honor. That  
20 new Exhibit 19 should replace the existing Exhibit 19.  
21 This has been updated in response to a request from  
22 BPA at the pre-hearing conference. The second  
23 document is simply a red line version just to indicate  
24 for everybody's convenience the limited changes that  
25 were made from the original Exhibit 19 to the one

00056

1 that's been provided this morning.

2 JUDGE HAENLE: Thank you. Your witness has  
3 been sworn.

4

5 DIRECT EXAMINATION

6 BY MR. VAN NOSTRAND:

7 Q. Could you state your name and spell it for  
8 the record, please.

9 A. It's David Hoff, H O F F.

10 Q. And you have before you what's been marked  
11 for identification as Exhibit T-18?

12 A. Yes, I do.

13 Q. Do you recognize that document as your  
14 prefiled direct testimony in this case?

15 A. Yes.

16 Q. And do you have any revisions or  
17 corrections to make to that exhibit other than as set  
18 forth in the errata sheet circulated on July 11?

19 A. Yes, one small change. On page 5, at line  
20 14, it says, "in accordance with the 12th supplemental  
21 order," and it should read, "in accordance with the  
22 15th supplemental order."

23 Q. Do you have any other additions or  
24 corrections to make to Exhibit T-18?

25 A. No, I do not.

00057

1 Q. As corrected, are the corrections you've  
2 given this morning and as indicated on the errata  
3 sheet, if I asked you the questions as set forth in  
4 Exhibit T-18, would you give the answers as set forth  
5 in your testimony?

6 A. Yes, I would.

7 Q. You also have before you what's been marked  
8 for identification as Exhibit 19, 20 and 21?

9 A. Yes, I do.

10 Q. Is it correct that Exhibit 21 was replaced  
11 in revisions circulated on July 11?

12 A. Yes, it was.

13 Q. And Exhibit 19 to which you're referring is  
14 the one which you calculated this morning which  
15 indicates a revision date of July 20; is that right?

16 A. Yes, sir.

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

19 A. Yes, they were.

20 Q. Do you have any other additions or  
21 contributions to make to these exhibits?

22 A. No, I do not.

23 Q. Are these exhibit true and correct to the  
24 best of your knowledge?

25 A. Yes.

00058

1 MR. VAN NOSTRAND: Your Honor, move the  
2 admission of Exhibit T-18 and Exhibits 19 through 21  
3 and Mr. Hoff is available for cross-examination.

4 JUDGE HAENLE: Any objection?

5 MR. MANIFOLD: No.

6 JUDGE HAENLE: All right. T-18, 19, 20,  
7 and 21 will be entered into the record. Ms. Johnston

8 (Admitted Exhibits T-18, 19, 20 and 21.)

9 JUDGE HAENLE: You've handed me two  
10 documents. I've marked them for identification as  
11 follows: Exhibit 24 for identification, a one-page  
12 document entitled Explanation of Rate Spread Changes  
13 to PRAM 4. 25 for identification a multi-page  
14 document entitled Revenue Requirement for Base and  
15 Resource Costs Worksheet 1 is what it says on the  
16 first page. There are seven pages. That's 25 for  
17 identification.

18 (Marked Exhibits 24 and 25.)

19

20 CROSS-EXAMINATION

21 BY MS. JOHNSTON:

22 Q. Mr. Hoff, do you recognize what's been  
23 marked for identification as Exhibit 24 as your  
24 explanation of rate spread changes of the revisions  
25 made in the calculation of estimated revenues and

00059

1 allocation of rates?

2 A. Yes, I do.

3 Q. And it was provided this morning?

4 A. Yes, it was.

5 MS. JOHNSTON: Your Honor, move the  
6 admission of Exhibit 24, please.

7 JUDGE HAENLE: Any objection?

8 MR. VAN NOSTRAND: No, Your Honor.

9 MR. MANIFOLD: No.

10 JUDGE HAENLE: 24 then will be entered into  
11 the record.

12 (Admitted Exhibit 24.)

13 Q. Mr. Hoff, this document was updated to  
14 incorporate the revisions associated with Skagit,  
15 Hanford and Creston; is that right?

16 A. Yes, it was.

17 Q. Would you please turn now to Exhibit 25 for  
18 identification. Do you recognize this seven-page  
19 exhibit as part of your revised rate design work  
20 papers?

21 A. Yes, I do.

22 Q. Page 1 contains the split of your requested  
23 increase into base/resource categories which are  
24 shown on line 17 and 18; is that right?

25 A. Yes, that's true.

00060

1 Q. Now, pages 4 and 5 contain the allocations  
2 to the various schedules for the deferral portion; is  
3 that correct?

4 A. That's correct.

5 Q. Now, looking at page 4, excuse me, could  
6 you please explain how the amounts on line 1 and 2 for  
7 base and resource cost referrals were determined?

8 A. The amount on line 1, the 53 million  
9 dollars is the amount of deferral, that's the total  
10 amount of deferral that we have, and the amount on  
11 line 2 is the amount that we estimate that is included  
12 in existing rates to collect that amount.

13 Q. Mr. Hoff, are you on page 4?

14 A. I'm sorry, I'm on page 1. I guess we need  
15 to get on the same page.

16 Q. I think that might be helpful. Let's start  
17 with page 4.

18 A. Okay. So, the question is where do I get  
19 lines 1 and lines 2?

20 Q. Correct.

21 A. Line 1 is basically from our books that  
22 when we calculate the amount of deferral under books,  
23 we calculate how much is base and how much is  
24 resource, and that's the total amount on our books  
25 that is base costs, and actually line 2 is also from

00061

1 the books but it also can be calculated. The  
2 reference there needs to be updated. It should be  
3 worksheet 1, line 1, instead of line 3, and worksheet  
4 3, line 1, is an alternative way of calculating that,  
5 so you can either get it directly from books or you  
6 can get it from that calculation.

7 Q. Looking at the allocation factors used,  
8 could you please explain why revenue allocators  
9 excluding deferral are different from the allocators  
10 used for deferral amortization; that is, schedule 7 on  
11 page 2, the allocator used on line 2 is 52.974 percent  
12 while on page 4 the equivalent allocator used is 53.26  
13 percent?

14 A. Yes. The reason is if you look on the firm  
15 resale on page 2 there's a number .536 percent and on  
16 page 4 there's a number of zero, the deferral is less  
17 the exclusion of firm resale and so since firm  
18 resale has already been taken out of the deferral as  
19 we booked it, it's not there so we can't allocate any  
20 amount to that, and so that's basically why those two  
21 numbers are different.

22 Q. Please turn to page 7. This page depicts  
23 the class revenues at present and proposed rates and  
24 the increase of 60.6 million spread to the different  
25 classes. Is that true?

00062

1           A.     Yes, that's true.

2                   MS. JOHNSTON:  Your Honor, move the  
3 admission of Exhibit 25, please.

4                   JUDGE HAENLE:  Any objections?

5                   MR. MANIFOLD:  No.

6                   JUDGE HAENLE:  All right.  25 then will be  
7 entered into the record.

8                   (Admitted Exhibit 25.)

9                   MS. JOHNSTON:  Mr. Hoff, I have no further  
10 questions.

11                   JUDGE HAENLE:  Mr. Manifold.

12                   MR. MANIFOLD:  No questions.

13                   JUDGE HAENLE:  Commissioners, questions?

14                   CHAIRMAN NELSON:  No.

15                   COMMISSIONER HEMSTAD:  No.

16                   JUDGE HAENLE:  Any redirect?

17                   MR. VAN NOSTRAND:  No, Your Honor.

18                   JUDGE HAENLE:  Thank you, sir.  You may  
19 step down.  Let's go off the record to change  
20 witnesses.

21                   (Discussion off the record.)

22                   JUDGE HAENLE:  Let's be back on the record.  
23 During the time we were off the record a new witness  
24 assumed the stand.  Would you raise your right hand,  
25 please.



00063

1                   JUDGE HAENLE: This witnesses had a number  
2 of documents premarked for identification at the  
3 pre-hearing conference, and as I understand, some of  
4 those are going to be withdrawn. Could you explain  
5 what you are proposing, please.

6                   MR. VAN NOSTRAND: Yes, Your Honor. Given  
7 that a separate docket has been commenced to litigate  
8 any issues regarding the recovery of conservation  
9 incentives, that's docket UE 910689, the parties have  
10 essentially reached agreement that we will not  
11 litigate those issues in this proceeding, and  
12 therefore the company will be withdrawing Exhibits 10  
13 and 11 sponsored by Ms. Smith, and as to her  
14 testimony, Exhibit T-9, we will withdraw everything in  
15 that document except page 1, lines 1 through 9 and 20  
16 to 24 and page 2, lines 1 through 7, and I think as  
17 has been reflected in the order on pre-hearing  
18 conference in this case and in the other docket, if  
19 the parties reach settlement on the recovery of  
20 conservation incentives we will present whatever  
21 portion of this testimony is necessary to support that  
22 settlement as part of either -- part of the company's  
23 rebuttal case or as part of staff or public counsel's  
24 case in this proceeding. If we don't reach a  
25 settlement, this testimony will be cross-examined in

00064

1 the other docket, but in any event we reached  
2 agreement that we will not cross-examine this  
3 testimony in this proceeding given the other docket.

4 JUDGE HAENLE: But that there are going to  
5 be some other questions; is that right?

6 MR. VAN NOSTRAND: Yes. There have been a  
7 number of data requests to the company directed  
8 regarding conservation. She is most qualified to  
9 answer those data requests and so we're making her  
10 available with this limited excerpt from her testimony  
11 in order that she answers questions and sponsor those  
12 exhibits.

13 JUDGE HAENLE: Is that your understanding  
14 of the procedure and you agree to the procedure, Ms.  
15 Johnston?

16 MS. JOHNSTON: Yes.

17 JUDGE HAENLE: Mr. Manifold?

18 MR. MANIFOLD: Yes.

19 JUDGE HAENLE: Thank you all for working  
20 this out. That's very efficient. Go ahead.

21

22 DIRECT EXAMINATION

23 BY MR. VAN NOSTRAND:

24 Q. State your name for the record, please.

25 A. Marie Smith.

00065

1 Q. And spelling is probably unnecessary.

2 A. I've been asked before.

3 MR. VAN NOSTRAND: There's no E on the end.  
4 I guess I would move the admission of the remaining  
5 portion -- I guess I will lay the foundation for that  
6 first.

7 Q. Do you recognize Exhibit T-9 as your direct  
8 prefiled testimony in this case?

9 A. Yes.

10 Q. If I asked you the questions as set forth  
11 in that exhibit, would you give the answers as set  
12 forth therein?

13 A. Yes.

14 Q. Do you have any other revisions or  
15 corrections to make to that to Exhibit T-9?

16 A. As it's currently --

17 Q. What's left of it.

18 A. No.

19 MR. VAN NOSTRAND: Your Honor, I would move  
20 the admission of the remaining portion of Exhibit T-9.

21 JUDGE HAENLE: Any objection?

22 All right. The remaining portion then of  
23 Exhibit T-9 will be entered into the record.

24 (Admitted Exhibit T-9.)

25 MR. VAN NOSTRAND: And Ms. Smith is

00066

1 available to take cross-examination on that and to  
2 answer any other questions that have been referred.

3

4

CROSS-EXAMINATION

5 BY MS. JOHNSTON:

6 Q. Morning, Ms. Smith. What was the overall  
7 target for program DSM acquisition for the calendar  
8 year 1993 expressed in average megawatts?

9 A. I believe the target was 25.2 average  
10 megawatts which included some competitive bidding as  
11 well as the company's programs. The bulk of it was  
12 the company's programs.

13 Q. And how many average megawatts were  
14 actually acquired in 1993?

15 A. I believe it was 29 point something --  
16 close to 30 megawatts, average megawatts.

17 Q. So the company exceeded its 1993 target by  
18 approximately five average megawatts?

19 A. That's correct.

20 Q. What is the 1994 target for DSM?

21 A. 1994 target is -- I believe it's 25.2  
22 average megawatts as well.

23 THE WITNESS: Is that right?

24 Q. Is the company presently on target for  
25 achieving this goal?

00067

1 A. Yes.

2 JUDGE HAENLE: You've given me a three-page  
3 document. The caption at the top is WUTC request No.  
4 12. I will mark this as Exhibit 26 for  
5 identification.

6 (Marked Exhibit 26.)

7 Q. Ms. Smith, do you recognize this as your  
8 response to staff data request No. 12?

9 A. Yes.

10 MS. JOHNSTON: Move the admission of 26,  
11 please.

12 JUDGE HAENLE: Any objection?

13 MR. MANIFOLD: No.

14 JUDGE HAENLE: All right.

15 MR. VAN NOSTRAND: This is a portion of the  
16 response, right?

17 MS. JOHNSTON: That's correct.

18 MR. VAN NOSTRAND: Okay. As long as it's  
19 clear that it's a portion of the response.

20 JUDGE HAENLE: Thank you. 26 will then be  
21 entered into the record.

22 (Admitted Exhibit 26.)

23 Q. Now, these are selected pages from the  
24 global report which details the expenditures for the  
25 account 1860330. Was this the account number used in

00068

1 1993 for conservation advertising?

2 A. Would you repeat the number?

3 Q. 1860330.

4 A. That's correct. In 1993 that was the  
5 number used.

6 Q. And on page 28, in the middle of the page  
7 it shows an accrual of --

8 A. Excuse me, I need the entire backup.

9 Q. It's the second sheet.

10 JUDGE HAENLE: Page number you're referring  
11 to is in the upper right-hand corner.

12 Q. Direct your attention to the middle of the  
13 page there. It shows an accrual of \$313,335, an  
14 invoice to O'Neill & Company for \$12,705 and other  
15 charges for August and September 1993. If you could  
16 turn the page to this excerpted page 33.

17 A. I don't see any charges for August. Just  
18 September on this page.

19 Q. You're correct. Thank you. And on page 33  
20 we can see the accrual of \$313,000 was spent mostly  
21 for Hinton and Steele, Incorporated, and for O'Neill  
22 & Company where we see three invoices exceeding  
23 \$20,000. Can you please explain what these charges  
24 are.

25 A. Regarding the accrual and deferral, I will

00069

1 have to refer that to Mr. Story in terms of how that  
2 accounting works. The question of whether that total  
3 -- I do not believe is intended to total the O'Neill  
4 and Hinton and Steele amounts.

5 Q. Could you look over at the far right column  
6 under the heading dollar amount?

7 A. That's correct. I see it.

8 Q. Those do indicate totals, don't they?

9 A. The subtotal, the lines indicating subtotal  
10 show subtotals for the periods. Each entry is a  
11 separate entry so the 313 does not relate to other  
12 entries in that section necessarily.

13 Q. Could you please tell me what these charges  
14 are for, then, for these entries for O'Neill & Company  
15 and these various amounts?

16 A. Yes. We've also provided data responses on  
17 this data response No. 72 which the staff requested  
18 all payments to O'Neill & Company and data response  
19 No. 96 in which the staff requested all payments to  
20 Hinton and Steele.

21 Q. Yes, but we want to know what these  
22 specifics amounts are for rather than what they are.

23 A. I would have to go back and review the  
24 invoices for these specific amounts. O'Neill &  
25 Company and Hinton and Steele were both working for

00070

1 the company doing advertising. Much of it had to do  
2 with the conservation campaign. There was some other  
3 charges for some other work they were doing so I would  
4 have to look at the specific invoices to know that.

5 Q. Do you believe that these charges are for  
6 advertising then?

7 A. Yes. The indication on these pages are  
8 that they're charged to 186CO miscellaneous code 30  
9 which does indicate the company's corporate  
10 advertising charge to conservation.

11 Q. Now, in fact between May of 1993 and  
12 September of 1993, there were many charges to this  
13 conservation advertising; isn't that true?

14 A. I don't know whether I would use the word  
15 many but yes, there were charges.

16 Q. Would you accept subject to check that the  
17 total is approximately is \$577,481?

18 A. Subject to check. I haven't done that  
19 calculation. What you're referring to in this data  
20 response are journal entries. Some of those may have  
21 reflected costs incurred in different periods. These  
22 are not necessarily timed with the period in which the  
23 work was done, and given the Commission order in the  
24 last general case, there were a number of reversals in  
25 later periods which may have affected these charges as



00071

1 well.

2 Q. But these are costs in the PRAM 4  
3 conservation layer, are they not?

4 A. I can't tell from this response. These are  
5 just the list of ledger entries. Some of these may  
6 have been reversed out given the accounting that had  
7 to go on after the Commission order last fall.

8 Q. I will represent to you that they are  
9 included and ask you to accept that subject to check,  
10 please.

11 A. That which costs are included then?

12 Q. That these costs that we've justified  
13 discussed, meaning the Hinton and Steele and O'Neill  
14 costs?

15 Q. Yes.

16 A. Subject to check.

17 Q. \$577,000 we just talked about.

18 A. Subject to check that would be okay.

19 Q. Now, Mr. Manifold asked Mr. Lauckhart a  
20 couple of questions about conservation advertising but  
21 I sort of want to cover some of this again. Now, this  
22 conservation layer for PRAM 3 includes dollars for  
23 conservation advertising. Is that true?

24 A. The conservation layer for PRAM 3 or 4?

25 Q. 3.

00072

1           A.     For PRAM 3 included dollars for  
2 conservation advertising, yes.

3           Q.     And those advertising dollars amounted to  
4 in excess of 2.8 million. Is that true?

5           A.     I am not familiar with that number. I  
6 would have to defer.

7           Q.     Would you accept that subject to check?

8           A.     I would subject to check, yes.

9           JUDGE HAENLE: You have handed me a  
10 four-page document. The caption at the top is Data  
11 Request WUTC No. 36. I will mark this as 27 for  
12 identification.

13                     (Marked Exhibit 27.)

14          Q.     Do you recognize this as your response to  
15 staff data request No. 36?

16          A.     I do.

17          MS. JOHNSTON: Your Honor, move the  
18 admission of Exhibit 27.

19          JUDGE HAENLE: Any objection?

20          MR. VAN NOSTRAND: No objection just as  
21 long as the record reflects it's not the complete  
22 response.

23          JUDGE HAENLE: Okay, portion only.

24          MR. MANIFOLD: No objection.

25          JUDGE HAENLE: All right. Exhibit 27 then

00073

1 will be entered into the record.

2 (Admitted Exhibit 27.)

3 Q. Now, in this response you state that there  
4 has been no TV or print advertising since May of 1993.  
5 Is that accurate?

6 A. That's correct.

7 Q. So it was specifically on May 9, 1993 that  
8 you terminated this program?

9 A. No, I would not characterize that we  
10 terminated this program. I would characterize that we  
11 did not run any newspaper or radio, and I believe I  
12 can say the same for TV, after that date. That does  
13 not constitute terminating the campaign. This  
14 campaign was designed to have advertising run at  
15 selected periods of time and those tended to be fall  
16 and spring campaigns. This date simply shows you the  
17 end of the spring campaign. Has nothing to do with  
18 the overall decision of the campaign.

19 Q. Well, since that time has the company run  
20 any other ads?

21 A. No, no. There were plans for a fall  
22 campaign which were not carried out.

23 JUDGE HAENLE: You've handed me two  
24 documents. The first is a four-page document headed  
25 WUTC Request No. 31. I will mark this as 28 for

00074

1 identification. The second is a three-page document  
2 headed WUTC Request No. 70. I will mark this as 29  
3 for identification.

4 (Marked Exhibits 28 and 29.)

5 Q. Do you recognize what's been marked for  
6 identification as Exhibit 28 as your response to staff  
7 data request 31?

8 A. Yes, I do.

9 Q. And do you recognize what's been marked for  
10 identification as Exhibit 29 as your response to staff  
11 data request No. 70?

12 A. Yes, I do.

13 Q. Thank you.

14 MS. JOHNSTON: Move the admission of  
15 Exhibit 28 and 29, please.

16 JUDGE HAENLE: Any objection, Counsel?

17 MR. VAN NOSTRAND: No objection.

18 JUDGE HAENLE: All right. 28 and 29 will  
19 be entered into the record.

20 (Admitted Exhibits 28 and 29.)

21 Q. Thank you. Like to start first with  
22 Exhibit 28. This document shows the accounting codes  
23 for conservation activities. Would you please explain  
24 how these codes are used?

25 A. Yes. All of the conservation is charged to

00075

1 account 182, and we have, for our internal tracking  
2 purposes of sorting out what charges go to what  
3 programs, assigned these letter codes that you see for  
4 the various programs or parts of programs that we want  
5 to identify costs to. So, for example, 182 WE, it  
6 would represent anybody charging to the residential  
7 weatherization program or any charges that get  
8 collected for the residential weatherization program.  
9 182 LI are all charges associated with the low income  
10 program. All admin, adgrant charges could be  
11 collected under these activities.

12 Q. If you could turn to the last page of this  
13 DR response. You can see 182-CE school presentations,  
14 and 182 EI empowerment instruction.

15 A. I apologize. I didn't put these letters on  
16 so I have to sort of think which ones are which here.

17 Q. They're right in the center of the page.

18 A. I got them.

19 Q. The description reads, "the above activity  
20 codes are utilized to capture costs of conservation  
21 programs activities delivered to secondary school age  
22 students, particularly grades 8 through 10 in the  
23 service territory."

24 JUDGE HAENLE: Would you swing the  
25 microphone around so you're speaking into it to be

00076

1 sure everyone can hear you.

2 MS. JOHNSTON: How is this?

3 JUDGE HAENLE: Perfect.

4 Q. Could you please describe for us what  
5 conservation measures are delivered to these students?  
6 For example, do you give them shower heads or water  
7 heater insulation kits?

8 A. This program is called In Concert With The  
9 Environment, which is a program that provides training  
10 and questionnaires and the ability for these students  
11 to go home and inventory their energy use, and gives  
12 them energy savings tips to adopt and report on what  
13 they have accomplished in their homes in terms of  
14 conservation, and also there's a report that's  
15 produced that looks at these particular homes before  
16 and after the students have gone through these  
17 activities.

18 There are no measures in the sense of what  
19 the company delivers on its other programs associated  
20 with these programs. There are no savings claimed for  
21 the activities and the charges with these programs.  
22 However, there is a strong education component and  
23 hitting kids at a young age we feel is a good way of  
24 getting conservation installed in our service  
25 territory. This is a particularly interesting

00077

1 program. We've opted to cofund this -- we've gone out  
2 and solicited cofunding on this program. Washington  
3 Natural Gas is joining us and a number of our large  
4 industrial customers, including Boeing and ARCO, are  
5 also helping to cofund this program in schools  
6 throughout our service territory.

7 JUDGE HAENLE: If you've got a number of  
8 documents to describe, perhaps this would be a good  
9 time to take our morning recess.

10 MS. JOHNSTON: That's fine.

11 JUDGE HAENLE: Take 15 minutes and be back  
12 at five minutes to and continue with the  
13 cross-examination.

14 (Recess.)

15 JUDGE HAENLE: Let's be back on the record  
16 after our morning recess. During the break apparently  
17 you discovered, Ms. Johnston, that what has now been  
18 entered as Exhibit 28, the heading should not have  
19 been WUTC request No. 31 but should have been headed  
20 request No. 9.

21 MS. JOHNSTON: That's correct.

22 JUDGE HAENLE: And so, just everybody take  
23 Exhibit 28, change that 31 to a 9. We'll be all set.

24 You also distributed an additional document  
25 which I have marked for identification as Exhibit 30

00078

1 for identification. At the top it says WUTC No. 73.

2 (Marked Exhibit 30.)

3 Q. Ms. Smith, do you recognize what's been  
4 marked for identification as your response to staff  
5 data request No. 73?

6 A. Yes, I do.

7 MS. JOHNSTON: Your Honor, move the  
8 admission of Exhibit 30.

9 JUDGE HAENLE: Any objection?

10 All right. 30 will be entered into the  
11 record.

12 (Admitted Exhibit 30.)

13 Q. Now, this document details the expenditures  
14 for school presentations. Is it accurate that the  
15 company has spent \$147,000 on these activities in the  
16 PRAM 4 period?

17 JUDGE HAENLE: I'm sorry, what was the  
18 figure?

19 MS. JOHNSTON: Approximately \$147,000.

20 Q. I don't expect you to perform the  
21 calculation right now but if you could accept that  
22 figure subject to check?

23 A. Yeah. I don't have a good estimate of what  
24 that figure would be. Subject to check. The number  
25 was 147?



00079

1 Q. Yes.

2 MR. VAN NOSTRAND: Clarify that. Is that  
3 expenditures incurred during the PRAM period or  
4 activities performed during the PRAM period because  
5 there might be a difference in timing.

6 MS. JOHNSTON: Expenditures being requested  
7 and added to the PRAM 4 layer.

8 MR. VAN NOSTRAND: How much of that  
9 consists of these activities, okay.

10 Q. I would just direct your attention to page  
11 10 of the first section and page 13 of the second.

12 Would you please turn to the next to the  
13 last page of Exhibit 28.

14 A. I'm sorry. You're on Exhibit 28 on the  
15 next to last page.

16 Q. Do you see the two codes in the third set,  
17 182-CC commercial energy code and 182-UC utility code  
18 group?

19 A. Yes, I do.

20 Q. These codes are used to collect the costs  
21 related to the nonresidential energy code. Is that  
22 true?

23 A. Yes, that's true.

24 JUDGE HAENLE: You've handed me a  
25 multi-page document. At the top the caption says WUTC

00080

1 Request No. 81. I will mark this as 31 for  
2 identification.

3 (Marked Exhibit 31.)

4 Q. Do you recognize this as your response to  
5 staff data request 81?

6 A. Yes, I do.

7 MS. JOHNSTON: Your Honor, the move the  
8 admission of Exhibit 31.

9 JUDGE HAENLE: Any objection?

10 31 then will be entered into the record.

11 (Admitted Exhibit 31.)

12 Q. Now, would you agree that the company has  
13 spent just over \$300,000 on this program during the  
14 PRAM 4 period or can you accept that subject to check?

15 A. I will have to accept that subject to  
16 check.

17 Q. What is the utility code group?

18 A. Utility code group was a group of utilities  
19 that were -- that was formed to assist with the  
20 implementation of the newly adopted Washington state  
21 commercial or nonresidential, as it's referred to,  
22 energy code. Utilities are helping to fund this code  
23 in the early years through permit fee reimbursements,  
24 and this is a group of utilities in Washington state  
25 who are doing some work to develop how to implement

00081

1 that, how to develop permit fee schedules, how to work  
2 with the jurisdictions, large number of jurisdictions  
3 to get consistent application of this code, how to  
4 insure that the utility dollars in essence are being  
5 well spent.

6 Q. Has the Commission made a determination  
7 regarding the inclusion of these expenditures under  
8 the company's conservation tariffs, schedule 83?

9 A. The company has before the Commission in a  
10 separate proceeding a filing for revisions to schedule  
11 83 which do include this program.

12 Q. And that was suspended on July 13 of this  
13 year?

14 A. That was suspended with the provision that  
15 it would be rediscussed in the next month or so. It's  
16 to be -- it's to be relooked at, yes.

17 Q. But the fact of the matter is no  
18 determination has been made yet?

19 A. No determination has been made at this  
20 time. However, we worked very closely with a number  
21 of parties throughout the state, with other utilities,  
22 and certainly have worked with our technical  
23 collaborative group and those folks are well apprised  
24 of what's been involved with these activities and the  
25 importance of getting this code in place for long

00082

1 term, very cost effective energy savings from this  
2 sector for the utilities.

3 Q. Would you refer again to Exhibit 28,  
4 please. In the second set of codes we see 182-EC,  
5 energy code implementation. How does this differ from  
6 the other energy code activities?

7 A. 182 EC represents cost for the residential  
8 energy code. 182 CC represents costs for commercial  
9 energy code, otherwise known as the nonresidential  
10 energy code. There are two codes in place. One went  
11 into effect for residential, new construction in 1991.  
12 The one for nonresidential or commercial went into  
13 effect April of this year 1984. Both of them involved  
14 utility reimbursements during the early years of code  
15 implementation.

16 JUDGE HAENLE: You've handed me two  
17 documents which I have marked for identification as  
18 follows: Marked as 32 for identification a two-page  
19 document. The title at the top is WUTC Request No. 72  
20 and marked as Exhibit 33 for identification a  
21 multi-page document. At the top it is entitled WUTC  
22 request No. 102.

23 (Marked Exhibits 32 and 33.)

24 Q. Do you recognize what's been marked for  
25 identification as Exhibits 32 and 33 as your responses

00083

1 to staff data requests 72 and 102 respectively?

2 A. Yes, I do.

3 MS. JOHNSTON: Your Honor, move the  
4 admission of Exhibit 32 and Exhibit 33.

5 JUDGE HAENLE: Any objection?

6 All right. 32 and 33 will be entered into  
7 the record.

8 (Admitted Exhibit 32 and 33.)

9 Q. Take a look at 32. This document depicts  
10 the amounts paid to O'Neill & Company. Account 186  
11 CO sort of see that in the middle of the page there,  
12 has over \$150,000 for services relating to, "the  
13 company's conservation communications campaign."  
14 Would you please explain and describe this campaign?

15 A. Yes. This campaign, I think, was very  
16 thoroughly discussed in PRAM 3 and it also was  
17 described in a response to a staff data request No.  
18 36. This was the corporate communications plan for  
19 which we did -- which we used Ms. O'Neill for doing  
20 much of the research in the development and the design  
21 and the follow-up tracking studies and surveys to  
22 determine the effectiveness of the campaign. The  
23 campaign itself was a combination of newspaper, radio,  
24 TV advertising to develop customer understanding of  
25 why the company does conservation and to call them to

00084

1 action to not only participate in the company's  
2 programs but to achieve conservation on their own.  
3 The \$150,000 you're referring to is for a two-year  
4 period.

5 Q. This Ms. O'Neill that you're referring to  
6 is the same Ms. O'Neill that testified on behalf of  
7 the company in the general rate case?

8 A. That's correct. She was an expert witness  
9 on the effectiveness of the campaign having done this  
10 research.

11 Q. Are any expenses related to her testimony  
12 included in conservation costs?

13 A. Yes. On data requests -- the Exhibit 32,  
14 the top activity code there, 18611, the description  
15 reads, "services for research and preparation of rate  
16 case testimony in UE 921262." I am not sure. Mr.  
17 Story may know this answer, but I don't believe 18611  
18 is a conservation account. 18603 is charged to  
19 conservation. 18611 is not charged to conservation.  
20 It is charges, however, that Ms. O'Neill did incur for  
21 the preparation of that rate case testimony. Again,  
22 they were not charged to conservation.

23 Q. So it's not a conservation cost, to  
24 clarify?

25 A. That's correct, it's not.

00085

1 Q. Please turn to Exhibit 33. The company has  
2 booked two expenditures to conservation planning, one  
3 for \$50,000 to the Electric Power Research Institute  
4 and another for \$495 to the association of DSM  
5 professionals. Is that true?

6 A. Yes, that's true.

7 Q. In this response you describe a payment to  
8 EPRI as supporting research of horizontal access  
9 washing machines. Does Puget currently provide  
10 rebates or subsidize these types of washing machines?

11 A. We have plans to do that. There are none  
12 that we have subsidized at this point in time. This  
13 is a product that is commercially available, although  
14 if you've checked your neighborhood stores, it's a  
15 very expensive device. These are widely used in  
16 Europe but not widely used in the United States and  
17 there's a lot of interest because of the large  
18 potential energy savings from these washing machines  
19 which you have to load from a front door instead of a  
20 top load. There's a wide potential for energy savings  
21 because they use significantly less water to do a  
22 cycle of washing and what we hope to do is to be able  
23 to provide reimbursements either later this year or  
24 next year for this measure.

25 Q. So the answer to my question is no?

00086

1 A. At this time, no, right.

2 Q. Are kilowatt hour savings from washing  
3 machines currently counted in Puget's conservation  
4 programs?

5 A. They are identified in our conservation  
6 supply curves. They are not counted because we  
7 haven't provided any rebates in our conservation  
8 programs.

9 JUDGE HAENLE: You've handed me a  
10 three-page document. The heading at the top is WUTC  
11 Request No. 13. I will mark this as Exhibit 34 for  
12 identification.

13 (Marked Exhibit 34.)

14 Q. You can tell that this is a portion of a  
15 response to the data request?

16 A. It's all the response. It's a portion of  
17 the question.

18 Q. That's correct. So what I will do is read  
19 the request subpart A into the record and I assume you  
20 have the full request with you?

21 A. Yes, I do.

22 Q. Subpart A reads, "Please provide detailed  
23 monthly general ledger entries for conservation  
24 three-year verification costs. (1823341 or  
25 equivalent) by month for the periods from May 1992



00087

1 through April 1993 and May 1993 through April 1994."

2 Do you recognize Exhibit 34 as your  
3 response to staff data request No. 13 in part?

4 A. Yes. I stand corrected. It is part of the  
5 answer. It is part of the exhibit.

6 MS. JOHNSTON: Your Honor, move the  
7 admission of Exhibit 34, please.

8 JUDGE HAENLE: Any objections? 34 then  
9 will be entered into the record.

10 (Admitted Exhibit 34.)

11 Q. Now, these sheets show the total amounts  
12 charged to conservation for the three-year  
13 verification plan. Is that true?

14 A. Yes. That is true.

15 Q. Now, adding the "all transaction total"  
16 from the second and third pages with the amounts in  
17 part C of the response shows a total cost for the  
18 three-year verification plan of approximately  
19 \$142,900. Would you accept that subject to check?

20 A. Subject to check that sounds about right.

21 Q. Now, as you stated at the beginning of your  
22 testimony, your prefiled direct testimony, regarding  
23 the three-year incentive associated with DSM was  
24 withdrawn, so the company is not presently seeking  
25 recovery of the three-year incentive in PRAM 4. Is

00088

1 that a fair statement?

2 A. I don't think that the decision of whether  
3 to seek recovery in PRAM 4 has been made yet. That's  
4 based upon some work with the parties to come up to  
5 some amount, and a settlement or an amount may appear  
6 in PRAM 4.

7 Q. And it follows then that if the settlement  
8 is not reached among the parties that you will not be  
9 seeking recovery of the three-year verification in  
10 this PRAM. Is that true?

11 A. That's my understanding of the agreement at  
12 this time, yes. I should add that these costs are  
13 incurred for conducting the research associated with  
14 the activities in the three-year verification project  
15 which includes a fine for incentives. There's a lot  
16 of information that the company has gained from this  
17 work regarding the performance of conservation  
18 measures three years after the fact of them having  
19 been installed, so there's a lot of valuable  
20 information in terms of evaluation and us being able  
21 to provide feedback and better designs for our  
22 programs in the future, as well as the incentive with  
23 these costs.

24 Q. And the company has not received Commission  
25 approval of the verification plan and sliding scale

00089

1 associated with the three-year incentive. Is that  
2 true?

3 A. The company has worked real hard with the  
4 parties.

5 Q. Excuse me. Just answer the question first.

6 A. We have not received -- no. We have not  
7 received approval for the plan. We have worked very  
8 hard with the collaborative. I think we've spent a  
9 significant amount of time over the last couple of  
10 years, and particularly in the last six months, in  
11 collaborative meetings on this subject with hopes of  
12 getting this plan approved -- to a point where we  
13 could submit something that all the members agreed to.  
14 We do have good agreement, I should mention, on what  
15 we refer to as part A of the plan. There's two parts.  
16 One is how you collect the data and two is how you  
17 calculate the costs. There's good agreement in the  
18 collaborative.

19 Q. Excuse me. I hate to cut you off, but it's  
20 my understanding that that portion of your testimony  
21 which addresses this was withdrawn at this time. I'm  
22 just trying to clarify just these two points for the  
23 record, number one, that the plan was never approved  
24 by the Commission and that if the parties are unable  
25 to reach successful settlement that the company will

00090

1 not be seeking recovery of the three-year incentive in  
2 the context of this PRAM 4 docket. I didn't really  
3 intend for you to elaborate.

4 A. That's fine.

5 MS. JOHNSTON: That's actually all the  
6 questions I have for you, I think. I'm just going to  
7 be putting in a bunch of DR responses that we received  
8 this morning around 9 into the record. That shouldn't  
9 take long.

10 JUDGE HAENLE: Why don't we go off the  
11 record to allow you to distribute those.

12 (Recess.)

13 JUDGE HAENLE: Let's be back on the record.  
14 During the time we were off the record Ms. Johnston  
15 distributed a number of documents. They are as a  
16 group, as I understand, detail of charges to different  
17 vendors, and it's a group of different requests, and I  
18 will read just the number of the request so you will  
19 have that reference. This is all going to be marked  
20 as Exhibit 35 for identification. These are requests  
21 Nos. 105, 108, 109, 113, 117, 121, 129 and 130.

22 MS. JOHNSTON: Thank you.

23 (Marked Exhibit 35.)

24 Q. Ms. Smith, do you recognize all of these  
25 data request responses as your responses to staff data

00091

1 requests 105, 108, 109, 113, 117, 129, 121 and 130?

2 A. Yes, I do.

3 MS. JOHNSTON: Your Honor, I move the  
4 admission of those as Exhibit 35.

5 JUDGE HAENLE: Any objection?

6 MR. VAN NOSTRAND: No objection.

7 JUDGE HAENLE: That document, then, will be  
8 entered into the record as Exhibit 35.

9 (Admitted Exhibit 35.)

10 Q. There's only one thing I wanted to point  
11 out right now. Direct your attention to the response  
12 to WUTC 105. Do you have that before you?

13 A. Yes.

14 Q. Could you just turn to the last sheet of  
15 that.

16 A. Now, this shows a billing for dinner, is  
17 that correct, at the Woodmark hotel at Carillon Point?

18 A. That's correct.

19 Q. And the amount is just under \$2,000. Is  
20 that true?

21 A. That appears to be what it shows on this  
22 invoice, true.

23 MS. JOHNSTON: Thank you. I have no  
24 further questions.

25 JUDGE HAENLE: Mr. Manifold.

00092

1 MR. MANIFOLD: Just a few questions.

2

3 CROSS-EXAMINATION

4 BY MR. MANIFOLD:

5 Q. If you could pull out Exhibit 27, please.

6 That was the response to staff data request 36. I  
7 understood your response to an earlier question to be  
8 that the media campaign was not cancelled as of May 9,  
9 1993, but rather it was a spring-fall campaign and  
10 this was the spring portion; is that correct?

11 A. Right. What is shown in attachments to  
12 this exhibit is activities in the spring portion of  
13 the campaign.

14 Q. Then I understood you to say that there  
15 have been no expenses on this campaign since that  
16 date?

17 A. No, that's not correct.

18 Q. What is correct?

19 A. There have been expenses. There have been  
20 costs incurred and there have been expenses on this  
21 campaign since the ninth day of May. The campaign was  
22 not cancelled in May. The campaign was still an  
23 ongoing activity. There are expenses that were noted  
24 in the questioning from staff that may have reflected  
25 costs incurred prior to the period. I can't testify

00093

1 to that without going into the invoices. We've had  
2 ongoing work by both Hinton and Steele and O'Neill;  
3 both of their charges appear in some of the staff data  
4 requests.

5           In further planning and further development  
6 on this campaign there had originally been intended to  
7 have a fall campaign. That has subsequently been not  
8 carried out. There have been other conservation  
9 advertising activities that have gone on in this PRAM  
10 period. Some of those relate to the brochures and the  
11 various pieces of materials that we hand out on  
12 programs or to announce our programs and those  
13 expenses are still being incurred. They are no longer  
14 being charged to conservation, however. They're being  
15 charged to expense accounts.

16       Q.     What do you mean when you say they're being  
17 charge to expense accounts? Do you mean being  
18 attributed to general corporate advertising rather  
19 than conservation advertising?

20       A.     That's correct. We can identify them as  
21 conservation-related advertising but per the  
22 Commission order effective October 1st of 1993 there  
23 are no longer any charges for any type of advertising  
24 that go into conservation deferred accounts. All  
25 conservation-related advertising goes into the

00094

1 corporate expense accounts.

2 Q. When was it decided not to do a fall  
3 advertising campaign?

4 A. I don't know whether I have an exact date.  
5 I know that certainly during PRAM 3 there was some  
6 concerns at the company given the issues that were  
7 being raised about the campaign during PRAM 3 as to  
8 whether or not that campaign would continue. I think  
9 the company at the time wasn't aware of what the  
10 outcome of PRAM 3 would be. The decision to actually  
11 carry out or not carry out the fall campaign is made  
12 in the context of reviewing all of our conservation  
13 costs and I think, as Mr. Lauckhart testified, we've  
14 been in the company reviewing all costs in the past  
15 year.

16 At this point in time I think the decision  
17 was mostly based upon the fact that there was not  
18 established as much of a need as there had been for  
19 that campaign in prior years. The campaign in prior  
20 years had allowed us to ramp up very heavily, to  
21 achieve very aggressive goals. In 1993, we exceeded  
22 our conservation targets. We have another year of  
23 conservation activity planned in 1994, which is again  
24 very high levels compared to other utilities of our  
25 size, certainly in the region, certainly even



00095

1 nationally. That part of the decision is that the  
2 need for that campaign has changed over time.

3 Q. Do you know what the current rate of  
4 conservation advertising expenditure is?

5 A. The current rate of conservation?

6 Q. Do you know what the conservation  
7 advertising expenses have been in 1994?

8 A. Yeah. I think I can answer that also by  
9 referring to two data requests. One is I believe No.  
10 76 from staff which showed conservation actual  
11 expenditures -- excuse me -- conservation and  
12 corporate advertising actual expenditures for the  
13 period calendar year '92-93 and '94 to date as well as  
14 for the PRAM 3 period.

15 Q. Are you familiar with or aware that in the  
16 general rate case the Commission -- there was a  
17 contested issue regarding what level of conservation  
18 advertising to include in rates for Puget?

19 A. Yes.

20 Q. And is it your understanding that the rate  
21 that was allowed was about 2.1 million dollars per  
22 year as a proforma amount of conservation advertising?

23 A. Yeah. And not being an accountant I'm not  
24 exactly sure of proforma, but yes, I understand  
25 there's a 2.1 million dollars per year proforma amount

00096

1 that was issued regarding advertising.

2 Q. And is the conservation advertising at this  
3 point at that level of expense?

4 A. No. The conservation is not at that level  
5 of expense at this time.

6 Q. What would be a comparable number to  
7 reflect the current level of expense compared to the  
8 -- to what was put in the rate case of 2.1 million  
9 dollars? Do you know?

10 A. In the data request No. 76, we showed that  
11 for the actual period year 1993 actuals were 1.4  
12 million for the calendar year. For 1994 because of  
13 the accounting that is now going on, what's  
14 illustrated in that data request are basically zero as  
15 a budget for conservation advertising, meaning  
16 conservation advertising going into deferred accounts.  
17 The conservation advertising that's being carried out  
18 now is in corporate advertising accounts, and that  
19 amount is probably -- for an annual period is the  
20 question?

21 Q. Yes.

22 A. I would estimate probably -- well, actually  
23 I think here in this data request it shows that the  
24 corporate advertising budget is 1.4 million. The  
25 actuals for 1994 to date are a little under \$250,000.

00097

1 That would be for the 1994 calendar year. I don't  
2 have it for a PRAM period.

3 Q. And the 1.4 would be all corporate  
4 advertising not just conservation?

5 A. That's correct.

6 Q. Do you know if the company made any  
7 presentation in the general rate case like in its  
8 rebuttal case or otherwise that it was cutting its  
9 conservation advertising expense along the lines that  
10 you've been talking about here?

11 A. In the PRAM 3 case?

12 Q. In the general rate case where it was a  
13 contested issue what the amount going forward was  
14 going to be?

15 A. I don't think that the decision when those  
16 expenditures would be made was made in that time  
17 frame. Probably was made after that decision came in.

18 Q. Who made that decision?

19 A. A number of the officers at the company I'm  
20 sure are involved in that decision.

21 Q. Who would they be? I mean, who is  
22 responsible for that area?

23 A. I would suspect Neil McReynolds at the time  
24 was responsible.

25 MR. MANIFOLD: I have no other questions.

00098

1 JUDGE HAENLE: Commissioners, have you  
2 questions.

3 CHAIRMAN NELSON: No.

4 COMMISSIONER HEMSTAD: No.

5 JUDGE HAENLE: Any redirect?

6 MR. VAN NOSTRAND: No, Your Honor.

7 JUDGE HAENLE: Anything else of the  
8 witness?

9 MS. JOHNSTON: I just have one other item,  
10 Your Honor, and that is that there has been so much  
11 discussion about staff request No. 76 and the  
12 company's response to that request that I propose to  
13 have copies made and have that DR and response entered  
14 into the record.

15 JUDGE HAENLE: Any objection?

16 MR. VAN NOSTRAND: No.

17 MR. MANIFOLD: No.

18 JUDGE HAENLE: Let's make that 36 then and  
19 it will be entered when it is provided by Ms.

20 Johnston. Can you do that before people leave today?

21 MS. JOHNSTON: I certainly can.

22 JUDGE HAENLE: That would be entered then.

23 That will be response to WUTC request No. 76.

24 (Marked and Admitted Exhibit 36.)

25 JUDGE HAENLE: Anything more of the

00099

1 witness?

2 MS. JOHNSTON: No, Your Honor.

3 JUDGE HAENLE: Thank you, you may step  
4 down. Let's go off the record to change witnesses.

5 (Recess.)

6 JUDGE HAENLE: Let's be back on the record.  
7 During the time we were off the record another witness  
8 has assumed the stand.

9 Whereupon,

10 JOHN STORY,

11 having been first duly sworn, was called as a  
12 witness herein and was examined and testified as follows:

13

14 DIRECT EXAMINATION

15 BY MR. VAN NOSTRAND:

16 Q. Would you state your name and spell it for  
17 the record, please.

18 A. My name is John Story. Last name is  
19 spelled S T O R Y.

20 Q. And you have before you what's been marked  
21 for identification as Exhibit T-12?

22 A. Yes, I do.

23 Q. Do you recognize that document as your  
24 prefiled direct testimony in this case?

25 A. Yes.

00100

1 Q. And do you have any additions or  
2 corrections to make to Exhibit T-12 other than as set  
3 forth in the errata sheet circulated on July 11?

4 A. No, I don't.

5 Q. If I asked you the questions set forth in  
6 Exhibit T-12 as corrected by that errata sheet, would  
7 you give the answers set forth in that exhibit?

8 A. Yes.

9 Q. You also have before you what's been marked  
10 for identification as Exhibits 13 through 17?

11 A. Yes, I do.

12 Q. And Exhibit 13 is the revised exhibit  
13 circulated around on July 11 and indicated by a  
14 revised 7-11-94 notation on that exhibit?

15 A. Yes.

16 Q. Do you have any additions or corrections to  
17 make to Exhibits 13, 17 and at this time?

18 A. No, I don't.

19 Q. Were they prepared under your direction and  
20 supervision?

21 A. Yes, they were.

22 Q. Are they true and correct to the best of  
23 your knowledge?

24 A. Yes, they are.

25 MR. VAN NOSTRAND: Move the admission of

00101

1 Exhibit T-12 and Exhibits 13 through 17, and Mr. Story  
2 is available for cross-examination.

3 JUDGE HAENLE: Any objection?

4 All right. T-12 and 13 through 17 will be  
5 entered into the record.

6 (Admitted Exhibits T-12 and 13 through 17.)

7 JUDGE HAENLE: Go ahead.

8

9 CROSS-EXAMINATION

10 BY MS. JOHNSTON:

11 Q. Mr. Story, please turn to Exhibit 16.

12 A. Was that 16 or 15?

13 Q. 16, JHS-5. Is it true that the rates of  
14 return under the reported column represent the rates  
15 of return as reported to this Commission under the  
16 Commission's reporting requirements?

17 A. Yes.

18 Q. Is it also true that the figure used to  
19 calculate these percentages are based on actual  
20 figures and do not contain any normalizing or proforma  
21 adjustments as usually made in a rate case?

22 A. That's correct.

23 Q. Is it true that staff during its visit to  
24 the company in connection with the review of your  
25 filing noted and pointed out to the company that a

00102

1 certain item, specifically the average debt balance  
2 and the residential exchange account, was improperly  
3 added to the rate base used in the rate of return  
4 calculation?

5 A. I believe I've got something on that, yes.

6 Q. And do you concur with staff's finding?

7 A. I believe it shouldn't have been, right.

8 Q. Would you agree that if such an error is  
9 corrected that the reported rate of return from March  
10 1994 of 9.21 percent would change to 9.24 percent and  
11 the December of rate of return would change to 9.75  
12 percent?

13 A. I will accept that subject to check. I  
14 don't believe the numbers are right. I think we ran  
15 the numbers and they didn't change, but I will accept  
16 it subject to check if you have something for me to  
17 look at.

18 JUDGE HAENLE: You've handed me a two-page  
19 document. The caption at the top of the first page is  
20 Rate of Return on Rate Base. I will mark this as  
21 Exhibit 37 for identification.

22 (Marked Exhibit 37.)

23 Q. Mr. Story, do you recognize this as  
24 consisting of update to the Exhibit 16 data covering  
25 the years ended April and May 1994 and showing rates



00103

1 of return of 9.24 percent as being earned for both  
2 periods?

3 A. Yes.

4 Q. And if these rates of return are corrected  
5 for the improper item in rate base, would you accept  
6 subject to check that the April rate of return would  
7 change to 9.27 percent and the May figure would change  
8 to 9.28 percent?

9 A. Again, I would have to accept it subject to  
10 check.

11 MS. JOHNSTON: Your Honor, as the next  
12 record requisition I would like to ask Mr. Story to  
13 please provide the corresponding percentages under the  
14 column adjusted for these corrected reported rates of  
15 return, i.e., December through May 1994, and if  
16 already available, could you include both corrected  
17 information reported and adjusted for June of 1994?

18 THE WITNESS: Sure.

19 JUDGE HAENLE: That will be record  
20 requisition 2.

21 (Record requisition 2.)

22 Q. Is it correct that in March of 1994 the  
23 company booked an after tax write-off of approximately  
24 4 and a half million in connection with its voluntary  
25 separation program?

00104

1 A. Yes.

2 Q. Is it also true that this write-off is  
3 nonrecurring in nature?

4 A. That's true, yes.

5 Q. Do you know the impact of this write-off on  
6 the March 1994 rate of return?

7 A. You would take 4 and a half million away  
8 from operating income and divide it by the same rate  
9 base.

10 Q. Could you please provide that as a record  
11 requisition, i.e., what you reported as an adjusted  
12 rate of return for the period ended March absent what  
13 the write-off would be?

14 A. Sure.

15 JUDGE HAENLE: That will be No. 3.

16 (Record Requisition 3.)

17 Q. Now, this write-off was incurred because  
18 the company envisioned that benefits will rise in the  
19 future and will exceed the costs, and, in other words,  
20 you would expect that future costs would be lower by  
21 more than the level of costs that the company paid in  
22 March. Is that true?

23 A. We didn't pay anything in March. That's a  
24 recording of future benefits. It's estimated that in  
25 one year we will have that amount savings, right.

00105

1 Q. Please turn to page 4, first paragraph of  
2 your testimony.

3 JUDGE HAENLE: Did you intend to move the  
4 entry of 37?

5 MS. JOHNSTON: Yes, I do, Your Honor.  
6 Thank you.

7 JUDGE HAENLE: Any objection?

8 MR. VAN NOSTRAND: No, Your Honor.

9 JUDGE HAENLE: 37 will be entered into the  
10 record.

11 (Admitted Exhibit 37.)

12 Q. The first paragraph you state that the  
13 company is requesting that the Commission allow it to  
14 cover the actual costs associated with the additional  
15 items moved from base to resource categories. When  
16 you say "in the future," are you talking about a PRAM  
17 4 period true-up or something else? Could you clarify  
18 the time frame you're referring to?

19 A. We were talking about starting with this  
20 PRAM. When it's implemented in October we would start  
21 truing up to actuals just on the additional costs  
22 removed or moved over from base to resource.

23 Q. To illustrate this true-up you state on  
24 line 17 of your testimony on page 4 that allowed  
25 revenue from these items when trued up will increase

00106

1 your allowed revenues by \$700,000. Is that true?

2 A. Yes, approximately.

3 JUDGE HAENLE: You handed me a one-page  
4 document. The caption at the top is Costs Moved From  
5 Base To Resource Per UE 921262, and there's a 1  
6 circled in the upper right-hand corner. I will mark  
7 this as 38 for identification.

8 (Marked Exhibit 38.)

9 JUDGE HAENLE: There are, I note,  
10 handwritten notes and numbers and letters on the face  
11 of the document.

12 Q. Mr. Story, do you recognize what's been  
13 marked for identification as Exhibit 38 as page 1 of  
14 42 of the supporting calculation for the \$700,000  
15 allowed revenue increase that you talked about in your  
16 testimony you just mentioned?

17 A. Yes.

18 Q. And the handwritten numbers and letters  
19 appearing on this work paper were added by the  
20 company; is that right?

21 A. Right. They are cross-references to the  
22 supporting pages.

23 MS. JOHNSTON: Your Honor, move the  
24 admission of Exhibit 38.

25 JUDGE HAENLE: Any objection?

00107

1 MR. VAN NOSTRAND: No.

2 JUDGE HAENLE: 38 will be entered into the  
3 record.

4 (Admitted Exhibit 38.)

5 Q. Can you estimate for us how much personnel  
6 time was spent to do the true-up?

7 A. I don't believe it was long. No, I  
8 couldn't. It was hours probably.

9 Q. That's your guess or what do you base that  
10 on?

11 A. By just looking at the costs here, I would  
12 say multiplying, take a couple of hours. Just to  
13 get the supporting materials is the main thing to get  
14 the actual number. The actual looking at what ones  
15 would be trued up takes very little time. All you  
16 have to do is go to the unit cost analysis and get the  
17 dollars. To get the supporting materials and cross-  
18 reference it and support why they're changing could  
19 take a couple of hours.

20 Q. From this exhibit, is it correct to  
21 conclude that if the company is allowed to recover its  
22 actual costs for the items listed during the 1993  
23 period it would result in a negative deferral of 1.7  
24 million as shown on line 37 under the reported  
25 difference column?

00108

1           A.     No, it's the far right-hand column. The  
2 negative 1 million 711 includes Skagit and Creston  
3 which have already been adjusted out. When you remove  
4 them as one of the items that's been trued up already  
5 in this rate case it's the remaining item, the  
6 \$700,000. If you look at during those two columns the  
7 only difference is the Skagit, Hanford and the Creston  
8 lines, so when you remove those, when they're already  
9 taken out and trued up to actual, the remainder is  
10 \$700,000 positive.

11          Q.     I'm not talking about prospectively, Mr.  
12 Story. My question referred to the 1993 period. Does  
13 that change your answer at all?

14          A.     If you were looking at 1993, that would  
15 have been the case, yes.

16          Q.     You're not proposing to recover your actual  
17 costs for the 1993 period, are you?

18          A.     We're not proposing anything retroactive.  
19 It's proforma. Future.

20          Q.     It's true, isn't it, that certain cost  
21 items depicted in your exhibit, for example, wages on  
22 line 10, were contested items in the general rate  
23 case?

24          A.     Yes, but these are actual costs now.  
25 That's one other point to that you should be aware of.

00109

1 We just picked a point in time to say this is what it  
2 would look like. This would have to be trued up if  
3 you were looking at '93-94 time period. It would  
4 have to be trued up to the September numbers. This is  
5 just an example of how it would be done.

6 Q. Since you were proposing to reflect actual  
7 costs as they are incurred, is it fair to say that the  
8 company would expect the same degree of controversy  
9 and scrutiny surrounding these actual costs that was  
10 accorded those contested items in the general rate  
11 case?

12 A. Not really. I think you're dealing with  
13 actual costs again and in a rate case you're dealing  
14 with proforma costs. Some of the things like wages,  
15 you deal with wage increases, what is a true impact  
16 on salaries. With this number you're dealing with  
17 actuals. They are what they are.

18 Q. Is it true that the items listed on this  
19 exhibit are related to production and that certain  
20 items are in the base category? For example, payroll  
21 overhead and wages are only those allocated to  
22 production and do not constitute the total company  
23 payroll and wages?

24 A. Right. I believe this example was taken  
25 off of the Commission basis report for December 31,

00110

1 '93 and these would be what would be allowed on the  
2 production adjustment.

3 Q. Under your proposal, you're not proposing  
4 to true up the corresponding items that are in the  
5 base category, are you?

6 A. No.

7 Q. In regard to the production rate base,  
8 which is an element adjusted by the production factor  
9 and was a part of the production adjustment in the  
10 last general rate case, you are not proposing to true  
11 it up to actual either, am I right?

12 A. You're talking just about the adjustment?

13 Q. Yes.

14 A. The .936, no.

15 JUDGE HAENLE: Am I right, no, or you were  
16 not proposing that?

17 A. We're not proposing to change that, no.

18 Q. Would you accept subject to check that the  
19 actual production rate base for the 12 months ended  
20 June 1993 is \$605,081,802?

21 A. Subject to check.

22 Q. I will direct your attention to your  
23 response to staff request 63 to assist you in your  
24 checking that figure.

25 Would you also accept subject to check that



00111

1 the actual production rate base for the 12 months  
2 ended December 1993 is \$590,553,604 per your  
3 semi-annual report to this Commission?

4 A. What was the date?

5 Q. 12 months ended December 1993.

6 A. Subject to check.

7 Q. Would you also accept subject to check that  
8 the rate year level of production rate base as  
9 determined in the last general rate case is  
10 \$624,673,102?

11 A. Yes.

12 MS. JOHNSTON: Would you look for a good  
13 stopping point the next five minutes or so for a lunch  
14 break.

15 JUDGE HAENLE: You've handed me a one-page  
16 document. In the upper left-hand corner is the date  
17 April 29, 1994. The heading at the center is Outlet.  
18 I will mark this as 39 for identification.

19 (Marked Exhibit 39.)

20 Q. Do you recognize this document as page 6 of  
21 the company's April 29, 1994 issue of the Outlet?

22 A. Yes.

23 Q. The Outlet is the company magazine?

24 A. Right.

25 Q. This discusses, this particular page

00112

1 discusses revenues, power costs other O and M and  
2 other operating expenses, does it not?

3 A. Yes, it does.

4 Q. The feature article talks about the  
5 company's attempts to improve its operating results  
6 for 1994. Would you agree with that characterization?

7 A. It's been a while since I read the article  
8 and I would assume that's what it's doing, yes.

9 Q. Like to direct your attention to the last  
10 sentence of the first column. It reads, "the fleet  
11 cutbacks have allowed us to see a reduction in our  
12 costs to date but we really see the full impact of  
13 savings going forward." Do you see that?

14 A. Yes.

15 Q. Another statement under the last section  
16 pertains to negotiations with the state resulting in  
17 savings of more than 4 and a half million to Puget  
18 over a three-year period. Do you see that?

19 A. I'm sorry. Where were you?

20 Q. Last section, other operating expenses,  
21 third column.

22 A. Yes.

23 Q. Would you accept -- based on these  
24 statements would you agree that these are anticipated  
25 savings and cost reductions and are not or are only

00113

1 partially reflective of proformed in the last general  
2 rate case?

3 A. Well, the fleet was proformed and the  
4 property tax I can't recall if that was or not, but  
5 they are since the last general rate case.

6 Q. Would you accept subject to check that the  
7 1993 FERC form 1 reports for the year ended 1993 and  
8 administrative and general expense amount of  
9 \$62,959,055 and for the previous year 1992 the amount  
10 was 465,094,910?

11 A. Yes, but you can't take those numbers and  
12 compare them and say that they're equivalent.

13 Q. Please turn to Exhibit 13.

14 JUDGE HAENLE: Did you wish to move the  
15 entry of this?

16 MS. JOHNSTON: Yes, Your Honor.

17 JUDGE HAENLE: Any objection to the entry?

18 MR. VAN NOSTRAND: No, Your Honor.

19 JUDGE HAENLE: 39 will be entered into the  
20 record.

21 (Admitted Exhibit 39.)

22 A. I have it.

23 Q. Page 1, line 23, the administrative and  
24 general expense allowed in general rate case,  
25 \$69,826,718 of which about one and a half million is

00114

1 allocated to resource cost and 68.3 million is  
2 allocated to base. Is that a fair reading?

3 A. Yes.

4 MS. JOHNSTON: Your Honor, this would be a  
5 good time to break for lunch. My next subject  
6 pertains to revenue per customer allowance.

7 JUDGE HAENLE: Let's break at this time.  
8 Be back at 1:30, please.

9 (Lunch recess at 12:00 p.m.)

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00116

1 revised Exhibit 13.

2 A. I have it.

3 Q. Is it true that page 1 of that exhibit  
4 reflects the revenue requirement and base cost per  
5 customer calculation before making the correction for  
6 Skagit, Hanford and Creston?

7 A. Before backing them out, yes, that's  
8 correct.

9 Q. And page 2 reflects the revision, is that  
10 true?

11 A. Yes, it does.

12 Q. Directing your attention to column 8 on  
13 both pages, is it correct that the difference between  
14 the base revenue requirement on line 50 under those  
15 columns is \$5,860,510 or can you accept that figure  
16 subject to check?

17 A. Yes.

18 Q. Is it true that this 5.8 million is wholly  
19 associated with Skagit, Hanford and Creston?

20 A. No.

21 Q. It's not true. Could you please explain  
22 that.

23 A. Yes. The way the revenue requirement is  
24 done, you get a rate base number, apply the rate of  
25 return and come down with what your income is that has

00117

1 to be earned to get a rate of return. From that you  
2 deduct your net operating income. The result -- the  
3 remaining amount is adjusted by your conversion factor  
4 to get your proper revenue to get your rate of return  
5 on rate base. When we change the net operating income  
6 because we backed out Skagit and Creston, that  
7 resulting net operating income is now higher, so those  
8 taxes are related to all rate base and they're  
9 adjusted for in column 5, line 36 through 47. The same  
10 rate base didn't change, those taxes remained the same  
11 as they were previously, but it does change your  
12 overall taxes you have to collect during your return.

13 Q. Please turn to your Exhibit 14, JHS-3.

14 A. Yes.

15 Q. On line 30, is it true that the 53.1  
16 million is the amount of deferred revenues that you  
17 are proposing to collect in rates in this filing?

18 A. Actually we're asking for approval of the  
19 full amount of 84 million. We're asking for recovery  
20 of the 53 million, right.

21 Q. The amount on line 26 of 41.8 million is  
22 the minimum amount that can be recovered without  
23 affecting the company's practice of recognizing  
24 deferrals as revenue at the time they are incurred; is  
25 that right?

00118

1           A.     Yes, but that carries with it a certain  
2 problem that if you don't have any offsets against  
3 the remaining 12 million for the October through  
4 December time period, you could be required to collect  
5 12 million of deferral in three months of the PRAM  
6 period in the second year to remain within two years  
7 of deferral.

8           Q.     The amount of 11.3 million shown on line 28  
9 can be recovered after PRAM 4 without affecting  
10 revenue requisition as long as it does not go past the  
11 end of December 1995. Is that true?

12          A.     That's correct.

13          Q.     Yesterday we received new response to staff  
14 data request pertaining to your financial forecast.  
15 Is it true that in your financial forecast there is no  
16 rate of return on rate base calculation because per  
17 the response, "rate base was not forecast by the  
18 corporate financial model"?

19          A.     The financial model does not do a rate base  
20 determination under the state methodology. It does do  
21 a return on equity.

22          Q.     So the answer is yes?

23          A.     Yes, it isn't.

24                   JUDGE HAENLE: You've handed me two  
25 documents which I've marked for identification as



00119

1 follows: The first is a four-page document, Actuals  
2 Through April 1994 and it has a 38 with a circle  
3 around it in one of the corners. The second is a  
4 multi-page document entitled Customer Count True-Up  
5 Actuals Through October 1993. It has a 75 with a  
6 circle around it in the corner. I will mark the first  
7 one as 40, the second one as 41.

8 (Marked Exhibits 40 and 41.)

9 Q. Mr. Story, do you recognize what's been  
10 marked as Exhibits 40 and 41 for identification as  
11 portions of your work papers?

12 A. Yes.

13 MS. JOHNSTON: I move the admission of  
14 Exhibits 40 and 41, please.

15 JUDGE HAENLE: Any objection?

16 MR. MANIFOLD: No.

17 JUDGE HAENLE: 40 and 41 will be entered  
18 into the record.

19 (Admitted Exhibit 40 and 41.)

20 Q. Turn first to Exhibit 40, please. Page 38,  
21 the first page of this shows the calculation of the  
22 amount of deferrals for the first seven months of PRAM  
23 3 which is the period of October 1993 through April of  
24 1994. Is that true?

25 A. That's correct.

00120

1 Q. Please turn to Exhibit 41. Do these pages  
2 show the calculation of the trued-up customer count  
3 figures for the months of October of 1993 and April  
4 1994?

5 A. Well, they are October through April, yes:  
6 I'm sorry. Which one are you on again? Are you still  
7 on Exhibit 40?

8 Q. Excuse me just a moment. On Exhibit 40.  
9 Do these pages show the calculations of the trued-up  
10 customer count figures for the months of October 1993  
11 through April 1994?

12 A. On line --

13 Q. 2, I believe it is.

14 A. Right. You can't just -- in the month of  
15 April the 806,947 is the trued up customer count  
16 through April for that month and in March, you know,  
17 it would be a different number because you had less  
18 actuals, so these numbers, you know, at that point,  
19 each month at that point in time that's what we're  
20 estimating that month's -- in that month what the  
21 12-month average is going to be and then it's trued up  
22 the next month.

23 Q. Please turn to page -- your work paper  
24 numbered 75 of Exhibit 41. Does this page show the  
25 calculation of the trued-up customer count for the

00121

1 month of October 1993?

2 A. Right.

3 Q. Looking at column D, the column entitled  
4 Actual Count, is the figure of 806,229 at the bottom  
5 of this column the trued-up customer count for the  
6 month of October 1993?

7 A. Right. It's using the actual count for  
8 October and then the deltas to calculate the customer  
9 count for each month after that. So there's estimates  
10 involved.

11 Q. Is it true that the 806,229 figure is the  
12 trued-up customer count for the month of October  
13 1993?

14 A. No. It's the customer count for the rate  
15 year using an October actual number.

16 Q. Could you take a look at Exhibit 40 again.  
17 Look at line 21 under the column headed October 1993.

18 A. Right.

19 Q. If you go down to customer count --

20 A. 806,229.

21 Q. -- it shows that figure.

22 A. That's the estimate in October what we  
23 think the average customer count will be for the PRAM  
24 3 period using an October actual customer count  
25 number. What we're trying to do with this -- maybe

00122

1 just go through a brief explanation -- is when we file  
2 a PRAM we file an estimated customer count to do the  
3 calculation on the base revenues. As we go through  
4 the PRAM, each month we true that customer count up  
5 and that customer count is for the rate year, the PRAM  
6 year.

7                   In October we now have an October actual  
8 customer count number which is the 798,992 shown on  
9 line 2, Exhibit 41, column D. We now have that  
10 actual. We use the deltas from the forecast to  
11 calculate customer count for each of the remaining  
12 months, and then we just take a simple average to get  
13 the average for the year. The 806,229 is our new  
14 calculation of what the average customer count will be  
15 for the PRAM 4 or PRAM 3 period. If you go to page  
16 76 you see on line 3 -- if you look at line 2, it's  
17 not changed, it's still 798,992 but now we have an  
18 actual count for November of '93 of 800,654. We had  
19 estimated it was going to be 800,581 in October. The  
20 800,654 is an actual count for November. We then take  
21 the deltas for December, January, February to  
22 calculate the new customer count for each month and we  
23 come up with a new average customer count for the year  
24 of 806,235. So this is slowly getting to the actual  
25 count for the year as we get the actual counts in.

00123

1 Q. Is it true that the delta increase numbers  
2 are the numbers of customer growth estimated by the  
3 company for each month?

4 A. That's the forecast, yes.

5 Q. So of the twelve months of customer count  
6 used by the company in the calculation of the trued-  
7 up customer count for the months of October of 1993,  
8 only the number for the month of October of 1993 is an  
9 actual customer count and the rest of them are  
10 estimates based on the company's forecasts of customer  
11 growth for each month?

12 A. Right, and that's what I just said, we  
13 slowly move toward what the actual counsel is for the  
14 PRAM 4.

15 Q. Is it also true, then, that the trued-  
16 up customer count figures for the months of November  
17 of 1993 through April 1994 as shown on pages 76  
18 through 81 of this exhibit are also estimates because  
19 the calculation of each of those figures also involves  
20 a number of estimated customer counts?

21 A. Each one would have remaining motion until  
22 you get to September which then they would all be.

23 MS. JOHNSTON: Your Honor, did I move the  
24 admission of 40 and 41?

25 JUDGE HAENLE: Yes, you did, and they were

00124

1 admitted.

2 MS. JOHNSTON: Can we go off the record for  
3 just a minute. I have one other data response that I  
4 would like to have entered into the record and then I  
5 am through with my questions for Mr. Story.

6 JUDGE HAENLE: Let's go off the record  
7 then.

8 (Discussion off the record.)

9 JUDGE HAENLE: Let's be back on the record.  
10 We determined while we were off the record that it has  
11 been provided, apparently. I guess your copies are  
12 here. That was excellent timing.

13 You've handed me a multi-page document.  
14 The caption at the top is Response to Staff Data  
15 Request 97. I will mark this as 42 for  
16 identification.

17 (Marked Exhibit 42.)

18 Q. Do you recognize what's been handed to you  
19 as Exhibit 42 for identification as your response to  
20 staff data request 97?

21 A. Yes.

22 MS. JOHNSTON: Move the Commission  
23 admission of Exhibit 42, please.

24 JUDGE HAENLE: Any objection?

25 42 will be entered into the record.

00125

1 (Admitted Exhibit 42.)

2 Q. In the general rate case order, the  
3 Commission disallowed \$652,000 of conservation  
4 advertising. Is that correct?

5 A. Yes.

6 Q. The response to this data request, Exhibit  
7 42, is the company's attempt to implement that part of  
8 the Commission's order. Is that true?

9 A. I don't know about the word attempt. It's  
10 implementing it.

11 Q. The end result of this series of journal  
12 entries is that a credit of \$652,000 is in the layer  
13 of conservation rate base being requested in this PRAM  
14 4. Is that true?

15 A. That's correct.

16 Q. And this \$652,000 is earning negative AFUCE  
17 until it is included in rate base; is that correct?

18 A. That's right.

19 Q. As a part of account 18233, conservation  
20 not in rate base, this credit will formally be  
21 included in rate base as of October 1, 1994?

22 A. Right.

23 MS. JOHNSTON: Thank you. I have no  
24 further questions.

25 JUDGE HAENLE: Mr. Manifold.

00126

1 MR. MANIFOLD: Just a few.

2

3 CROSS-EXAMINATION

4 BY MR. MANIFOLD:

5 Q. Mr. Story, I have a few questions about  
6 your proposal on pages I think it's 7 to 10 of your  
7 testimony regarding interest, and it's mainly to  
8 understand exactly what it is you're proposing. Let  
9 you know where I'm going. Is your proposal exactly  
10 the same as what had been ordered previously until it  
11 was -- in a prior Commission order, I think it was  
12 PRAM 1, there was interest ordered when the deferrals  
13 were going to be -- when the deferrals were going to  
14 be amortized over a three-year period; is that right?

15 A. Right. It's a little different than that  
16 because a piece of this is in working capital.

17 Q. Could you explain what that difference is.

18 A. Well, you have to give a credit for that  
19 piece that's earning in working capital, so we would  
20 be deferring interest on the balance and giving a  
21 credit back for what had been built into rates through  
22 working capital.

23 Q. Does this result in more interest being  
24 accumulated than would have been under that other  
25 procedure?



00127

1           A.     From the original, no, it shouldn't. It  
2 should be less.

3           Q.     Is your proposal here to start collecting  
4 interest or start assessing interest as of the time  
5 that the deferral is approved in a PRAM proceeding or  
6 at the time that a deferral is first accrued on the  
7 company's books?

8           A.     When it's first accrued.

9           Q.     Is it your understanding that that's what  
10 the Commission had done in that prior order?

11          A.     That's my understanding. Any adjustment to  
12 that accrual, a deferred amount would also go back and  
13 adjust for interest, so if something was determined it  
14 shouldn't have been deferred you would adjust the  
15 interest also?

16          Q.     Bear with me. I'm not an accountant. My  
17 -- it sounds to me like your proposal is to start  
18 collecting interest from each month that revenues are  
19 different than projected to be?

20          A.     That's correct.

21          Q.     So if --

22          A.     It wouldn't be a collection, though. It  
23 would just be a recording of the interest of the  
24 deferred amount.

25          Q.     So if this was implemented starting with

00128

1 this proceeding that would mean in October of 1994 if  
2 actual recoveries were less than projected recoveries,  
3 there would be a deferral booked and then you would  
4 start booking interest on that deferral?

5 A. Right, and the balance that's there already  
6 as of October.

7 Q. The balance that has been accumulated in  
8 the past and that is not being set for collection as  
9 of this case?

10 A. Well, it would be whatever the balance is  
11 in the account plus any new charges or credits.

12 Q. And it was my understanding that the prior  
13 Commission order was that there would be interest only  
14 on that part of the deferral that was not being  
15 collected as of the end of a particular PRAM  
16 proceeding?

17 A. That wasn't my understanding. It was --  
18 you treat it just like any other balance that has,  
19 and if it goes negative you actually pay interest.  
20 Whatever is there is treated as a positive or negative  
21 interest.

22 Q. Has it ever gone negative so far?

23 A. No, and that's one of the problems that we  
24 have. It just keeps building.

25 MR. MANIFOLD: Thank you.



00130

1 A. Which lines are you looking at? I'm sorry.

2 Q. Line 11 in particular and line 14.

3 A. Total taxes, other, so it's most probably  
4 just increases in property taxes. The depreciation is  
5 most probably on replacement, new replacement. I  
6 wouldn't know without getting into the detail exactly  
7 what caused those increases.

8 Q. Does your proposal for true-ups include new  
9 generating plants not included in the previous general  
10 rate case?

11 A. It would be what the production  
12 depreciation is, yes.

13 Q. And so that does include new plant. Which  
14 ones?

15 A. We don't have any new production plant.  
16 It's just whatever replacements would be put in. You  
17 have retirements and replacements.

18 Q. But it would include them if there were new  
19 ones; is that correct?

20 A. I guess under the way our proposal is right  
21 now it would. We hadn't really considered that as the  
22 possibility because we aren't adding any production  
23 plant, but normally if we had production plant we  
24 would have to come in for general rates because  
25 they're such large amounts.

00131

1 JUDGE HAENLE: Did you have any redirect?

2 MR. VAN NOSTRAND: No, Your Honor.

3 JUDGE HAENLE: Commissioners, you said you  
4 didn't have questions.

5 CHAIRMAN NELSON: I didn't.

6 JUDGE HAENLE: Anything more of the  
7 witness, anyone?

8 All right. Thank you, sir, you may step  
9 down. Do we have anything else we need to cover  
10 today.

11 MR. VAN NOSTRAND: No.

12 JUDGE HAENLE: As I say, that protective  
13 order is supposed to be issued today so you should be  
14 all set there. We'll recess then until the next  
15 session. Thank you.

16 (Recess.)

17 JUDGE HAENLE: Let's be back on the record.  
18 Just after we broke Ms. Johnston realized that she had  
19 forgotten to distribute one additional packet of  
20 documents. You indicated that this would not require  
21 a witness particularly, Ms. Johnston.

22 MS. JOHNSTON: That's correct.

23 JUDGE HAENLE: I have seven pieces of  
24 information or seven groups of information which I  
25 have marked collectively as Exhibit 43 for

00132

1 identification. The first page of each of those  
2 little packets includes the following: First a letter  
3 on Puget letterhead dated May 4, 1994 addressed to the  
4 secretary of the Commission. Second, a multi-page  
5 document entitled Request No. 217. I think that  
6 refers to public counsel data request. The third  
7 refers to public counsel data request 216. The next  
8 refers to WUTC staff data request No. 94. Then a  
9 multi-page group, the first page entitled Secondary  
10 Purchase and Wheeling for Secondary Rate and has 109  
11 in the upper right-hand corner. Then a two-page  
12 packet which has quite a bit of writing on the side  
13 of it saying "calculation of secondary purchase and  
14 sales rate for PRAM 4." Much of it is handwritten,  
15 and finally a multi-page group of 92 in the upper  
16 right-hand corner and the title of the group is Simple  
17 Dispatch Model Updates. Again I will mark this  
18 collectively as 43 for identification. Is it all  
19 right with you if these document are entered, Mr. Van  
20 Nostrand.

21 (Marked Exhibit 43.)

22 MR. VAN NOSTRAND: Yes, Your Honor.

23 JUDGE HAENLE: Mr. Manifold?

24 MR. MANIFOLD: Fine.

25 JUDGE HAENLE: I will enter 43 then.

00133

1 Anything else we need to take care of?

2 Hearing will be adjourned and we will meet

3 next for cross of staff and intervenors.

4 (Admitted Exhibit 43.)

5 (Hearing adjourned at 2:10 p.m.)

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