

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
2 COMMISSION

3 In the Matter of the Proposal by)  
4 PUGET SOUND POWER & LIGHT )  
COMPANY )  
5 ) DOCKET NO. UE-951270  
to Transfer Revenues from PRAM )  
6 Rates to General Rates. )  
-----)

7 In the Matter of the Application)  
of )  
8 )  
PUGET SOUND POWER & LIGHT )  
9 and )  
WASHINGTON NATURAL GAS COMPANY ) DOCKET NO. UE-960195  
10 ) VOLUME 12  
For an Order Authorizing the ) Pages 1512 - 1707  
11 Merger of WASHINGTON ENERGY )  
COMPANY and WASHINGTON NATURAL )  
12 GAS COMPANY with and into PUGET )  
SOUND POWER & LIGHT COMPANY, and)  
13 Authorizing the Issuance of )  
Securities, Assumption of )  
14 Obligations, Adoption of )  
Tariffs, and Authorizations )  
15 in Connection Therewith. )  
-----)

16  
17 A hearing in the above matter was held on  
18 November 6, 1996, at 9:00 a.m. at 1300 South Evergreen  
19 Park Drive Southwest, Olympia, Washington before  
20 Commissioners RICHARD HEMSTAD and WILLIAM R. GILLIS  
21 and Administrative Law Judge JOHN PRUSIA and MARJORIE  
22 R. SCHAER.

23  
24 Cheryl Macdonald, CSR  
25 Court Reporter

1                   The parties were present as follows:

2                   WASHINGTON UTILITIES AND TRANSPORTATION  
3 COMMISSION STAFF, by ROBERT CEDARBAUM, Assistant  
4 Attorney General, 1400 South Evergreen Park Drive  
5 Southwest, Olympia, Washington 98504.

6                   FOR THE PUBLIC, ROBERT F. MANIFOLD,  
7 Assistant Attorney General, 900 Fourth Avenue, Suite  
8 2000, Seattle, Washington 98164.

9                   PUGET SOUND POWER & LIGHT COMPANY, by JAMES  
10 M. VAN NOSTRAND, Attorney at Law, 411 - 108th Avenue  
11 NE, Bellevue, Washington 98004.

12                   WASHINGTON NATURAL GAS COMPANY, by MATTHEW  
13 R. HARRIS, Attorney at Law, 6100 Columbia Center, 701  
14 Fifth Avenue, Seattle, Washington 98104.

15                   NORTHWEST INDUSTRIAL GAS USERS, by PAULA  
16 PYRON, Attorney at Law, 101 SW Main, Suite 1100,  
17 Portland, Oregon 97204.

18                   INDUSTRIAL CUSTOMERS OF NORTHWEST  
19 UTILITIES, by CLYDE H. MACIVER, Attorney at Law, 601  
20 Union Street, 4400 Two Union Square, Seattle,  
21 Washington 98101.

22                   BONNEVILLE POWER ADMINISTRATION, by JON D.  
23 WRIGHT, Attorney at Law, Routing LQ, P.O. Box 3621,  
24 Portland, Oregon 97208.

25

01514

1

I N D E X

WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
ALEXANDER	1515	1519	1524		
LYNCH	1532	1535			1634
HEIDELL	1640	1643	1646		
LEHENBAUER	1648	1649			1664
		1673			
MARTIN	1680	1683			

5

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EXHIBIT	MARKED	ADMITTED
147-151	1518	1519
152	1527	1529
T-153	1532	1533
154-155	1532	1534
156	1532	1565
157	1532	1565
158	1532	1566
159	1532	1569
160-167	1532	1579
168	1532	1625
169	1532	1627
T-170, 171-173	1640	1643
T-174	1648	1649
C-175	1648	1655
179	1678	1678
T-176, TS-177, 178	1680	1682
180	1680	1683
181	1680	1684
182	1680	1684
183	1680	1702

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1 P R O C E E D I N G S

2 JUDGE SCHAEER: Let's be on the record. The  
3 hearing will come to order. This is a hearing before  
4 the Utilities and Transportation Commission in docket  
5 No. UE-951270 and 960195. Today's date is November 6,  
6 1996. Starting out this morning public counsel with  
7 Ms. Alexander has resumed the stand, and I will remind  
8 you that you were previously placed under oath in this  
9 previously.

10 Whereupon,

11 BARBARA ALEXANDER,  
12 having been previously duly sworn, was recalled as a  
13 witness herein and was examined and testified  
14 further as follows:

15

16 DIRECT EXAMINATION

17 BY MR. MANIFOLD:

18 Q. Ms. Alexander, do you have available to you  
19 the complete response that you provided to the joint  
20 applicants' data request No. 337 to public counsel?  
21 Well, maybe it isn't necessary to go that formally.

22 A. I have it.

23 MR. MANIFOLD: Your Honor, yesterday that  
24 document was marked as Exhibit 135 and introduced by  
25 the joint applicants, and by agreement of counsel we

1 agreed that if after reviewing it we wanted to put in  
2 the rest of the document we could do so and we do wish  
3 to do so. Because it seemed easier we have simply  
4 duplicated the entire document and would ask that the  
5 entire response to that data request be substituted  
6 for Exhibit 135 and it consists of two stapled  
7 documents, one of which is the May 1995 report and the  
8 other is the May 1996 report.

9 JUDGE SCHAEER: Thank you, Mr. Manifold. Is  
10 there any objection to placing this document which I  
11 have now marked as Exhibit 135 in the record as a  
12 replacement for the Exhibit 135 admitted yesterday?

13 MR. HARRIS: No objection.

14 JUDGE SCHAEER: This document is so  
15 admitted.

16 Next you've handed out a series of  
17 documents, Mr. Manifold, which I have marked for  
18 identification as follows. Would you like me to go  
19 through those?

20 MR. MANIFOLD: Yes.

21 JUDGE SCHAEER: Marked as Exhibit 147 for  
22 identification is a single page cover sheet followed  
23 by a multi-page order and states at the top that it is  
24 the Response to Joint Applicants' Data Request 386.

25 THE WITNESS: What exhibit number did you

1 mark that as, please?

2 JUDGE SCHAER: 147. The response states  
3 that their surrebuttal in two proceedings is attached,  
4 and before we went on the record I believe you  
5 indicated to me, Mr. Manifold, that you wanted only  
6 the surrebuttal from one of those proceedings  
7 included.

8 MR. MANIFOLD: Yes. That would be the  
9 Central Maine Power Company surrebuttal, so the other  
10 one that is attached to the copies that we handed out  
11 this morning could be discarded or recycled as the  
12 case may be unless some other party wishes to have  
13 those -- that put in as well. So one of the two  
14 documents that you were handed that you should keep is  
15 the one that says Central Maine Power Company docket  
16 No. 95-34 -- 92-345.

17 JUDGE SCHAER: I've marked for  
18 identification as Exhibit 148 a document which has  
19 again a one page cover sheet followed by a multi-page  
20 document, several multi-page documents entitled the  
21 Response to joint applicants' data request 332. I've  
22 marked for identification as Exhibit 149 another  
23 multi-page document with the cover sheet on top. That  
24 cover sheet is marked Response to Joint Applicants'  
25 Data Request 379. I've marked for identification as

1 Exhibit 150 another multi-page document which is the  
2 public counsel Response to Joint Applicants' Data  
3 request 389.

4 MR. CEDARBAUM: Does that include the  
5 supplemental?

6 JUDGE SCHAEER: No. And as Exhibit 151 I've  
7 identified a document which states that it is the  
8 Supplemental Response from Public Counsel to Joint  
9 Applicants' Data Request 389.

10 (Marked Exhibits 147 - 151.)

11 Q. Ms. Alexander, do you have in front of you  
12 what have just been marked as Exhibits 147 through  
13 151?

14 A. I do.

15 Q. Do those constitute the items as they are  
16 so indicated?

17 A. Yes, they do.

18 MR. MANIFOLD: Your Honor, I would move for  
19 the admission of Exhibits 147 through 151.

20 JUDGE SCHAEER: Mr. Manifold, I'm finding  
21 that although I have copies of all those documents the  
22 accounting advisor and perhaps from what I'm hearing  
23 Commissioners do not have copies of all of the  
24 documents that were distributed this morning, so let's  
25 go off the record for a moment and make sure that

1 everyone has copies of everything.

2 (Discussion off the record.)

3 JUDGE SCHAER: Let's go back on the record,  
4 then. Mr. Harris, did you have questions for this  
5 witness?

6 MR. MANIFOLD: Excuse me, Your Honor.  
7 Before we do that, it appeared to me that we had gone  
8 off the record in terms of things being recorded when  
9 you actually admitted these established that there was  
10 no objection.

11 JUDGE SCHAER: Thank you, Mr. Manifold. I  
12 believe that is correct so let me indicate that while  
13 we were off the record I asked if there was any  
14 objection to entry of Exhibits 147 through 151 and  
15 parties indicated there was no objection. I will now  
16 admit those exhibits.

17 (Admitted Exhibits 147 - 151.)

18 JUDGE SCHAER: Now, Mr. Harris, did you  
19 have any questions?

20

21 CROSS-EXAMINATION

22 BY MR. HARRIS:

23 Q. Morning, Ms. Alexander.

24 A. Morning.

25 Q. Do you have before you what has been



1 admitted as Exhibit 139?

2 A. I do.

3 Q. As I understand it, Exhibit 139 is a  
4 response to an exhibit prepared by Ms. Lynch which is  
5 marked now as CEL-9?

6 A. Yes.

7 Q. Do you also have a copy of CEL-9?

8 A. I don't have that in front of me. If you  
9 have an extra of that I would appreciate it.

10 Q. Sure, just one moment.

11 A. Okay.

12 Q. If you could, please, turn to page 1 of  
13 CEL-9.

14 A. Yes.

15 Q. And am I correct in assuming that Exhibit  
16 139 is a response to page 1 of CEL-9?

17 A. Yes.

18 Q. Now, I notice that on Exhibit 139 you  
19 calculated the penalties only for the years 1994 and  
20 1995 whereas on CEL-9 the penalties are calculated for  
21 the years 1990 through 1995. Do you see that?

22 A. Yes, I do.

23 Q. Why is it that you did not calculate the  
24 penalties for the years 1990 through 1993?

25 A. I didn't think they were relevant.

1 Q. Did you calculate them at some point and  
2 just decide not to include them in your exhibit or --

3 A. No, no, I really didn't even consider  
4 calculating them.

5 Q. And comparing the two, the differences seem  
6 to be focused or arise in two areas. One area is in  
7 the lost time accident calculation. You derive  
8 different numbers than Ms. Lynch?

9 A. Yes. We use different historical data,  
10 which is why we got different numbers.

11 Q. So the source of the difference is the  
12 difference in data not in the manner of the  
13 calculations?

14 A. That's correct.

15 Q. And then the other difference is in the  
16 SAIDI and SAIFI measurements?

17 A. Yes.

18 Q. And as I understand it, Ms. Lynch, if you  
19 look on page 1 of 1 on CEL-9 in table 3 she included  
20 penalties for both SAIDI and SAIFI on certain years.  
21 You include no penalties for SAIDI and SAIFI?

22 A. That's right.

23 Q. And the reason for that is because you  
24 don't have confidence yet that the appropriate  
25 baselines have been set?

1           A.     Yes.  I recommended that thereby a  
2 compliance proceeding to revise the proposed baselines  
3 for SAIDI and SAIFI using a methodology I described in  
4 my testimony as having been done in Maine to eliminate  
5 extreme outage data over the history and therefore in  
6 an ongoing way and that would allow a reset of the  
7 baseline.

8           Q.     Are you finished?

9           A.     I am.

10          Q.     As you look at CEL-9, the column labeled  
11 Puget SAIDI, you see the penalties calculated as  
12 \$750,000 for 1990; \$644,000 in '91; zero '92; 750 in  
13 '93; zero '94 and 750 in '95.  Do you see that?

14          A.     Yes, I do.

15          Q.     Would you agree with me that it appears  
16 that that measurement seems to be working as a light  
17 switch?  It's on or off with the one exception of '91?

18          A.     In the sense that there are extreme  
19 variations in the data, yes.

20          Q.     Does that suggest to you that the  
21 measurement is not appropriately accounting for  
22 variations in the data?

23          A.     The measurement can appropriately  
24 accommodate variations in the data if we do the  
25 compliance filing that I recommended.  At this point I

1 would not recommend the use without further work of  
2 these two baseline performance standards.

3 Q. And finally, if we look down at the  
4 penalties calculated on your Exhibit 139. 1994  
5 penalties is approximately \$1,400,000?

6 A. Yes.

7 Q. Would you consider that penalty to be -- to  
8 use words I think out of your testimony -- small  
9 dollars?

10 A. No, I wouldn't call that a small dollar  
11 penalty, but I don't think it's likely to be repeated  
12 in the future.

13 Q. Would you agree that if customers were  
14 notified that PSE had paid \$1.4 million in penalty  
15 they would think that was a significant penalty?

16 A. I don't know what they would think, but it  
17 is a dollar amount that is not paltry. It would  
18 reflect a deterioration in service quality. I do not  
19 think that's likely to occur.

20 Q. You say it would reflect a deterioration in  
21 service quality. Is it your assertion that service  
22 quality was poor in 1994?

23 A. It's not as good as the company claims it  
24 is currently performing at or going to be performing  
25 at over the next several years.

1 Q. Just to finish up, when you say performing  
2 at or going to be performing at, you're capturing the  
3 fact that your baselines, as they're constructed now,  
4 include both current performance and some goal  
5 setting?

6 A. Current performance and some internal goal  
7 setting that has already been done by the company,  
8 yes.

9 MR. HARRIS: Thank you. I have no further  
10 questions.

11 JUDGE SCHAEER: Any other counsel have  
12 questions on this particular exhibit?

13 MR. MANIFOLD: Yes.

14 JUDGE SCHAEER: We're not quite to redirect  
15 yet. Do the Commissioners have any questions?

16 COMMISSIONER HEMSTAD: No.

17

18 REDIRECT EXAMINATION

19 BY MR. MANIFOLD:

20 Q. Ms. Alexander, I would like to go through  
21 why there's a difference in the LTA numbers that you  
22 used and Ms. Lynch used. That's the last column on  
23 both your chart and her chart?

24 A. Yes.

25 Q. Can you explain what happened?

1           A.     Well, we just -- we used different data  
2 from different data requests and responses. She used  
3 an earlier version of the question we asked and I used  
4 the most recent version of this same question that we  
5 asked, and she cited a data response and I cited a  
6 data response. I used the more recent one and she  
7 simply had -- perhaps this had been prepared earlier  
8 and was not updated, I don't know, but in any case we  
9 just used different historical databases for this  
10 number here.

11          Q.     The number that you used in this exhibit  
12 you've just been looking at now, is that the number  
13 that was provided by the company in response to public  
14 counsel data request 225?

15          A.     That's correct.

16          Q.     And is that the same number that you used  
17 in your direct testimony?

18          A.     Yes, it is.

19          Q.     And is that the data you cited in your  
20 direct testimony as the source of your LTA number?

21          A.     Yes.

22          Q.     And is it your conclusion that Ms. Lynch  
23 used in her backcast the response -- the company's  
24 response to an earlier public counsel data request No.  
25 193?

1 A. Yes, that's my understanding, in fact her  
2 work papers so indicated.

3 Q. And you did not use No. 193 in preparing  
4 your chart?

5 A. No, I didn't.

6 Q. So to the extent she used the data from  
7 193 it's not a reflection of your testimony in this  
8 case?

9 A. No.

10 Q. Did you attempt to call Ms. Lynch to  
11 establish why there was a difference here?

12 A. Actually, I did, yes.

13 Q. How many times?

14 A. I left two or three messages over a period  
15 of a week two weeks ago and for what reason, I don't  
16 know, but we did not make connection with each other  
17 and so I was unable to handle the matter informally.

18 Q. So you never got a call back from her?

19 A. That's correct.

20 Q. Had your intent been to try and iron out  
21 what difference there was on this over the phone so it  
22 could be handled informally?

23 A. Yes, it was.

24 MR. MANIFOLD: Your Honor, I have a  
25 document I would like to have marked as the next

1 exhibit.

2 JUDGE SCHAER: I'm a little bit concerned  
3 that we're getting farther afield, Mr. Manifold. Is  
4 this the response to 225 or --

5 MR. MANIFOLD: Yes.

6 JUDGE SCHAER: Okay. It's about the only  
7 thing I could see that might be allowable at this  
8 point.

9 MR. MANIFOLD: It's in response to Mr.  
10 Harris's questions about the SAIDI/SAIFI on this  
11 chart.

12 JUDGE SCHAER: Well, why don't you  
13 distribute it and we'll talk about it. I've marked  
14 for identification as Exhibit 152 a multi-page  
15 document. Appears to be a letter to the  
16 administrative director of the Maine Public Services  
17 Commission from Jeffrey Green who is the manager of  
18 consumer affairs of Central Maine Power.

19 (Marked Exhibit 152.)

20 THE WITNESS: Is it appropriate to describe  
21 this document further?

22 MR. MANIFOLD: I'm about to do that.

23 JUDGE SCHAER: You need to wait for a  
24 question.

25 Q. Ms. Alexander, do you have in front of you



1 what's been marked as Exhibit 152?

2 A. Yes.

3 Q. Are you familiar with this document?

4 A. Yes, I am.

5 Q. Can you describe what it is?

6 A. Yes. This is a letter from Central  
7 Maine Power Company to the Maine Public Utilities  
8 Commission which is in part a report -- the first part  
9 of this letter is a report of experiences by the  
10 company with its service quality index for a full  
11 year, but then starting on page 2 of the letter,  
12 reports on the compliance filing to document a  
13 methodology for excluding severe and major storms from  
14 the outage data in the service quality index. And so  
15 the letter is in most part a description of the  
16 methodology that the parties agreed on and the recast  
17 data historically for effectuating that approach.

18 Q. At the time this was filed with the Maine  
19 Commission, were you an employee of the Maine  
20 Commission?

21 A. Yes. At this time I was director of the  
22 consumer assistance division of the Commission and had  
23 participated in the discussions which led to this  
24 compliance filing.

25 Q. Did you provide a copy of this to the

1 company in early September during informal  
2 discussions?

3 A. Yes, we did. We presented this to the  
4 company in our meetings in early September as the  
5 methodology we recommended for handling the  
6 variability in the data and the need to eliminate  
7 extreme weather outage situations. I also described  
8 in very basic form this approach in my direct  
9 testimony filed in this proceeding.

10 Q. Does this represent the type of analysis  
11 that you were indicating should be ordered by the  
12 Commission to be engage in a compliance proceeding in  
13 your responses this morning to Mr. Harris?

14 A. Yes, it is.

15 MR. MANIFOLD: Your Honor, I would move for  
16 the admission of Exhibit 152.

17 MR. HARRIS: I have no objection.

18 JUDGE SCHAEER: Document is admitted.

19 (Admitted Exhibit 152.)

20 MR. MANIFOLD: No other questions.

21 JUDGE SCHAEER: Is there anything further  
22 for this witness? Thank you for your testimony.  
23 Let's go off the record for just a moment to allow the  
24 next witness to take the stand. Any party having  
25 documents that you wish to have made exhibits through

1 Ms. Lynch please distribute them now.

2 (Discussion off the record.)

3 JUDGE SCHAEER: Let's be back on the record.

4 While we were off the record a number of documents  
5 were distributed and once the witness is sworn those  
6 will be identified.

7 Whereupon,

8 COLLEEN LYNCH,

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

11 JUDGE SCHAEER: Why don't you let me  
12 identify the documents, Mr. Harris, and then I will  
13 have you ask the witness about them. Ms. Lynch's  
14 rebuttal testimony, Exhibit CEL-7, I've marked for  
15 identification as Exhibit T-153. Exhibit CEL-8 I've  
16 marked for identification as Exhibit 154. Exhibit  
17 CEL-9 I've marked for identification as Exhibit 155.  
18 A multi-page document, appears to be pages of a  
19 transcript in this proceeding, is the response to  
20 public counsel data request 271 has been marked for  
21 identification as Exhibit 156.

22 Single page document marked at the top  
23 Response to Public Counsel Data Request No. 226 has  
24 been marked for identification as Exhibit 157. Single  
25 page exhibit marked at the top Response to Public

1 Counsel Data Request 227 has been marked for  
2 identification as Exhibit 158. Single page exhibit  
3 marked at the top Response to Public Counsel Data  
4 Request 272 has been marked for identification as  
5 Exhibit 159. Single page exhibit marked at the top  
6 Response to Public Counsel Data Request No. 273 has  
7 been marked for identification as Exhibit 160.

8           Single page exhibit marked Response to  
9 Public Counsel Data Request No. 274 has been marked  
10 for identification as Exhibit 161. Multi-page exhibit  
11 marked Response to Public Counsel Data Request No. 170  
12 has been identified as Exhibit 162. Single page  
13 exhibit marked Response to Public Counsel Data Request  
14 No. 174 has been identified as Exhibit 163. Single  
15 page document Marked Response to Public Counsel Data  
16 Request No. 175 has been marked for identification as  
17 Exhibit 164.

18           Multi-page document marked Response to  
19 Public Counsel Data Request No. 178 has been identified  
20 as Exhibit 165. Multi-page document marked --  
21 identified as Response to Public Counsel Data Request  
22 No. 322 has been marked for identification as Exhibit  
23 No. 166. A lengthy document marked Response to Public  
24 Counsel Data Request No. 269 has been marked for  
25 identification as Exhibit 167.

1                   A single page document entitled Comparison  
2 of a Service Quality Index Proposed by the Public  
3 Counsel and the Customer Service Program proposed by  
4 the joint applicants has been marked for  
5 identification as Exhibit 168. A single page document  
6 entitled Potential Penalty Dollars at Risk for Poor  
7 Performance has been marked for identification as  
8 Exhibit 169.

9                   (Marked Exhibits T-153, 154 - 169.)

10

11                   DIRECT EXAMINATION

12 BY MR. HARRIS:

13           Q.       Good morning, Ms. Lynch. Could you state  
14 your name for the record, please, and spell your last  
15 name?

16           A.       My name is Colleen E. Lynch, L Y N C H.

17           Q.       Do you have before you what's been marked  
18 for identification as Exhibit 153?

19           A.       I do.

20           Q.       Is that your prefiled rebuttal testimony in  
21 this proceeding?

22           A.       It is.

23           Q.       And in compliance with the Commission's  
24 twelfth supplemental order in this matter, do you have  
25 redactions to make to that prefiled rebuttal

1 testimony?

2 A. Yes.

3 Q. And if I could direct your attention to  
4 page 13, lines 13 and 14 are the redactions as  
5 follows: Deletion beginning on line 13 with the word  
6 "notwithstanding," a deletion carrying forward through  
7 line 14, the middle of the line, "rate relief."

8 A. Yes.

9 Q. With that change to your prefiled rebuttal  
10 testimony, is the testimony complete and accurate?

11 A. Yes.

12 MR. HARRIS: At this time joint applicants  
13 would offer what's been marked for identification as  
14 Exhibit T-153.

15 JUDGE SCHAER: Any objections?

16 MR. CEDARBAUM: I have no objection with  
17 the redaction that Ms. Lynch just stated. I think  
18 that's in conformance with the Commission's order.  
19 Just as a caveat on the record that doesn't mean that  
20 I necessarily agree with any of her other conclusions  
21 as stated in that paragraph beginning on line 11, but  
22 I don't have any objection to the admission of the  
23 testimony.

24 JUDGE SCHAER: That document will be  
25 admitted.

1 (Admitted Exhibit T-153.)

2 Q. Do you also have before you what's been  
3 marked for identification as Exhibits 154 and 155?

4 A. Yes.

5 Q. Are those the exhibits offered in support  
6 of your prefiled rebuttal testimony in this  
7 proceeding?

8 A. They are.

9 Q. Were they prepared by you or under your  
10 direction and control?

11 A. Yes.

12 Q. Are they complete and accurate to the best  
13 of your knowledge?

14 A. Yes.

15 MR. HARRIS: We would offer Exhibits --  
16 what's been marked for identification as Exhibits 153  
17 and 154.

18 JUDGE SCHAER: I believe that's 154 and  
19 155.

20 MR. HARRIS: I'm sorry, 154 and 155.  
21 Excuse me, Your Honor.

22 JUDGE SCHAER: Any objection?

23 MR. CEDARBAUM: No.

24 JUDGE SCHAER: Those documents are  
25 admitted.

1 (Admitted Exhibits 154 and 155.)

2 Q. Finally, Ms. Lynch, I noticed as you  
3 approached the witness stand you were limping and you  
4 are recovering from a black eye. That has nothing to  
5 do with this proceeding, does it?

6 A. No, it does not.

7 MR. HARRIS: With that, Your Honor, the  
8 witness is available for cross-examination.

9 JUDGE SCHAEER: Mr. Cedarbaum, did you have  
10 questions of this witness?

11 MR. CEDARBAUM: Yes, I do. Just questions,  
12 though.

13 JUDGE SCHAEER: Only verbal questions.

14

15 CROSS-EXAMINATION

16 BY MR. CEDARBAUM:

17 Q. Ms. Lynch, let's talk about customer  
18 service quality first and at the end I will have a few  
19 questions for you about Exhibit 28, but with respect  
20 to customer service quality, is it correct that as to  
21 monitoring service quality both Puget and Washington  
22 Natural currently track business office performance and  
23 Washington Natural currently tracks response time?

24 A. That's correct.

25 Q. Is it correct that neither applicant in



1 this proceeding currently administers a customer  
2 survey to track duration or frequency of outages?

3 A. A customer survey to track? I believe  
4 that's correct. We, as you know, do track the outages  
5 through the other matters of material that we've  
6 presented.

7 Q. But as to customer survey you do not?

8 A. I don't believe that they're in the  
9 surveying tools that we currently use.

10 Q. I have a few questions for you about  
11 Exhibit 155, which is CEL-9. And this is your  
12 calculation, again, as opposed to Ms. Alexander's  
13 calculation of the penalties that would have been  
14 incurred since 1990 had the service quality index been  
15 in place as proposed by public counsel and staff; is  
16 that right?

17 A. That's correct.

18 Q. And you've testified, I think, earlier,  
19 perhaps in your rebuttal testimony, as prefiled that  
20 the complaint portion of the customer service program  
21 uses the 1993 to '95 average as a baseline less high  
22 bill complaints; is that right?

23 A. That was the original proposal, yes.

24 Q. Is that still the proposal?

25 A. Yes.

1 Q. So you've looked at historical performance  
2 in terms of establishing a baseline?

3 A. We've looked at the actual Commission  
4 complaints on record for those years.

5 Q. And again, that would be for an historical  
6 period to establish what you think is a reasonable  
7 baseline?

8 A. That's correct.

9 Q. Would it be reasonable to examine other  
10 historical periods, at least to consider them?

11 A. I think that when looking at and trying to  
12 understand data, especially to set these types of  
13 baselines it would probably be very useful to look at  
14 whatever data you have available for additional  
15 information it might have so that you do have a full  
16 and complete understanding of the true nature of the  
17 data.

18 Q. That might be beyond, then, the '93 to '95  
19 period that you looked at?

20 A. It might, yes.

21 Q. Looking at page 1 of your Exhibit 155,  
22 column 1, the complaint ratio column shows a trend in  
23 the last three years of data that decreases; is that  
24 right? It goes from .57 to .36 for the years 1993 to  
25 1995?

1 A. That's correct.

2 Q. And and you've proposed a baseline of .4  
3 which is higher; is that right?

4 A. The baseline on this page is the baseline  
5 proposed by Ms. Alexander, the .4.

6 Q. Let's turn now to your testimony, rebuttal  
7 testimony, at page 6. At lines 4 to 6 you state that  
8 "public counsel seeks to create more regulation in  
9 areas that are already regulated and have existing  
10 enforcement mechanisms. The two specific areas are  
11 treatment of employee lost time accidents and customer  
12 disconnections." Do you see that testimony?

13 A. Yes.

14 Q. You were asked in staff data request No.  
15 229 to identify the enforcement mechanisms that you  
16 reference in the testimony that I just quoted, and is  
17 it correct that part of your response was, "I do not  
18 specifically refer to enforcement mechanisms"? Would  
19 you accept subject to your check that was a part of  
20 your response?

21 A. Yes, I will accept that.

22 Q. Also as part of that response you list a  
23 number of Washington Administrative Code rules, WAC  
24 296-45-155, 24 and 62. Do you know whether or not any  
25 of the rules cited in those chapters impose penalties

1 for increases in lost time accidents?

2 A. I don't know.

3 Q. Let's put customer service aside and turn  
4 now to your testimony with respect to Exhibit 28. On  
5 page 12 of your rebuttal testimony in the last  
6 paragraph you state that "Exhibit 28 is a presentation  
7 of known and measurable cost pressures facing Puget  
8 during the rate stability period." Is that right?

9 A. Yes.

10 Q. Is it correct that in your measurement of  
11 nonproduction cost pressures in Exhibit 28 that as a  
12 starting point you use the cost of service figures  
13 from the informational filing in docket UE-951270 and  
14 you divided those figures by the kilowatt hours in  
15 PRAM 5 which would constitute a different time period;  
16 is that right?

17 A. That's correct. The nonproduction costs in  
18 Exhibit 28 were from that filing and did unitize over  
19 those kilowatt hours that you mention.

20 Q. Is it also true that the level of DSM  
21 revenue requirement that's embedded in PRAM 5 is  
22 expected to decline during the rate period as  
23 overlayers get recovered?

24 A. I believe so, but again, I would recommend  
25 that you discuss that type of question with Mr. Story.

1 Q. Your exhibit, though, doesn't -- your  
2 exhibit uniformly applies an escalation rate to the  
3 initial total nonproduction cost data including DSM;  
4 is that right?

5 A. That's correct. My Exhibit 28 again begins  
6 at a starting point of the informational filing, the  
7 \$74 million filing, and then uses escalators that on  
8 average are about 2 and a half percent for those types  
9 of costs, yes.

10 Q. And so by uniformly applying an escalation  
11 rate you didn't show any deep decline during the rate  
12 period for any DSM revenue requirement that might also  
13 decline?

14 A. There was no isolation of any specific  
15 costs in Exhibit 28. It was to demonstrate in using  
16 information that was available at the time of the  
17 filing to demonstrate the cost pressures that PSE and  
18 the joint applicants have and will have during the  
19 rate stability period.

20 MR. CEDARBAUM: Your Honor, that completes  
21 my questioning of Ms. Lynch. I would just move for  
22 the record that her reference in one of her answers to  
23 a \$74 million figure should be stricken. I think that  
24 would be consistent with the Commission's ruling on  
25 the motion to exclude from last week.



1 questions of this witness?

2 MR. MANIFOLD: Yes.

3 JUDGE SCHAEER: If you want to just offer  
4 the exhibits and move on.

5

6 CROSS-EXAMINATION

7 BY MR. MANIFOLD:

8 Q. Ms. Lynch, this is the first time you've  
9 taken the stand in this case, isn't it?

10 A. No.

11 Q. It's the first time you've been subjected  
12 to cross-examination on your direct testimony by the  
13 parties?

14 A. Regarding service quality.

15 Q. Yes. Because that cross-examination was  
16 waived previously in the pursuit of negotiations or  
17 settlement or discussions on the service quality  
18 portion of the testimony?

19 A. Yes.

20 Q. So you have not previously been  
21 cross-examined by the parties on either your direct  
22 testimony or your supplemental testimony, in addition  
23 to your rebuttal testimony, on service quality?

24 A. That's correct.

25 Q. The word penalty is used quite a bit in

1 this case and is used a number of times by you. Could  
2 you explain what you mean by that word?

3 A. Generally what I mean by the word penalty  
4 is an assessment to an amount of money in response to  
5 some action that the company did or did not take.

6 Q. Is it your understanding -- and the company  
7 originally proposed a program under come something  
8 called penalty would be assessed or could be assessed  
9 by the Commission; is that correct?

10 A. That's correct in that when we were  
11 developing the original case it seemed to us that in  
12 order to demonstrate a commitment to the topic of  
13 service quality beyond what we demonstrated just as a  
14 marry of ongoing operation there would be a need for  
15 such a mechanism as penalties.

16 Q. Does that mean that as far as the company  
17 is concerned you're satisfied in the context of the  
18 merger application with the Commission's authority to  
19 assess penalties under the sort of circumstances that  
20 have been discussed?

21 A. What that means is that we are willing to  
22 consent to penalty levels for situations or for  
23 measurements such as we have included in our proposal  
24 to assess the value of service quality.

25 Q. And are you willing to do that for



1 alterations of those measures or alterations of those  
2 amounts? Well, let me take that separately. Are you  
3 willing to do that for different measures or different  
4 measurements of service quality?

5 A. I can't really speak to what we are willing  
6 to do. My --

7 Q. If the Commission orders it.

8 A. Again, I can't speak to what we're willing  
9 to do. I would address you to Mr. Sonstelie or to Mr.  
10 Vittitoe what our reaction would be to a Commission  
11 order.

12 Q. So you want to refer questions to your boss  
13 too?

14 A. Yes, sir.

15 Q. They're going to be so excited. Would you  
16 agree that the premise for having a service quality  
17 index or a service quality program is a multi-year  
18 rate plan during which there would not be general rate  
19 cases and therefore would not be the opportunity for  
20 the Commission to review the service quality of the  
21 company and make adjustments in its revenues based  
22 upon service quality?

23 A. You're going to love this. Could I hear  
24 that one again?

25 (Record read as requested.)

1           A.     We believe, as I just said, the reason for  
2 the penalty -- excuse me, the reason for the service  
3 quality program with the associated penalty is to  
4 demonstrate the commitment to service quality during  
5 the multi-year period. However, it seems to me from  
6 listening to the public counsel testimony and staff  
7 testimony that the premise there is for their  
8 understanding or their expectation that there will be  
9 no influence by this Commission over the companies  
10 during that multi-year period, and that in fact just  
11 isn't the case. There is not a total lack of  
12 influence of this Commission during the rate stability  
13 period. And that is demonstrated by all of the  
14 actions -- actions items that we have identified in  
15 Mr. Amen's testimony, all the things that we need to  
16 accomplish during the period. Influence is there and  
17 is available, even if we are not in front of them with  
18 the general rate case.

19           Q.     Would you agree that absent a general rate  
20 case there is not a mechanism for adjusting the  
21 company's rates in response to any perceived  
22 deterioration of service quality?

23           A.     Yes, but as I've just said, there are  
24 opportunities for this Commission to influence our  
25 companies and the way in which they operate in other

1 than just simply setting the rate and that is --

2 Q. So you're agreeing with my -- go ahead.

3 A. And that is for the types of actions that  
4 we need to accomplish.

5 Q. So the answer is yes with the qualification  
6 that there are other opportunities to influence the  
7 company?

8 A. Yes, as I said in my answer to your  
9 question.

10 Q. When did you begin studying or gathering  
11 information on the subject of service quality in the  
12 context of a multi-year rate plan?

13 A. When we were preparing the original  
14 application we were looking at different alternatives  
15 that might meet the goals and the needs of the  
16 company, and frankly, the expectations of parties in  
17 setting out a multi-year plan, and those included  
18 alternatives such as performance-based ratemaking. In  
19 looking at performance-based ratemaking applications  
20 there seemed to be this link to -- or if a PBR existed  
21 it seemed to have with it an associated service quality  
22 index, and so in developing our prefiled case was when  
23 our activity -- my activity in particular started  
24 regarding service quality issues.

25 Q. When would that be in terms of time? Would

1 that be the roughly October/November time frame last  
2 year?

3 A. Yes.

4 Q. And are you the lead person to gather  
5 information and study that issue for the two  
6 companies?

7 A. Actually, what we've done is we have  
8 established a sort of team approach to evaluating that  
9 kind of information. That includes people who are  
10 involved in this kind of arena as well as in  
11 operations, people who are managing that type of  
12 activity and so I hesitate to say that I'm the lead on  
13 that activity. I participated in that activity.

14 Q. How is it determined that you would be the  
15 witness to testify on the company's proposals among  
16 the various people who are working on the project?

17 A. I believe that was decided, number one --  
18 well not number one but for several reasons. I have  
19 testified before this Commission in the past. I am  
20 involved in the team. I have experience in dealing  
21 with issues of a regulatory matter. I have attended  
22 some seminars regarding issues of the PBR and  
23 performance-based ratemaking and those addressed  
24 service quality. I have sat in on regional task forces  
25 that deal with the issues of service quality. For

1 starters.

2 Q. In your research on this area -- is it fair  
3 to say you did research in this area? I don't want to  
4 put words in your mouth but sounds like a summary of  
5 what you said, the area of service quality.

6 A. We did research of different degrees of  
7 thoroughness, yes.

8 Q. And in that research did you look at --  
9 what did you do? Did you look at Commission orders  
10 from other states? Did you talk to other utilities?  
11 Did you look at publication from EEI or other industry  
12 sources?

13 A. On the broad subject of service quality?

14 Q. Yes, and what sort of measurements people  
15 and how they go about building a service quality  
16 guarantee as the company wanted to do.

17 A. Well, we looked at, frankly, industry  
18 articles that have been written on the subject  
19 including those that have been mentioned before here.  
20 We, as I said --

21 Q. You mean the one Ms. Alexander wrote?

22 A. That's the one, yes. And I believe in my  
23 -- just on that, in my testimony, I believe it's in my  
24 prefiled, I attached another article which  
25 demonstrated -- it's a different approach to service

1 quality but it's the service guarantee article, which  
2 is also along the lines of what we're talking about.  
3 Just how to maintain service quality to our customers.

4 I attended -- I don't recall who presented  
5 it but seminars where quite a few utilities have got  
6 together and discussed their experiences with PBR.  
7 Things that we're working with them in terms of  
8 especially their service quality monitoring. And then  
9 just as a professional in the industry we receive  
10 articles dealing with the subject. There's phone  
11 calls with colleagues at different industries and  
12 monitoring of just what's available in the press.

13 Q. What kind of utilities were you talking to  
14 or reviewing the data on service quality indices?

15 A. I met with -- I can't recall the individual  
16 but I met with the -- someone, a representative from  
17 San Diego Gas and Electric was at the conference that  
18 I was attending.

19 Q. What was the time frame of that?

20 A. When I attended the conference?

21 Q. Yes.

22 A. I'm thinking that it was last spring. I'm  
23 not sure exactly of the specific date.

24 Q. You mean spring of '96 or '95?

25 A. Yes, spring of '96.

1 Q. Did you talk to the other investor-owned  
2 utilities in the northwest or research material  
3 regarding their service quality measures or  
4 measurements?

5 A. I believe that --

6 Q. Excuse me. When I say you, since you're  
7 the person speaking for the committee, I mean both you  
8 individually and the material available to you through  
9 others on the committee.

10 A. I think that we collectively as a committee  
11 did -- I know that on -- at various times I believe  
12 that people who have access to who weren't exactly  
13 directly on deal with individuals from the other  
14 investor-owned utilities regarding service quality,  
15 and that's -- and what I am thinking of there is the  
16 issue of or the area of consumer complaints and the  
17 addressing of those types of things. Our person in  
18 charge of that regularly meets, I believe -- that's my  
19 understanding -- regularly meet with the various  
20 companies, and again, it's addressing service quality  
21 and concerns in trends that we see in those areas.

22 Q. Do people in the companies, for instance,  
23 that deal with phone center performance or meeting  
24 points or service outages or the other things that go  
25 into customer quality, do those people attend meetings

1 or talk to their peers and other companies to see  
2 what's going on and how the companies deal with these  
3 sorts of issues?

4 A. I can't say specifically who does what. I  
5 would assume that there is -- that type of  
6 conversation, that type of dialogue going on. I can't  
7 point to any instances but it's consistent with the  
8 way in which -- I guess my experience with the ways in  
9 which things are done.

10 Q. So, for instance, one of the issues  
11 obviously in this matter is the phone center  
12 performance and how quickly telephones are answered.  
13 Would you expect that the person who supervises that  
14 within each of the companies would be in contact with  
15 their peers and other organizations to see how other  
16 organizations -- what kind of standards they set for  
17 themselves and how they go about achieving those  
18 standards?

19 A. I would say that the professionals leading  
20 that kind of activity at the company would know, would  
21 be informed in the I would call it state-of-the-art of  
22 the activity, just what's possible with technology,  
23 what's being accomplished in terms of the different  
24 objectives.

25 Q. Do you have available to you your response



1 to public counsel data request No. 43?

2 A. Yes.

3 Q. Does your copy show when that was responded  
4 to by you?

5 A. Yes, it does not.

6 Q. Would you accept subject to your check that  
7 that data request was sent to the company under cover  
8 of letter dated May 30, 1996?

9 A. If you give me a minute I can check that  
10 right now. Public counsel data request No. 43, in a  
11 letter cover sheet that I have it appears that it was  
12 June 18?

13 Q. The response?

14 A. Yes.

15 Q. That's fine. The date I was giving was May  
16 30 as the submission of the request and so the  
17 response was June 18. Would you confirm that in that  
18 request public counsel asked Mr. Vittitoe in this  
19 instance to "provide any objective criteria used in  
20 the electric/gas industry to measure service quality  
21 and to provide any objective criteria NewCo would use  
22 to measure gas or electric service quality, that was  
23 the request?

24 A. That's the question, yes.

25 Q. Is it correct your answer was, "We are not

1 aware of any industry-wide quality of service  
2 measures."

3 A. That is my response, yes.

4 Q. Is that accurate?

5 A. Yes, it is. I think, well, what I meant  
6 there was, and I think this is consistent with  
7 testimony from Ms. Alexander, that for gas and the  
8 electric industry the issue of measurement of service  
9 quality, as we are doing it here, is a new question, a  
10 new challenge for us, and that I would hesitate that  
11 anything that we have available -- anything that's in  
12 the industry now to call that an industry standard. I  
13 would call that one application or one attempt to  
14 measure service quality, but I certainly wouldn't call  
15 it an industry standard. I don't believe it's  
16 applicable to across the board.

17 Q. The question was "provide any objective  
18 criteria used in the industry."

19 A. That's right.

20 Q. And your answer was you don't have anything,  
21 so my reading of your answer was that the time you  
22 responded to this you were not aware of any service  
23 quality measures used any place in the electric or gas  
24 industry. You're saying that's not your answer?

25 A. I am saying that my answer is stated, that

1 this question, in my opinion, asked for "used in the  
2 industry" and that I interpreted that to mean industry  
3 standard of which as I said I don't have. I have  
4 information for specific applications. I don't have a  
5 collection of, nor do I think they exist, of objective  
6 standards that are available in the industry.

7 Q. So at the time you responded to this did  
8 you have information regarding service quality  
9 objective criteria used by specific electric or gas  
10 companies that are members of the electric or gas  
11 industry?

12 A. We had -- yes.

13 Q. And you did not provide them in response to  
14 this?

15 A. That's correct, as I've stated before.

16 Q. Do you have your response to public counsel  
17 data request No. 72?

18 A. I can get it. Yes, I have this.

19 Q. Would you confirm that the request, which  
20 was to you specifically regarding your direct  
21 testimony, stated, "provide (or cite if in UTC  
22 document) all information relied upon for this  
23 testimony regarding perceptions that 'other utilities'  
24 have sacrificed service quality for cost savings.  
25 Indicate Ms. Lynch's opinion regarding whether the

1 perceptions are accurate."

2 A. That is the question.

3 Q. And your response was, "The testimony was  
4 based on, among other things, the perception provided  
5 by others, including public counsel, that U S WEST has  
6 had service quality problems in many of the western  
7 states that it serves. The witness offers no opinion  
8 regarding the validity of these perceptions."

9 A. That is the response.

10 Q. And does that constitute all of the  
11 information that you had at that time regarding  
12 perceptions that other utilities had sacrificed  
13 service quality as you had stated in your direct  
14 testimony?

15 A. I guess I'm not sure of your question. The  
16 response says that the testimony is based on other  
17 things including this perception by both public  
18 counsel and regarding U S WEST.

19 Q. So what were the other things that it was  
20 based on that you did not reference in your response  
21 which asked for all information? Would you like some  
22 additional time to respond to that?

23 A. I cannot think of any other specific items  
24 beyond what this response says, so I could look into  
25 this question.

1 Q. Do you have some work papers or something  
2 with you that you used to respond to this?

3 A. I don't have those work papers. I don't  
4 believe it's a matter of work papers. And at this  
5 point, as I said, I'm not really sure what it is.

6 Q. So, as of this point, based on your present  
7 recollection, the statement in your response, among  
8 other things you are not aware of any other things, so  
9 you did provide anything you are aware of in response  
10 to this request?

11 A. I provided -- this response references the  
12 U S WEST situation with service quality, which was  
13 important in our concern, and again it provides  
14 anything that we had at the time of responding to this  
15 response. I'm sorry I can't come up with the among  
16 other things at this time.

17 Q. The question referenced your testimony at  
18 page 8, lines 8 to 10 of what has now been marked as  
19 Exhibit T-26, I believe. Is that correct?

20 A. My direct testimony was T-26. What was the  
21 page number?

22 Q. It's on the data request, page 8, lines 8  
23 to 10 or what are referenced in the data request.

24 A. Okay.

25 Q. My question is just now you referenced --

1 you made it sound to me like we had asked you about  
2 U S WEST. My understanding of the data request as  
3 it's stated is that we asked you about your testimony,  
4 and in your testimony you said, "NewCo understands  
5 that there is a perception that other regulated  
6 utilities have achieved cost savings at the expense of  
7 customer service." And the question was what  
8 information have you relied upon about other  
9 utilities, and in your response just now you  
10 referenced U S WEST. What other utilities did you  
11 have in mind in your direct testimony, if any?

12 A. At the time that we prepared this direct  
13 testimony U S WEST was -- again, I can't think of any  
14 right now, anyone beyond the U S WEST as falling into  
15 the category of these other regulated utilities that  
16 have achieved cost savings at the expense of customer  
17 service.

18 Q. So your reference was just to U S WEST not  
19 a number of other utilities?

20 A. I'm saying that at this point it's U S WEST  
21 that I am thinking of. I don't have the papers or  
22 whatever was behind the preparation of this statement  
23 of other regulated utilities. I don't know if --  
24 again, I've answered the response.

25 Q. Well, I'm asking you on cross-examination

1 of your testimony when in your testimony you say that  
2 your company understands that there's a perception  
3 that other regulated utilities have achieved cost  
4 savings at the expense of customer service, what do  
5 you mean by that testimony? What do you mean by  
6 "other utilities"? Who do you mean?

7 A. In this instance I can readily point to the  
8 U S WEST experience, the telephone experience, that it  
9 appeared -- and I was advised that it appeared that  
10 they had done exactly what is -- or the perception was  
11 that they had done exactly what is referred here. And  
12 I was also going to say that I think that Ms. Alexander  
13 throughout her testimony yesterday has gone on to say  
14 there's this perception that utilities, regulated  
15 utilities, will achieve cost savings through the  
16 expense of service quality. It's not a remote, it's  
17 not unknown. It's a feeling, a perception, that's out  
18 there.

19 Q. Do you think it's an accurate perception?

20 A. Pardon me?

21 Q. Do you think it's an accurate perception?

22 A. I don't think so. I think that there are  
23 situations or industry examples where the companies  
24 will sacrifice service quality in order to save costs.  
25 I don't think it's fair to say that it's an across the

1 board instance. I don't think it applies to these two  
2 utilities in particular in that these two utilities  
3 have done extensive cost savings --

4 Q. Excuse me for interrupting, but the question  
5 was, do you think this is an accurate perception about  
6 utilities?

7 A. I think it's a perception that people hold  
8 but a perception that needs to be evaluated in terms  
9 of a utility upon which the study is being made.

10 Q. So at the time you prepared your testimony  
11 and after you had studied the issue of service  
12 quality, do I take it that the only instance you knew  
13 of that there might even be a perception that this had  
14 occurred was U S WEST not the other utilities that Ms.  
15 Alexander has cited subsequently tower filing of your  
16 direct testimony?

17 A. The only company that I named specifically,  
18 and the only one, frankly, that I am able to recall  
19 today is the U S WEST.

20 Q. Do you have any documents or research  
21 papers or data or studies or information from yourself  
22 or your study group that had been meeting for several  
23 months before you filed your testimony that relates to  
24 or shows any research by you or the company into any  
25 other companies other than U S WEST that people might



1 have a perception had had a problem in this area?

2 A. Most of the --

3 Q. Just start with a yes or no and then  
4 qualify if you need to.

5 A. Thank you. To that specific question I  
6 would have to say no. If I did I believe I would have  
7 supplied it. What I have is the kind of analysis, the  
8 kind of research that I described earlier that is how  
9 the companies are doing with these kinds of service  
10 quality measures, from the research and the  
11 participation of the various discussion groups that I  
12 and others have participated in.

13 Q. You've been in the hearing room today and  
14 yesterday, haven't you?

15 A. Yes.

16 Q. Are you familiar with now the Central Maine  
17 Power Company and its service quality index? Are you  
18 aware of it?

19 A. I am aware of it, yes.

20 Q. And is that something that existed prior to  
21 the time that you filed your testimony?

22 A. I'm trying to recall the testimony. I  
23 believe that it did exist prior. I think it was '94  
24 or '93.

25 Q. And that service quality index in the

1 context of a PBR was not something that you or your  
2 research group covered in its study of service quality  
3 indexes and service quality measures in the context of  
4 PBR in the electric and gas utilities?

5 A. Not that I recall.

6 Q. And I take it the other instances that Ms.  
7 Alexander has testified to of service quality  
8 deterioration and service quality indexes in the  
9 context of rate freezes or multi-year rate plans are  
10 ones that you and your committee did not uncover in  
11 your research into this area?

12 A. I don't think I would accept that. That's  
13 kind of characterizing our research. Again, I did  
14 attend this performance-based ratemaking. As I said  
15 to you, San Diego Gas and Electric was there. I  
16 believe -- I can't tell you exactly who else was  
17 there, and they may have crossed over those identified  
18 by Ms. Alexander. In addition, members of the team  
19 might have been aware of these kinds of things. I  
20 don't recall them at this time.

21 Q. So did you consult the members of that team  
22 when you prepared your response to public counsel data  
23 request No. 43?

24 A. Yes.

25 Q. So when you were responding to the

1 question, "provide any objective criteria used in the  
2 electric or gas industry" you would have consulted with  
3 the other members of your team to see what they knew  
4 about specific instances of objective criteria used in  
5 the industry?

6 A. We probably talked about it and we probably  
7 discussed your use of the word objective, and that  
8 suggested things to us and the answer follows as I've  
9 responded.

10 Q. So at the time you responded, I'm trying to  
11 figure out if your team had -- are you saying your  
12 team at that time, to the best of your knowledge, was  
13 not aware of things like the Central Maine Power case,  
14 the information you just mentioned regarding San Diego  
15 Gas and Electric or others that Ms. Alexander has  
16 cited?

17 A. Uh-huh. If the question is were we aware  
18 of CMP at the time we developed this response and was  
19 there anything in our awareness that we felt would be  
20 responsive to that request, I would say no.

21 Q. So at the time you prepared the response  
22 you and your team were not aware of the utilities  
23 which had used objective criteria in their electric or  
24 gas service quality programs?

25 A. I don't think that's necessarily true. I

1 think we can have an awareness without having any  
2 information in terms of passing on this response  
3 either. It's one thing to have dialogues with the  
4 individuals affecting or individual dealing with this,  
5 but it's another thing to have the actual studies or  
6 whatever else is of the nature of information to pass  
7 on, such as the order implementing the action and  
8 things like that. So I'm not willing to say that  
9 there was totally a lack of awareness of CMP. We did  
10 not have anything to package up in terms of this  
11 response.

12 Q. So you or your members might have been  
13 aware of some things like that but not have gotten at  
14 that point yet the specific rate orders or other  
15 information on paper regarding those matters?

16 A. That's what I said. I was kind of  
17 speculating as to where that information came in and  
18 how it is. As you know, there's different ways,  
19 different avenues that we take in terms of research.  
20 There's conversation with your peers at the agencies.  
21 There's trade journal articles, things like that.

22 Q. And your response again is not we don't  
23 have any documents but your response is we are not  
24 aware of any industry-wide quality of service  
25 measures" so your response is really speaking to what

1 you were aware of not the documents you had in your  
2 possession?

3 A. Just a second. I would like to see the  
4 response again. That's correct, that's my testimony.

5 MR. MANIFOLD: Your Honor, I would like to  
6 say that based on how we've done so far I think my  
7 time estimate is going to be woefully short. I think  
8 this is going to be taking much more time than I  
9 thought.

10 JUDGE SCHAEER: How much more time are you  
11 going to need?

12 MR. MANIFOLD: I've just begun.

13 JUDGE SCHAEER: Perhaps we can pick up the  
14 pace, make your point on the questions and then move  
15 on.

16 MR. MANIFOLD: Sure.

17 Q. Did you answer the pending question? I  
18 think you did, didn't you?

19 JUDGE SCHAEER: The ball is in your court,  
20 Mr. Manifold.

21 Q. Do you have before you what's been marked  
22 as Exhibit 156?

23 A. Yes.

24 Q. Is that your response to public counsel  
25 data request No. 271?

1 A. Yes.

2 MR. MANIFOLD: Your Honor, I would move for  
3 admission of Exhibit 156.

4 MR. HARRIS: No objection.

5 JUDGE SCHAEER: That document is admitted.  
6 (Admitted Exhibit 156.)

7 Q. Do you have before you what's been marked  
8 as Exhibit 157?

9 A. Yes.

10 Q. Is that your response to public counsel  
11 data request No. 226?

12 A. Yes, it is.

13 MR. MANIFOLD: Move for its admission.

14 MR. HARRIS: No objection.

15 JUDGE SCHAEER: That document is admitted.  
16 (Admitted Exhibit 157.)

17 Q. Do you have before you what's been marked  
18 as Exhibit 158?

19 A. Yes.

20 Q. Is that your response as indicated?

21 A. Yes.

22 MR. MANIFOLD: Your Honor, move for  
23 admission of Exhibit 158.

24 MR. HARRIS: No objection.

25 JUDGE SCHAEER: That document is admitted.

1 (Admitted Exhibit 158.)

2 MR. MANIFOLD: Trying to shorten this so it  
3 will take a moment.

4 JUDGE SCHAEER: I don't mind if you want to  
5 ask one or two questions on the documents. I think we  
6 just were getting a bit repetitive earlier.

7 MR. MANIFOLD: Fine.

8 Q. In Exhibit 156 your response to our  
9 question of when you or the company decided to  
10 re-impose the rebate program, if I may paraphrase it,  
11 that you made the decision shortly after the  
12 cross-examination of Chairman Nelson of you at the  
13 earlier phase of the hearing?

14 A. That's correct.

15 Q. And would you accept that the transcript  
16 date for that cross-examination was August 5?

17 A. Yes.

18 Q. And shortly after that would mean when?  
19 Like next week or so?

20 A. Yes.

21 Q. Would you accept or can you verify that  
22 your response to what is now Exhibit Nos. 157 and 158  
23 were faxed to us on September 17?

24 A. I can accept that subject to check.

25 Q. And would you verify that in that you

1 responded that "PSE is currently working with other  
2 parties and re-examining the concept of a customer  
3 service guarantee in response to Chairman Nelson's  
4 question," but in essence you said you didn't have one,  
5 a proposal yet?

6 A. You're in 158?

7 Q. 157, the third paragraph.

8 A. At this time we had the -- we had developed  
9 that which was included in Exhibit No. 64, which was  
10 the service guarantee, and we had made the decision,  
11 as I said, almost immediately to work with and provide  
12 a service guarantee, and the guarantee that is  
13 contained in Exhibit 64 was the starting point.

14 Q. At the time you responded to data request  
15 No. 226 and 227 the discussions that were being had  
16 amongst staff, public counsel, company and IBEW had  
17 been terminated by the companies?

18 A. I can accept that. I guess terminated by  
19 the companies, I guess the settlement discussions, if  
20 that's what you're talking about, I think we weren't  
21 able to come to agreement and so that there was no  
22 need to meet any more. I think that -- I don't think  
23 the company just decided not to meet any more. The  
24 settlement just was not possible given the  
25 disagreements.



1 Q. Isn't it true that we had agreed to meet  
2 again and the company notified us that it wouldn't be  
3 necessary to do that or it wouldn't be useful to do  
4 that?

5 A. Given our disagreements.

6 Q. In your I think it was supplemental  
7 testimony you referenced some sort of survey or  
8 consumer panel responses to the original guarantee  
9 program that you had proposed. Is that original  
10 guarantee program -- well, is that right so far?

11 A. That's right. In my supplemental testimony  
12 I did reference some of the negative comment that we  
13 received from our focus group regarding the guarantee.

14 Q. And that's what Chairman Nelson had asked  
15 you about at the August hearing?

16 A. That's correct.

17 Q. Is the guarantee that the company was  
18 considering at that time that that panel was  
19 responding to in the record?

20 A. The guarantee was --

21 JUDGE SCHAEER: Would you answer whether  
22 it's in the record first, please.

23 A. Yes. It's --

24 Q. Where?

25 A. I think it's the guarantee that's in the

1 Exhibit No. 64 CEL-5. The first page of CEL-5 had  
2 this draft customer service guarantee program or an  
3 average.

4 Q. Do I understand correctly that the service  
5 guarantee that you're suggesting in your rebuttal  
6 testimony is the same as this with item No. 2 deleted?

7 A. That's correct. We did eliminate item No.  
8 2 and address what is being considered in item No. 2  
9 through our service -- survey.

10 Q. Do you have before you what's been marked  
11 as Exhibit 159?

12 A. Yes.

13 Q. Is that accurate for what it purports to  
14 be?

15 A. It is.

16 MR. MANIFOLD: I would move the admission  
17 of 159.

18 MR. HARRIS: No objection.

19 JUDGE SCHAEER: Document is admitted.

20 (Admitted Exhibit 159.)

21 Q. Is it still the case that the details of  
22 the administration of the service guarantee have not  
23 been worked out yet by the company or do you have any  
24 update to this to give us today?

25 A. No.

1           JUDGE SCHAER:  Is your answer no that the  
2 details --

3           THE WITNESS:  I'm answering that there are  
4 no updates to this guarantee, to this data response  
5 today.

6           Q.     For instance, you haven't formulated from  
7 the company's perspective whether you would meet  
8 appointments at a specific hour or two hours or half a  
9 day or just for the whole day?

10          A.     We have not -- no, we have not formulated  
11 the type of appointments and how, for example, for one  
12 type of activity it might be to the hour, for another  
13 type of service it might be to the half day.  But as  
14 I've stated in this or some other response, we  
15 envision it to be kind of a continuation of type of  
16 appointment scheduling that we have as separate  
17 companies, which has a component of scheduling to the  
18 hour between 9 and 10.  It also has another aspect  
19 which schedules the appointment morning versus  
20 afternoon.

21          Q.     For which types of appointments are those?  
22 And if you need to distinguish between each company  
23 that's fine, too.

24          A.     Those primarily timed appointments are for  
25 the gas company that I am thinking of in that

1 response.

2 Q. And which particular kind of appointments  
3 are those?

4 A. Just a second. They're for such things as  
5 appliance inspections, turn-ons, kind of seasonal  
6 checks. Those kind of things.

7 Q. Could you give a specific list rather than  
8 examples?

9 A. All right. For appliances we have  
10 appliance checks for dryers, the gas log, the heat, gas  
11 light, pool, range, solar and then water heater.

12 Q. Go ahead, have to be careful when you're  
13 reading. Those are the appointments for which the gas  
14 company schedules to the specific hour?

15 A. No. Those are appointments that can be  
16 scheduled to the specific hour and may also be  
17 scheduled to the half day.

18 Q. Depending upon the customer's desire or the  
19 company's ability or what?

20 A. I think it's a combination of the  
21 customer's desire and the company's ability in order  
22 to efficiently use the available service technician's  
23 time. I think that a combination of both specific  
24 hour and half day scheduling allows the best use -- I  
25 think we found it allows the best use of the field

1 service technician's time so that you're not needing  
2 to cancel or call up from one location to another if  
3 you allow yourself some scheduling in there with the  
4 float of the AM versus PM for the wider -- you can  
5 make it when you can.

6 Q. So there would be some instances under  
7 current policy in which a gas customer could schedule  
8 to the particular hour for those types of appointments  
9 and there might be other situations in which if the  
10 customer wanted to schedule for the particular hour it  
11 would only be possible to schedule for the half of the  
12 day, AM or PM?

13 A. Yes. Those kind of scheduling appointments  
14 are constrained by the available resources, you know,  
15 the staffing available, but the emphasis is to meet  
16 the customer's expectation so I think it's fair to say  
17 that we will do what is necessary and as far as we can  
18 to get the scheduling type that the customer would  
19 like.

20 Q. Then does that finish your response in  
21 terms of what is currently the practice of the gas  
22 company?

23 A. What I was responding to were, as I said in  
24 my response, it's still under development and what I  
25 was responding to was -- and I finished with those

1 kinds of appointments that have specific hour  
2 responses or have evening -- excuse me -- morning and  
3 afternoon responses.

4 Q. For the gas company?

5 A. Yes.

6 Q. How about for the electric company what's  
7 the current practice?

8 A. For.

9 Q. The electric company in making appointments  
10 of various kinds for either a specific hour or an  
11 AM/PM or a specific day?

12 A. I understand that the electric company,  
13 although I don't have the specifics I understand that  
14 they also do schedule some of their field activity.  
15 It's not the same as on the gas or the same type of  
16 work, but they do schedule certain things to the hour  
17 and they do schedule certain things to the half day.  
18 I would suggest that for more details on the electric  
19 you could talk to Mr. Lehenbauer when he's up.

20 Q. If the Commission were to accept your  
21 recommendation in your rebuttal regarding your  
22 customer service guarantee program, what would be  
23 guaranteed and what would they order in this  
24 particular area or is this something that you  
25 anticipate there be further proceedings or

1 consideration on?

2 A. No. I think that what we would anticipate  
3 the Commission approving is as the guarantee says.  
4 The guarantee is for any appointment that the customer  
5 -- any mutually agreed upon appointment for the  
6 customer -- with the customer and the company and that  
7 that appointment might be, as I've said, to the hour  
8 or to the half day. But it would be mutually agreed  
9 upon.

10 Q. So if a company didn't agree to a specific  
11 hour but insisted for whatever reason that it wanted a  
12 half day then the guarantee would be for the half day?

13 A. If the resulting appointment that was  
14 scheduled was for the half day then that would be  
15 would be guaranteed.

16 Q. So the guarantee, the nature of the  
17 guarantee, would be within the control of the company?

18 A. The guarantee, the nature of the guarantee.  
19 I don't understand your question.

20 Q. So whether the guarantee is to a specific  
21 day or to half a day or to a whole day would be at the  
22 option of the company, understanding you've said that  
23 the company would make its best efforts to do what the  
24 customer wanted, but the specific guarantee that you're  
25 proposing be adopted is one that would be up to the

1 option of the company ultimately because it would have  
2 to be a mutually agreed upon one?

3 A. So it's subject to the company's resources,  
4 but it's up to the customer to agree to. I mean, it's  
5 mutually agreed upon. The offering of what's timed,  
6 the nature of the offering is what's under  
7 development. I guess --

8 Q. So if I'm a customer and you're the  
9 company, for a hypothetical, and I call up and I  
10 say I would like you to come out at 8:00, but for  
11 operational reasons or because you don't want to  
12 trigger penalties or whatever reasons, and we don't  
13 need to speculate, but for whatever reasons you're not  
14 able to do that, you just agree to the morning, and I  
15 say I would like you to come out at 8:00, what's the  
16 guarantee?

17 A. The guarantee, again not to speculate, but  
18 the guarantee would apply to whatever appointment we  
19 were able to ultimately agree to.

20 Q. So would you expect that if I said, gee, I  
21 would like you to come at 8 because I have to get to  
22 work and I have a big case I have to work on, and you  
23 say we can't get that specific, we can come out in the  
24 morning, you would expect the customer to say, I will  
25 be out here in the morning and you will make your best



1 efforts to get there as soon as possible, so the  
2 agreement will be the morning?

3 A. The customer may have said, well, if you  
4 can't come out today at 8:00 can you come out  
5 tomorrow. The customer may be indifferent to today at  
6 8 or tomorrow at 9 and that would become the  
7 agreed upon appointment.

8 Q. So whatever is agreed upon between the  
9 customer and the company will be the guarantee?

10 A. Yes.

11 Q. And so the company has control because it  
12 has to agree of what the guarantee is?

13 A. The company is offering the guarantee. The  
14 company is defining the guarantee. The guarantee will  
15 be approved, hopefully, by this Commission and the  
16 customer has the choice of -- again, it's that  
17 mutually agreed. I don't know that --

18 Q. Does the customer -- new question. Under  
19 your proposal would the customer have to ask for the  
20 \$50 -- are we calling it a rebate?

21 A. We're calling it a guarantee.

22 Q. Would the customer have to ask for that if  
23 the appointment was not kept as agreed to or would the  
24 company automatically offer and pay that?

25 A. I think that -- I'm trying to recall here.

1 I think that we have this guarantee and would be  
2 empowering the employee that would be dealing with the  
3 customer to offer the guarantee to the customer.

4 Q. Empower or require?

5 A. I said empower.

6 Q. So the company would not automatically make  
7 the payment for the appointment that was missed?

8 A. The company could and that's of the nature  
9 of the things on the administration.

10 Q. Well --

11 A. That as I said --

12 Q. Well, could is different than would,  
13 wouldn't you agree?

14 A. Yes.

15 Q. So would the company automatically make the  
16 payment if the appointment was missed or would that be  
17 subject to some decision by somebody within the  
18 company?

19 A. I'm sure that if the appointment was missed  
20 that -- and this is again along the lines of our  
21 commitment to the service quality -- that that  
22 employee could and would pay that customer for that  
23 missed appointment. That goes to, again, the  
24 commitment we have to providing this service quality.

25 Q. Would you support a Commission order that

1 said that if a -- whenever the service guarantee is  
2 violated the company will make the payment whether or  
3 not the customer asks for it or whether or not the  
4 company's employee chooses to offer it?

5 A. You used the word "will." That is the  
6 wording that is in the guarantee and that is what we  
7 are asking for them to approve, that if you do miss --  
8 if we do miss a mutually agreed upon appointment the  
9 company will credit your account so that it is very  
10 definitely a will.

11 Q. So when you said it was up to the service  
12 technician who was empowered to make the offer we can  
13 ignore that part. It's a will. It will happen?

14 A. It is a will.

15 Q. Do you have before you what's been  
16 marked --

17 MR. MANIFOLD: Did we put in 159?

18 JUDGE SCHAEER: Yes.

19 Q. Do you have before you what's been marked  
20 as Exhibit 160?

21 A. Yes.

22 Q. Perhaps we could do this more efficiently  
23 and just say do you have before you what's also been  
24 marked as 161, 162, 163, 164, 165, 166 and 167?

25 A. Yes.

1 Q. Are those the company responses to public  
2 counsel data request as indicated?

3 A. I believe so. 167, however, I think you  
4 might have noted, was not my response, but I do  
5 believe that it is a copy of the company's response.

6 MR. MANIFOLD: Your Honor I would move for  
7 the admissions of Exhibit 160 to 167.

8 JUDGE SCHAEER: Any objection?

9 MR. HARRIS: I would ask only to clarify  
10 that 167 is the complete response to 269.

11 MR. MANIFOLD: It is certainly intended to  
12 be.

13 MR. HARRIS: No objection.

14 JUDGE SCHAEER: Those documents are  
15 admitted.

16 (Admitted Exhibits 160 - 167.)

17 MR. MANIFOLD: If it turns out it's not we  
18 would be happy to put it all in but I think it is.

19 Q. If you turn, please, to Exhibit 162, which  
20 is public counsel data request No. 170 and the  
21 response and supplemental response by yourself on  
22 behalf of the companies?

23 A. Yes.

24 Q. Are the measurements that are asked for  
25 here and that have been included in Ms. Alexander's

1 service quality index all measures that are currently  
2 kept and tracked and utilized by the company? We can  
3 go through them one by one if you want.

4 A. I believe so with the supplement, the  
5 addition of the supplement. All that I was aware of,  
6 yes.

7 Q. And would you agree that these -- in the  
8 parlance of how we've discussed these, these are what  
9 have been referred to as objective standards, that is,  
10 things that are recorded for a variety of purposes  
11 based upon minutes, for instance, or numbers that  
12 don't require a subjective judgment in general?

13 A. I would agree that these are generally as  
14 you stated. However, the manner in which you record  
15 or retain the data can sometimes influence the data  
16 and cause a different sort of story to be sold by the  
17 data.

18 Q. Such as we discussed earlier regarding  
19 service appointments?

20 A. Yes.

21 Q. And you would agree, I take it, that the  
22 measurements, the specific baselines that Ms.  
23 Alexander has proposed are derived from the companies'  
24 historical data and their internal goals? And I  
25 suppose we should put the exception of the customer

1 surveys which are ones we adopted from you.

2           A.       I know that that's what Ms. Alexander  
3 testified to that she used primarily historical data,  
4 but from listening to her testimony yesterday it  
5 seemed like it was a combination of internal goals,  
6 her observations about the data and then in certain  
7 aspects the data, the historical data. Seemed like it  
8 was a combination of different things which wasn't  
9 necessarily -- which isn't apparent -- which isn't  
10 very clear from her presentation.

11                   JUDGE SCHAEER: I'm going to ask you, Ms.  
12 Lynch, to listen carefully to the questions that you  
13 are asked because as I heard that question you were  
14 asked whether they were from historical data or from  
15 internal goals, and could you answer that question yes  
16 or no.

17                   THE WITNESS: From --

18           Q.       Let me help you out here maybe because it  
19 is a compound question. Are her baselines developed  
20 in the first instance from the company's own  
21 historical data and, part B, in some instances  
22 adjusted for the company's own internal goals?

23           A.       I can say that she has represented them to  
24 be from the internal data and from goals. It's not  
25 clear to me how they were used.

1 Q. Let's go through them each then. The  
2 complaint ratio?

3 A. Yes.

4 Q. Do you recognize that to be based upon the  
5 historical experiences of the two companies?

6 A. Her complain ratio is .40. The historical  
7 data shows an average of .49 with a standard deviation  
8 of .11. If we want to or are intending to march  
9 through the historical data, and I don't know what  
10 line of questioning you're going to take, Mr. Heidell  
11 can probably assist you quite a lot with that type of  
12 questioning.

13 Q. Well, my intent, which I will announce up  
14 front here, is to try and figure out where there's  
15 legitimate agreement and where there's disagreement,  
16 and that's why I asked the general question because I  
17 thought you would agree to that but since you haven't  
18 then we need to go through each area and see what you  
19 will and won't agree to based upon your testimony and  
20 we'll talk to Mr. Heidell later about his testimony.

21 A. If I could respond to that.

22 Q. Well, it's not really a question yet, but if  
23 you want to amend your previous answer, response to  
24 that.

25 Looking at the WUTC complaint ratio, Ms.

1 Alexander's testimony, Exhibit 133, sets forth  
2 historical data for Puget Power and Washington Natural  
3 Gas. Do you disagree with the accuracy of that  
4 historical data?

5 A. No.

6 Q. It's in fact the data that you provided or  
7 your company has provided to Ms. Alexander?

8 A. Yes.

9 Q. So your questions or your disagreement --  
10 do you disagree with the baseline that she's  
11 established of .4?

12 A. I disagree that it's -- I guess in a sense  
13 I do as it was represented as being from historical  
14 data, and I don't understand from her presentation the  
15 exact way in which it was derived.

16 Q. Do you disagree with using .4 as a baseline  
17 for a service quality index?

18 A. I disagree with using .4 as a baseline if  
19 that -- and I have not looked at it this closely -- if  
20 it does not address the variation in the data and at  
21 .4 when I look at the history I'm not so sure that it  
22 does.

23 Q. What baseline do you recommend?

24 A. I can only say that I would recommend one  
25 -- again it's based on three years, as I say in my



1 testimony, the three-year average of combined  
2 Commission complaints. I don't have that number.

3 Q. You haven't done a calculation of what the  
4 baseline is that you would recommend the Commission  
5 adopt in this area?

6 A. I don't have that number here, no.

7 Q. Would you be able to do that calculation  
8 over the lunch hour as it appears we'll probably have  
9 the wonderful opportunity to do work then?

10 A. Yes.

11 Q. So your proposal would be to take a  
12 straight arithmetic average. Would you weight it  
13 between the two companies or is it already weighted  
14 because it's per 1,000 customers?

15 A. We would use the approach of recognizing  
16 the gas and electric distinction between the  
17 complaints, so, yes it would reflect the relative  
18 weights of the customers.

19 Q. What about a customer who is a -- if the  
20 merger goes through there will be some customers who  
21 are electric, some who are gas and some who are  
22 customers of both aspects of the business. If you had  
23 three customers, one of each of those categories,  
24 would that constitute for this data keeping purposes  
25 three customers or four customers? Do you want to

1 think about that one over lunch?

2 A. Sure.

3 Q. SAIDI and SAIFI, my understanding is you  
4 would prefer not to have those in the index at all,  
5 whether they're weather-adjusted or not?

6 A. No, we do not want SAIDI and SAIFI in the  
7 index. We don't believe that they are -- like most  
8 if not all of Ms. Alexander's proposal, they are not a  
9 representation of how the customer feels about the  
10 service being provided. They are operational  
11 standards, or operational statistics. No evidence has  
12 been presented that they have a tie to or reflect in  
13 any manner the customer's satisfaction with the  
14 service provided, so in general we disagree with this,  
15 as we would characterize it, the micro-management  
16 approach that appears to be throughout this proposal.

17 Q. Are you aware of any performance-based  
18 ratemaking plan which includes a service quality index  
19 which does not include a SAIDI and/or SAIFI component?  
20 And I'm asking awareness here, not documents you have  
21 with you.

22 A. Right, I can't say. No, I am not aware.  
23 No.

24 Q. You're not aware of any?

25 A. No.

1 Q. The disconnect ratio, do you understand how  
2 that was developed?

3 A. In Ms. Alexander's?

4 Q. Yes. That's one that would be in hers and  
5 not in yours.

6 A. Yes.

7 Q. Let me ask you this. If the disconnect  
8 ratio were to be included despite your recommendation  
9 to not include it, would you disagree with the  
10 baseline that she has established, recommended, of 35?

11 A. Again, I'm not sure that it -- I would have  
12 some reservation. I'm not sure that it reflects the  
13 data on which it was developed or reflects a variation  
14 of the data on which it was developed.

15 Q. What do you mean?

16 A. If you look at the historical data --

17 Q. That's historical, not hysterical, correct?

18 A. Historical data.

19 -- in '92 it's at 21, and I am looking at  
20 BA-5 page 1 of 3 for Puget. It's not clear to me that  
21 it -- and again, the same kind of historic data for  
22 Washington Natural -- that this 35 disconnects per  
23 1,000 customers reflects this data.

24 Q. When you say reflects the data what do you  
25 mean?

1           A.     What I am talking about is the numbers are  
2 not the same throughout the years, and so I think that  
3 there should be some demonstration that that variation  
4 has been reflected or considered in setting the 35  
5 baseline.

6           Q.     And how would that be demonstrated, in your  
7 mind?

8           A.     Again, I think that Mr. Heidell can  
9 describe that to you, how those might be demonstrated.

10          Q.     You're the one who criticized this, aren't  
11 you?

12          A.     My criticism of this was to the effect of  
13 that it is not, in our opinion, a measurement of  
14 customer satisfaction, but that it's a measure of and  
15 it represents just operational statistics.

16          Q.     You would agree, I presume, that the -- I  
17 think when I ask -- well, do you agree that the  
18 historical data that for all the indices that are set  
19 forth in Ms. Alexander's BA-5 which is Exhibit 133 are  
20 accurate historical data?

21          A.     This data appears to come from the data  
22 responses that we provided so, yes.

23          Q.     So it's as accurate as the information you  
24 provided to her?

25          A.     Yes.

1 Q. And I presume you would think that the  
2 information you provided to her was accurate?

3 A. Exactly.

4 Q. So you would agree that the information in  
5 here is accurate?

6 A. Yes.

7 Q. Turning to the phone center performance.  
8 Is it your understanding or awareness that each  
9 company has set for itself a goal of having -- well,  
10 what is the goal that each company has set for itself  
11 for answering telephones within 30 seconds?

12 A. You can talk to Mr. Lehenbauer. He can  
13 tell you that information.

14 Q. You don't know?

15 A. That's correct.

16 Q. Do you know what -- in your survey of what  
17 other utilities do, do you know what standard other  
18 utility use for their own internal operations?

19 A. I'm not sure. No, I don't.

20 Q. Do you read the data responses that Ms.  
21 Alexander provided to you that you requested?

22 A. I did review them, yes.

23 Q. And did that give you any information about  
24 what standards other companies have?

25 A. If you could refer me to a specific request

1 I could see if that is answering the question.

2 Q. No. 378. While we're getting that, are you  
3 aware of the U S WEST telephone company presentation  
4 last week to the Commission in which they said they  
5 were achieving an 80 percent answering with -- excuse  
6 me -- 80 percent of calls being answered within 30  
7 seconds on their system?

8 A. I was not aware of that but I can accept  
9 that.

10 Q. Should I perhaps say even U S WEST?

11 MR. HARRIS: Did you want her to review  
12 that data request? Is that what we're doing now?

13 MR. MANIFOLD: Well, she had testified  
14 earlier that she had done a lot of study and  
15 compilation of information about service quality  
16 indices around the country and in other utilities, and  
17 then she just now said she doesn't have any awareness  
18 of what this particular data might be, and that  
19 surprised me because we had, among whatever studies  
20 she did, we had provided her with a study with some  
21 information on that. So, yes.

22 A. Could you refer me to a page? I know that  
23 on the cover sheet it says -- I guess I didn't -- 1991  
24 survey of call center performance. I will accept that  
25 that's included in here as call center performance.

1 Q. I'm happy to go with whatever you're --  
2 you're testifying as the expert for the company on  
3 this. I'm happy to go with whatever your knowledge is  
4 on the subject that you're testifying is and if you  
5 tell me you don't know what other companies have for  
6 their internal standards then I will just accept that.

7 JUDGE SCHAER: Was that a question, Mr.  
8 Manifold?

9 MR. MANIFOLD: No. Well, that's a good  
10 question.

11 JUDGE SCHAER: If it was, I don't believe it  
12 was answered.

13 MR. MANIFOLD: I think she said okay.

14 A. Okay.

15 JUDGE SCHAER: Would you explain what okay  
16 means for me?

17 THE WITNESS: The question was -- I believe  
18 it was a conversation that --

19 Q. Maybe I can help you here. I will restate  
20 the question, be sure we get it clear. Is my  
21 understanding correct that at this moment, sitting  
22 here today, you do not have any knowledge or awareness  
23 of what the internal standards for other gas or  
24 electric companies are regarding telephone service  
25 answering times?

1           A.     That's correct, that's what I testified,  
2 and I said that Mr. Lehenbauer could address those  
3 kind of things.

4           Q.     I think where we were was going through Ms.  
5 Alexander's indices and the historical information on  
6 which baselines you agreed with or didn't agree with.  
7 On the gas response time of 55 minutes, do you know  
8 what the company's current experience is?

9           A.     I know that we provided it in a response.  
10 I can't place my hands on it now, but I could find it.

11          Q.     Would you accept subject to your check that  
12 the company's current response time is less than 30  
13 minutes?

14          A.     Yes.

15          Q.     So based upon the company's current  
16 performance the 55 minutes standard would be very  
17 generous?

18          A.     Yes.

19          Q.     Turning next to the customer satisfaction  
20 area. This was one that where public counsel adopted  
21 the company's proposal to have a customer survey; is  
22 that correct?

23          A.     That's correct.

24          Q.     And am I correct that the company has done  
25 -- both companies have done surveys of their customers



1 for several years?

2 A. Yes.

3 Q. And is the 90 percent customer satisfaction  
4 baseline that Ms. Alexander recommends one which the  
5 companies have generally been meeting?

6 A. Yes.

7 Q. So do you have a problem with that  
8 baseline?

9 A. Only in that it, as I've testified, we are  
10 preparing a pre-merger survey and I would like to be  
11 able to validate this, this baseline estimate, with  
12 the results of the survey that were designed for this  
13 particular application, but in general it seems  
14 reasonable.

15 Q. So there's some implementation work that  
16 needs to be done to make sure that a new survey  
17 instrument, if that's what the companies wish to use,  
18 is producing result consistent with historical  
19 surveys?

20 A. Yes. There's implementation work just to  
21 understand the data that's being derived even now in  
22 the various test phases of the survey tool so that the  
23 baseline is set in an appropriate level.

24 Q. I think some of your previous testimony  
25 indicated this new survey would be developed or tested

1 in the fall of this year. It's November 5. What's  
2 the status of that?

3 A. The status was provided -- I believe all of  
4 the surveys are in the field and actually we are  
5 collecting data and looking at the result so we are in  
6 test per the schedule.

7 Q. So is that to test the survey or is the  
8 survey actually being used?

9 A. It's in the field.

10 Q. What's that mean?

11 A. That means that we are actually asking  
12 customers these questions and looking at the results.

13 Q. Did you develop those questions in  
14 consultation with other parties to this case?

15 A. I believe we talked about the questions so  
16 I would you say yes.

17 Q. Were the questions provided to staff and  
18 public counsel and developed in consultation with them?

19 A. I believe they were provided to staff and  
20 public counsel.

21 Q. When and by whom?

22 A. Seems like we had some meetings. When was  
23 it? It was throughout the course of the summer and it  
24 seems like that those questions were shared with the  
25 staff and public counsel.

1 Q. Perhaps you could check on that over the  
2 lunch hour, too, and we can revisit that afterwards.

3 A. Okay.

4 Q. The last time, the LTA standard, having  
5 heard the examination of Ms. Alexander yesterday and  
6 today, do you agree that the numbers that are in  
7 Exhibit 139 and are in -- are the same as in her  
8 direct testimony?

9 A. Yes.

10 Q. And those are different than the numbers  
11 that you used in your backcast of her standard?

12 A. That's correct.

13 Q. And is there -- do you agree with the  
14 reason she gave for that mistake?

15 A. I think it was -- as I recall it was a  
16 misunderstanding more than a mistake. I think that it  
17 wasn't clear -- I take that back. I will take it as a  
18 mistake.

19 Q. Would you agree that the data that she used  
20 is the more commonly used data or would be the  
21 appropriate data to be used?

22 A. This particular part of her testimony or of  
23 the proposed baseline isn't commonly used, so I am not  
24 sure. If you were going to use an LTA it seems that  
25 that is available information if you decide to go with

1 an LTA in a customer satisfaction survey.

2 Q. Is the data she used the same -- the same  
3 standard as used in the San Diego Gas and Electric?

4 A. That part I don't know.

5 Q. Did you attempt to find that out given your  
6 contacts with San Diego Gas and Electric that you  
7 testified to earlier?

8 A. No, I did not.

9 Q. Wasn't one of the documents that your  
10 counsel put in through Ms. Alexander yesterday the San  
11 Diego Gas and Electric study?

12 A. I can accept that, yes.

13 Q. But you don't know what's in it in terms of  
14 this standard?

15 A. That's correct.

16 Q. Could you look, please, at Exhibit 166.  
17 This was a response by you. Are you familiar with  
18 this document?

19 A. Yes.

20 Q. Does this document include a Washington  
21 Natural Gas internal goal for LTA?

22 A. I can accept that it does.

23 Q. Well, this is your document.

24 A. This says that there is an operational goal  
25 to have no more than 2.5 preventable injuries for

1 2,000 hours.

2 Q. And is it a 1994 Washington Natural Gas  
3 document?

4 A. Yes.

5 Q. So that 2.5 is the same as is in Ms.  
6 Alexander's proposed index?

7 A. Yes.

8 Q. So would you agree that her index captures  
9 the same goal that the company set in 1994?

10 A. Yes.

11 MR. MANIFOLD: This is as good a point as  
12 any if you want to break for lunch.

13 JUDGE SCHAEER: Right now we're about 40  
14 minutes over your estimate. Do you have any estimate  
15 for me of what you have left?

16 MR. MANIFOLD: We're talking for the  
17 questions or the questions and the answers?

18 JUDGE SCHAEER: For both, if you have a  
19 sense of how that's going.

20 MR. MANIFOLD: Yes. Give me just a moment.  
21 Probably 30 to 40 minutes.

22 JUDGE SCHAEER: Let's take our lunch recess  
23 at this time. Please be back promptly at 1:15. We're  
24 off the record.

25 (Lunch recess taken at 12:00 noon.)

1

## AFTERNOON SESSION

2

1:20 p.m.

3

JUDGE SCHAEER: Let's be back on the record after our lunch recess. I indicated while we were off the record this morning that the Commission had received a letter from Ms. Pyron and Mr. Finklea asking that Mr. Schoenbeck be allowed to testify on Monday or Tuesday of next week and Ms. Pyron has joined us this afternoon. I did not hear any objection to allowing Mr. Schoenbeck to testify on Tuesday, so the bench will allow Mr. Schoenbeck to testify on Tuesday even if that means that he will not be taken in the order that was handed out on the list of witnesses.

15

Also, so everyone knows the scheduling plans going forward, even though we're slowing down a bit today I believe that we still will have time to finish this hearing in the allotted days without holding a hearing session on Monday, so we will not be planning to hold a hearing session on Monday, and on Wednesday of next week the Commission will have its regularly scheduled open meeting in the morning and it needs to hold a brief hearing on an interconnect issue also in the morning, so we will be planning to reconvene this hearing at 1:15 on Wednesday afternoon.

25

1 You may make other plans for the morning if you wish  
2 to do so.

3           Before we proceed with more questioning,  
4 Mr. Ellsworth also approached me over the -- a few  
5 moments ago in the hearing room and asked if he could  
6 make an oral motion to compel, and I believe that that  
7 is something that he should be allowed to do in this  
8 circumstance, and so I think perhaps before we get back  
9 into the questioning of Ms. Lynch we could take that  
10 matter up now.

11           MR. MANIFOLD: Your Honor, could we do a  
12 couple of other scheduling things while we're talking  
13 scheduling?

14           JUDGE SCHAER: Okay. Let's move back to  
15 scheduling for a moment. Yes, Mr. Manifold.

16           MR. MANIFOLD: With, I believe, agreement  
17 of staff and the applicants we have scheduled public  
18 counsel witnesses Marcus and Sterzinger for this  
19 Friday. They will both be coming in from out of town.  
20 Would expect to testify and be off the stand that day,  
21 and I believe Dr. Power is also scheduled for that day  
22 from NRDC.

23           JUDGE SCHAER: That's correct.

24           MR. MANIFOLD: And we've also asked for Mr.  
25 Karp to come Thursday afternoon to be able to testify

1 that afternoon, because he's not available on Friday.

2 JUDGE SCHAER: Is Thursday afternoon the  
3 only time that he's available?

4 MR. MANIFOLD: He can come next Tuesday if  
5 that doesn't work out.

6 JUDGE SCHAER: I think we might want to  
7 reevaluate where we are at the end of tomorrow and  
8 decide if you should have him come Friday or Tuesday.  
9 Actually tomorrow -- let's see where we are at the end  
10 of today to see if we think that we realistically will  
11 be able to get to him tomorrow. Otherwise we would  
12 ask him to wait until Tuesday.

13 I should also indicate while we're  
14 discussing scheduling that the PUD witnesses Anderson  
15 and Opatrny had asked to be scheduled on either Monday  
16 or Wednesday of next week and are not available  
17 Tuesday and since we will not be meeting on Monday  
18 those witnesses you should plan on seeing Wednesday  
19 afternoon.

20 Is there any other scheduling discussion  
21 that needs to be held? Mr. Ellsworth, did you want to  
22 bring your motion to compel?

23 MR. ELLSWORTH: Yes, thank you, Your Honor.  
24 Has Exhibit 160 been admitted?

25 JUDGE SCHAER: Yes.



1           MR. ELLSWORTH: Our motion to compel is  
2 that the joint applicants should be required to  
3 respond to data requests for several reasons. First  
4 of all, this is the first time we have seen this  
5 response this morning. In the witness's direct  
6 testimony she refers to these meetings that were held  
7 specifically on page 4, lines 19 to 20, yet nowhere in  
8 her testimony does she allude to the fact that those  
9 meetings were being held under some sort of  
10 confidentiality agreement. Certainly local 77 did not  
11 participate in those meetings with that understanding.

12           Secondly, yesterday both Mr. Manifold and  
13 myself asked questions of Ms. Stephens regarding the  
14 content of those meetings. There were no objections  
15 that those discussions were somehow confidential. The  
16 testimony was allowed to come in. Mr. Manifold also  
17 asked questions this morning and perhaps yesterday  
18 afternoon of Ms. Alexander concerning the discussions  
19 that were held in those meetings. There were no  
20 objections from joint applicants as to those meetings.  
21 I believe those notes are discoverable. To the extent  
22 that they may lead to potential cross-examination  
23 questions for either myself or for Mr. Manifold then  
24 the joint applicants should be directed to produce  
25 those notes to the extent that they exist.

1                   JUDGE SCHAER: Commissioners, do you have a  
2 copy of your Exhibit 160 in front of you? You might  
3 want to look at it in terms of this. Mr. Harris, also  
4 do you have Exhibit 160 in front of you?

5                   MR. HARRIS: I do, Your Honor.

6                   JUDGE SCHAER: It's unclear to me whether  
7 notes exist that are not being provided or whether no  
8 notes were taken, because of the nature of these  
9 meetings. Do you know which of those are true?

10                  MR. HARRIS: If you give me one minute I  
11 can determine.

12                  Apparently there are some notes and we  
13 would like an opportunity to respond to the motion,  
14 not to respond by producing but to respond and set  
15 forth our position why we believe the information is  
16 not discoverable.

17                  JUDGE SCHAER: Certainly. I just wanted to  
18 know if we had an issue before we went to that step.  
19 Please respond.

20                  MR. HARRIS: Joint applicants do not  
21 believe that this information should be produced.  
22 It's the clear policy of this Commission to encourage  
23 settlements, and if you look at WAC 480-09-465, the  
24 policy is evident there. It talks about informal  
25 settlement conferences. Says, "The conferences shall

1 be informal and without prejudice to the rights of  
2 parties and no statement, admission or offer of  
3 settlement made at an informal conference shall be  
4 admissible in evidence in any formal hearing before  
5 the Commission."

6           Furthermore, if you turn to the civil  
7 rules, Washington civil rules, which are considered  
8 the persuasive authority here, the civil rules have  
9 specific provisions that prevent admission of this  
10 sort of information, and we would also like to make  
11 the point that we don't believe this information is  
12 relevant to the issues before the Commission here.  
13 What the Commission has to decide is examining the  
14 merits of the two service quality proposals, which  
15 service quality proposal is appropriate. What  
16 specifically happened in these meetings where the  
17 parties were attempting to work out an agreement is  
18 not at issue in this proceeding.

19           Now, Ms. Lynch raised the issue in her  
20 testimony only to point out that there were  
21 disagreements between the parties and to point to  
22 where the parties disagreed. She gave no specifics  
23 from those meetings and she has not opened the door.

24           MR. ELLSWORTH: My response to that would  
25 be --

1                   MR. MANIFOLD: Your Honor, may I be heard on  
2 this?

3                   JUDGE SCHAEER: I think that would be  
4 appropriate. Go ahead, Mr. Manifold.

5                   MR. MANIFOLD: I think this raises a very  
6 difficult issue. It certainly does for me. I was a  
7 participant in those meetings. There definitely are  
8 memorandum that were prepared for the meetings let  
9 alone any that were prepared after the meetings, so  
10 there are documents from it. I was, quite frankly,  
11 shocked to see this portion of Ms. Lynch's testimony  
12 because we didn't reference the meetings in our  
13 testimony because we assumed that they were in the way  
14 of settlement negotiations, were not something to be  
15 referenced. When the company put references to it and  
16 the substance which, as you may recall from my  
17 previous questions to Ms. Stephens, we would violently  
18 disagree with the statements by Ms. Lynch in her  
19 testimony about what the meeting resulted in, I felt  
20 it necessary to at least go into that in some degree  
21 both in discovery and on cross-examination here.

22                   I find this a difficult issue because I  
23 think it's very important that the parties be able to  
24 engage in settlement discussions and to be able to be  
25 truthful and forthright in those and not feel that

1 somehow something they say there will be used in  
2 another setting, as the rule referenced by Mr. Harris  
3 anticipates. What is difficult in this setting is that  
4 one of the parties apparently -- well, to my view one  
5 of the parties has, to some degree, violated that, and  
6 we have attempted to respond at least to the same  
7 degree. Whether that opens the door for everything  
8 that was in it I don't know and I guess I would leave  
9 to you. It's okay with me if it does. It's okay with  
10 me, I suppose, if it doesn't. I suspect that Mr.  
11 Ellsworth can make an offer of proof as to what the  
12 nature of that was, if he isn't allowed to go into  
13 that further, so at least statements about it will  
14 be on the record one way or the other.

15 I think it's important that the parties be  
16 able to work together in the future. Part of that  
17 working together involves being able to trust each  
18 other, and to the extent that there has been a breach  
19 of that trust in this instance already then I'm not  
20 sure what else -- whether further damage would be done  
21 by disclosing this or not.

22 MR. CEDARBAUM: Your Honor, maybe I can  
23 just place my comment on the record as well.

24 JUDGE SCHAEER: Yes.

25 MR. CEDARBAUM: I was not at those meetings

1 although staff was through Ms. Stephens, but I would  
2 agree with the comment of Mr. Manifold with respect to  
3 our reaction to Ms. Lynch's testimony. That was  
4 pointed out at page 4. We carefully crafted our  
5 testimony not to even get into the subject matter of  
6 these discussions. When we read her testimony we did  
7 think that she opened the door to those discussions  
8 and what they entailed, what agreement or  
9 disagreements were reached, and I look at these notes  
10 that Mr. Ellsworth is requesting -- maybe not for the  
11 purpose that he's looking at them for, but they would  
12 indicate what agreements or disagreements there were  
13 from those meetings, and that's something that she  
14 specifically references in her testimony.

15           So it seems to me that to the extent that  
16 the company has testified on this subject and that  
17 these notes are relevant to that subject and to the  
18 extent they talk about settlement negotiations or  
19 discussions they have waived that objection. I think  
20 they have opened the door and it's been opened pretty  
21 wide, so I'm not joining in the motion but I think  
22 it's well worth taking.

23           JUDGE SCHAER: Let me ask a couple of  
24 points just to make sure I understand what we're  
25 talking about. We're talking about a motion to compel

1 that would allow you to look at this information but  
2 not at this point about any use of that information in  
3 the hearing setting; is that correct?

4 MR. ELLSWORTH: That's correct.

5 JUDGE SCHAEER: Am I also understanding  
6 correctly from what's been said that there is a  
7 factual dispute about whether or not the statement in  
8 Ms. Lynch's testimony at page 4 is true?

9 MR. MANIFOLD: Yes.

10 MR. ELLSWORTH: Yes.

11 MR. CEDARBAUM: I think that's been  
12 indicated by the testimony yesterday of Ms. Stephens.

13 MR. HARRIS: May I respond briefly, Your  
14 Honor, to Mr. Manifold and Mr. Cedarbaum's comment?

15 JUDGE SCHAEER: Briefly.

16 MR. HARRIS: If you look at the bottom of  
17 page 4, what the company was setting forth there was  
18 the fact that the company had worked with other  
19 interested parties to develop the proposed customer  
20 service program. A natural question that arises once  
21 you say that you did work with other parties in  
22 developing the program is why then is it an issue in  
23 this proceeding. Ms. Lynch's testimony goes no  
24 further than saying that disagreements were reached.  
25 The focus of the disagreements was about the nature of

1 the two programs and it stops right there.

2                   What Mr. Ellsworth is asking that we  
3 produce is detailed information and information that  
4 could include the specific sorts of statements that are  
5 set forth in WAC 480-09-465, specific statements,  
6 admissions or offers of proof. It would undermine the  
7 Commission's policy to encourage settlement if every  
8 time a party goes into one of these settlement  
9 negotiations they know that their notes may end up  
10 being discoverable simply by raising the fact that  
11 there had been discussions, not talking about what  
12 happened at those discussions. Not revealing specific  
13 statements that were made during those discussions and  
14 not talking about any offers, anything that was  
15 admitted by either side in those discussions. I think  
16 it would be a grave error to order discovery of this  
17 material.

18                   MR. ELLSWORTH: May I respond?

19                   JUDGE SCHAEER: Yes, Mr. Ellsworth. It's  
20 your motion.

21                   MR. ELLSWORTH: If they are settlement  
22 conferences, as counsel is arguing, then there should  
23 have been an objection when there was testimony about  
24 the substance of those meetings, and there's been two  
25 witnesses and at least three opportunities to object.



1 It's too late. You can't pick and choose when you're  
2 going to assert that particular argument. It should  
3 have been made the first time there was a question  
4 regarding those meetings.

5           Secondly, I think there is a disagreement.  
6 Ms. Lynch today has testified that she doesn't believe  
7 SAIDI, which is an issue we're very concerned about,  
8 is an appropriate factor for inclusion in a quality  
9 of service program. My understanding, as a result of  
10 these meetings that we were attending, was that there  
11 was conceptual agreement that SAIDI should have been  
12 included. That's a radical change from where we were  
13 to what the testimony is today. I don't know what the  
14 notes may say, but I think that if the notes  
15 demonstrate a change in the company's position from  
16 the time that these meetings were held until the  
17 witness testified today we're entitled to see that and  
18 we're entitled to inquire about it.

19           MR. HARRIS: If I may, I can keep it very  
20 brief.

21           JUDGE SCHAEER: No, you may not, Mr. Harris.  
22 We've heard from you twice already. I'm going to go  
23 off the record for a couple of moments to consult with  
24 the Commissioners and then we will come back.

25           (Discussion off the record.)

1                   JUDGE SCHAEER: The Commissioners have  
2 determined that they want you to know that they really  
3 are concerned that settlement discussions be  
4 encouraged and that fair and frank discussion of  
5 issues be encouraged at settlement, so they want to  
6 support the rule and not allow discovery of this  
7 material. They are also concerned that the language  
8 in Ms. Lynch's testimony at page 4, lines 19 through  
9 20, appears to go against that and arguably to open  
10 the door, and what they are going to do is strike the  
11 testimony at page 4, lines 19 and 20. Excuse me. I  
12 believe it maybe should be the entire question  
13 starting at line 17 on page 4 and the answer  
14 continuing to line 3.

15                   MR. HARRIS: Your Honor, may I speak just  
16 briefly about that? We, of course, accept the  
17 Commission's ruling. We would ask also, though, that  
18 a statement made in Dixie Linnenbrink's testimony for  
19 staff also be stricken where, on page 4 of her at  
20 lines 5 through 7, she states talking about Deborah  
21 Stephens' recommendations, "She recommends that the  
22 Commission reject the applicants' customer service  
23 quality program and instead adopt the program presented  
24 by public counsel which resulted from discussions  
25 between staff, public counsel and the applicants."

1 JUDGE SCHAER: Did you question Ms.  
2 Linnenbrink about that testimony?

3 MR. HARRIS: We did not.

4 JUDGE SCHAER: Then I don't think we're  
5 going to go back and reopen another witness's  
6 testimony at this point. Mr. Manifold, are you ready  
7 to continue with your questioning?

8 MR. MANIFOLD: I am, Your Honor. I would  
9 ask that the part of the testimony the Commission just  
10 eliminated refers to describing in more detail later  
11 and the witness's testimony and it's my recollection  
12 that there are no objectionable parts further on in her  
13 testimony but I would ask for some -- the ability to  
14 revisit this in light of this discovery of that later.

15 JUDGE SCHAER: By the end of our afternoon  
16 recess today I will expect to hear from you if there  
17 is anything further.

18 MR. MANIFOLD: Fair enough.

19 MR. CEDARBAUM: Just so I'm sure, the  
20 question and answer on her rebuttal testimony at page  
21 4 beginning at line 17 and on through page 5, line 2  
22 is stricken.

23 JUDGE SCHAER: Well, I don't know if it's  
24 line 2 or line 3 but that complete answer is stricken,  
25 Mr. Cedarbaum, yes.

1 Q. Ms. Lynch, I asked you a question or two  
2 this morning about the telephone answering --  
3 telephone service center performance standards that  
4 you knew of, and particularly in light of our response  
5 to your data request No. 378. Do you have 378  
6 available to you?

7 A. What exhibit?

8 Q. It's not an exhibit.

9 A. Did you distribute it to me this morning?

10 Q. No, it's not an exhibit.

11 A. I can get it then.

12 Q. Sorry, I thought you had it earlier.

13 A. Yes.

14 Q. In this data request the company asked us,  
15 Ms. Alexander, to provide the data and any supporting  
16 materials supporting the national norm for ASA  
17 referenced on page 32, lines 1 and 2 of her testimony;  
18 is that correct?

19 A. Yes.

20 Q. What's ASA again?

21 A. I believe that's average speed of answer.

22 Q. And she provided a response that's what we  
23 have each in our hand now?

24 A. Yes.

25 Q. And I would like to avoid having to make

1 copies of this and ask you if you will accept subject  
2 to your check that this includes telephone center  
3 service standards for telephone utility providers in  
4 Colorado, Florida, Oregon, Wisconsin and regarding the  
5 U S WEST regional oversight committee from October of  
6 '95 and the Central Maine Power Company's 1994 service  
7 level performance standards and includes material  
8 relating to Southern California Edison and includes  
9 material on a 1991 national survey of utility call  
10 center performance by a consultant, Theodore Barry and  
11 Associates?

12 A. Yes.

13 Q. Would you accept subject to your check that  
14 the general performance standard for telephone center  
15 contained in these various materials is 80 percent or  
16 more of telephone calls answered within 30 seconds?

17 A. I will accept that subject to check. I  
18 will still refer you for more discussion regarding  
19 these kinds of things to Mr. Lehenbauer.

20 Q. One of the questions that we left hanging  
21 for the lunch hour was the surveys that the company now  
22 has in the field, I think you said, and how those were  
23 developed. Is it still your contention that those  
24 surveys were developed with the consultation of public  
25 counsel and staff?

1                   MR. HARRIS:  Objection, I think it  
2 mischaracterizes her prior testimony.  I think she  
3 said the questions were shared with other parties.

4           Q.       What's your current statement about it, how  
5 that information was developed and shared?

6           A.       It's still my understanding, my belief,  
7 that those questions were shared with staff and public  
8 counsel.  I can't understand how if they weren't,  
9 because I was under the impression that they had been  
10 shared with the two parties.

11          Q.       Were you able to determine when and how and  
12 who you believed did that?

13          A.       No.

14          Q.       Do you have anything that reflects any  
15 input received from staff or public counsel regarding  
16 the questionnaire instruments that the company is  
17 currently utilizing, that are in the field that we've  
18 been talking about?

19          A.       I'm not sure.  I believe I can go ahead and  
20 answer this regarding -- there was discussions at  
21 meetings we've been talking about and there were  
22 concerns --

23                   THE WITNESS:  I don't know if I --

24          A.       There were concerns about --

25                   MR. HARRIS:  Stop for a second.  Excuse me.

1 Do you want her to proceed with this given what just  
2 took place because we don't.

3 Q. I guess I do, and I will try to craft it in  
4 a way that we can avoid the issues that we've just  
5 been through, but I thought my question was do you  
6 have any documents that reflect input from staff or  
7 public counsel on these surveys?

8 A. I don't have any document, no. But -- I  
9 have no documents.

10 Q. Would it be your recommendation that if the  
11 Commission orders a service quality index that  
12 includes survey instruments that there be consultation  
13 and other cooperative efforts required, including  
14 auditing, among, between the company, staff and public  
15 counsel regarding the survey instruments?

16 A. That was the -- that was what was contained  
17 in, I believe, my supplemental testimony. Somewhere  
18 along the way I have described that should be what  
19 happens.

20 Q. Regarding the customer survey information,  
21 what is your recommendation for how a baseline would  
22 be established under your proposal?

23 A. Our proposal is to, as we are doing, to  
24 field the surveys prior to merger approval, look at  
25 the data that results from those surveys, attempt to

1 use that information as well as any other information  
2 which would aid us in understanding any kind of  
3 variation in that data, and then use again the results  
4 from the specific questions that we've identified,  
5 establish a baseline with tolerance bands around that  
6 baseline.

7 Q. What do you mean by tolerance bands around  
8 a baseline?

9 A. What I am referring to there are, as we  
10 discussed earlier on this morning, is recognition of  
11 normal data variation.

12 Q. Would you agree that there's two different  
13 ways to -- at least two different ways to account for  
14 variation in data one of which would be to establish a  
15 baseline that is reasonable in light of the variation  
16 and another of which would be to establish a baseline  
17 that is more strict but that has a variation around  
18 it?

19 A. I guess you would describe two methods of  
20 determining a baseline. I don't know if those are the  
21 only two as you said. I don't know if either one of  
22 those -- I guess I will accept that that's two ways of  
23 doing it.

24 Q. Just perhaps a quick hypothetical to show  
25 how each might work. Let's say that the existing data



01616

1 showed 10, 9, 9 and a half and 8 and a half as prior  
2 experience. One could establish a baseline of 8 with  
3 no variation and at least based on that historical  
4 data then one would have a baseline that would be  
5 generous enough to account for the variation of the  
6 data; is that correct?

7 A. In that you're assuming that it's, as you  
8 say, generous, yes.

9 Q. Another way with data of 10, 9 and a half,  
10 9, and 8 and a half might be to establish a baseline  
11 of 9 with a plus or minus one variation so that no  
12 penalty be incurred until one was under 8 thereby  
13 getting to the same result in each instance?

14 A. In your examples you do get to the same  
15 result, yes.

16 Q. When you talk about creating a variance  
17 around the baseline, are you recommending that the  
18 baseline be set so that it is both at the low end and  
19 then a variation that goes even lower?

20 A. I guess, first of all, I'm recommending  
21 that the derivation of the baseline -- the derivation  
22 of any baseline be carefully crafted to reflect the  
23 data, and if that is -- and recognizes shortcomings or  
24 in fact in several instances in our responses to  
25 information, just the lack of data. I mean, we have

1 some holes in our data, and I don't know that your  
2 suggestion on the baseline addresses that. So in  
3 terms of a baseline I think simply I'm not saying take  
4 the minimum and then give us all the credit, as I  
5 think what you're describing.

6 Q. In your testimony do you acknowledge that  
7 or do you agree that both you and Ms. Alexander  
8 recommend that a customer report card include both  
9 good and bad results? Let me rephrase that. You  
10 recommend that the customer report card include both  
11 good and bad results?

12 A. We recommend that, yes, that the report  
13 card demonstrate how well we did in terms of the  
14 service quality program.

15 Q. And is it your understanding of Ms.  
16 Alexander's testimony that she made this same  
17 recommendation?

18 A. I believe that she made the same  
19 recommendation in terms of the report card, but she  
20 goes much further, I believe, in terms of what she  
21 requires to be put on the bill.

22 Q. So on the report card you're in  
23 legitimate agreement? And there's additional  
24 information that she recommends be put on the bill  
25 that you don't agree with. I'm trying to hone in on

1 where there's agreement and disagreement.

2 A. We both recommend a report card. We both  
3 recommend the report card. Ms. Alexander requests us  
4 to go much further, as I said, and put a statement on  
5 the bill for any variation, for any penalties that are  
6 imposed on the company without any, beyond that, any  
7 other information.

8 Q. Can you cite me to anyplace in her testimony  
9 where she said that other information should not be  
10 included?

11 A. Well, I thought that on her bill that there  
12 was a very specific statement, and I did not see that  
13 she was going to add any other information on that  
14 bill.

15 Q. So the example she had didn't have other  
16 information and you assumed from that that she  
17 wouldn't want to include any other information?

18 A. It was her proposal. I was taking it as  
19 described and it seemed the only thing she was putting  
20 on the bill was that statement regarding the existence  
21 of penalties.

22 Q. So if you were to understand or if she was  
23 to tell you that her proposal would include reporting  
24 both the positive and the negative news then your  
25 proposals would be the same in this area?

1           A.     Not that there is -- she continues to have  
2 printing on the bill. We would prefer the postcard  
3 method, the report card method.

4           Q.     Maybe you can tell me what you mean by  
5 report card. How does the report card reach the  
6 consumer?

7           A.     The report card may reach the consumer in  
8 the bill. I guess that's how the report card would be  
9 an addition to the bill. It would not be a line item  
10 on the bill which strictly and only demonstrates  
11 penalty amounts paid. It would be a presentation of  
12 our performance against the measurements that this  
13 Commission has ordered regarding service quality both  
14 plus and minus.

15          Q.     So the disagreement, if any, is regarding  
16 whether it's a bill stuffer or whether positive and  
17 negative information is printed on the bill?

18          A.     As well as the characterization. Again, on  
19 the bill it says -- I can check and get the exact  
20 language for you, but it seems that it would cause us  
21 to print on the bill for even minor service variation  
22 a statement that we are -- her testimony says on page  
23 49, "this month's bill includes a rebate to customers  
24 of blank amount for failure to achieve acceptable  
25 service quality levels." And nothing else.

1 Q. So you would want that to include both --  
2 if there were ten standards you would want it to  
3 include we did fine on seven and we paid a penalty X  
4 for three?

5 A. I don't want it on the bill. I want it on  
6 a separate report card.

7 Q. So on the report card you would want it, if  
8 you amended my question to report card, is that what  
9 you want?

10 A. If that discloses a full story as to the  
11 service quality and the way in which these companies  
12 have met the service quality program, yes.

13 Q. Do you want the opportunity on a bill  
14 staffer to explain why there's service quality  
15 degradation if, unfortunately, there were any? Is  
16 that what you're saying?

17 A. No. My proposal reserves that explanation,  
18 if you look in my original testimony, the explanation  
19 for at the time we filed our annual report with the  
20 Commission. This report card, I think, is more  
21 straightforward in that it would present the targets  
22 and then present the scores as we were able to  
23 accomplish them.

24 Q. Is it your understanding that both you and  
25 Ms. Alexander are recommending that any penalty

1 amounts be utilized as an offset to rates other than  
2 the customer guarantee program?

3 A. If in Ms. Alexander's you're saying, the  
4 offset, the pass-through for a month's time but not to  
5 actually cause a change in the rate?

6 Q. Sure, a rebate of some sort?

7 A. Yes.

8 Q. You're not contending that Ms. Alexander is  
9 suggesting that the penalties be paid to the  
10 Commission?

11 A. That's correct but as a result of this  
12 Commission's order.

13 Q. In your response to public counsel data  
14 request No. 276, which we have not introduced as an  
15 exhibit, you refer to fines under the service quality  
16 index, and that caught my eye for calling them fines  
17 rather than penalties. Did you intend any  
18 distinction?

19 A. No.

20 Q. So you were talking about penalty in the  
21 sense that we have previously today?

22 A. Yes.

23 Q. Would you agree that the Commission has the  
24 authority to reduce the company's rate of return in a  
25 regular rate case in response to its perception of

1 below average service quality?

2 MR. HARRIS: Objection. It calls for a  
3 legal conclusion from this witness.

4 Q. Would you agree that the Commission has  
5 done that for both water and telephone utilities?

6 A. I don't know.

7 Q. You haven't reviewed the Commission's  
8 orders on service quality for water and telephone  
9 companies?

10 A. I have reviewed but I can't tell you what  
11 the Commission did in terms of -- your question was, I  
12 thought, reduce the ROE?

13 Q. Yes.

14 A. I cannot answer that.

15 Q. You don't know what it did in the recent  
16 U S WEST case?

17 A. That's correct, in terms of the ROE.

18 Q. Do you have before you what's been marked  
19 as Exhibit 168?

20 A. Yes.

21 Q. Have you had a chance to read that? Let me  
22 ask you the ultimate question and then we'll back up  
23 if you disagree. Is this an accurate comparison of  
24 the recommendations of public counsel and joint  
25 applicants?

1           A.     Yes, although I guess, you know, I would be  
2 prepared to say that in terms of the SAIDI and SAIFI  
3 issue raised by public counsel, we feel we're covering  
4 that through our customer satisfaction survey that  
5 deals with outages, so I think the overlap is better  
6 than what this might portray.

7           Q.     So where it says customer satisfaction  
8 outages and there's an X for joint applicants, you  
9 would compare that to the SAIDI and SAIFI where it has  
10 an X for public counsel?

11          A.     Yes.

12          Q.     Fine. Any other disagreements with it? I  
13 should perhaps note in case it isn't obvious that under  
14 missed appointments is it your understanding that  
15 public counsel would have both specific \$50 rebates as  
16 the joint applicants have proposed and would include  
17 that general category in the service quality index?

18          A.     Yes.

19          Q.     In case that isn't clear from this, any  
20 other response or is this otherwise accurate?

21          A.     I guess one other thing, observation that I  
22 would make, is that the phone center performance that  
23 we've been talking about we feel is more appropriately  
24 covered through our call center satisfaction survey  
25 where we ask the customer how they felt about that



1 experience, the actual dealing they had with us in the  
2 phone center.

3 MR. MANIFOLD: Your Honor, I would move for  
4 the admission of 168.

5 MR. HARRIS: No objection.

6 JUDGE SCHAEER: Document is knitted.

7 (Admitted Exhibit 168.)

8 Q. Do you have before you what's been marked  
9 as Exhibit 169?

10 A. Yes.

11 MR. MANIFOLD: Your Honor --

12 Q. Is it accurate?

13 A. I think it's important to notice that, as  
14 you've indicated, there's a maximum penalty amount  
15 that we've identified of \$250,000 which you've  
16 portrayed on this as being \$62,000 for each of the  
17 surveys and when in fact it's the combination,  
18 depending on the design, I'm not sure that it's going  
19 to be limited. I'm not sure that this is the way it  
20 comes out as to limiting each measure as to  
21 sixty-two-five. That's my only qualification on that.

22 Q. What is your proposal in that regard? Do  
23 you have one at this point?

24 A. We have --

25 Q. Let me be more precise.

1 A. Thank you.

2 Q. What is your proposal for how the penalty  
3 amount would apply to the customer satisfaction surveys  
4 under the company's proposal?

5 A. Our proposal is that we would report how we  
6 did on the four questions in terms of baselines.  
7 Report that to the extent we are below baseline. And  
8 what I am not sure of, and I can check -- I don't know  
9 that it's been decided, to be frank -- is the way in  
10 which the four -- I believe it's a composite baseline  
11 for the four transaction surveys and then we are  
12 subject to a maximum of \$250,000 if we fail that  
13 baseline.

14 Q. So does that mean that if you were above a  
15 standard on call center customer satisfaction but  
16 below by an equal amount on field customer  
17 satisfaction those would offset each other and so you  
18 would be looking at all four combined composite and  
19 then there would be no penalty under your proposal or  
20 has it been set yet?

21 A. We haven't determined that baseline, but I  
22 don't believe that -- we have not set that baseline.

23 JUDGE SCHAEER: Ms. Lynch, just to help me,  
24 is there anything you disagree with in the footnote  
25 with one asterisk in front of it or is that an

1 accurate description of where we are right now?

2 THE WITNESS: No. Yes.

3 Q. This would be verified by your supplemental  
4 testimony in which you said at page 7, line  
5 17, "Similarly, premerger baseline for each of the  
6 four targeted areas of satisfaction would be developed  
7 during the latter half of '96."

8 MR. MANIFOLD: Move for the admission of  
9 Exhibit 169.

10 MR. HARRIS: No objection.

11 JUDGE SCHAEER: Document is admitted.

12 (Admitted Exhibit 169.)

13 Q. Have you done any calculation analysis  
14 study or any other thinking about how much money the  
15 company would have paid out over any previous  
16 historical period on its currently proposed customer  
17 service guarantee program for missed appointments?

18 A. If the question is have we evaluated the  
19 payout under the guarantee? I'm trying to --

20 Q. I'm trying to make my question as broad as  
21 possible. Did you do a CLE-9 for your own proposal?  
22 For instance, have you done any calculation or anyone  
23 on your task force done any calculation of what the  
24 company might have had to pay out over any historical  
25 period under its proposed service guarantee program of

1 any sort at any time?

2 A. We evaluated the original that's included  
3 in my I believe it's CEL-6 making some -- of course  
4 it's based on some assumptions and so we did in fact  
5 look at potential payouts. I don't know the test  
6 period or the history period that we used, but we did  
7 evaluate payout.

8 Q. And what did you find?

9 A. I'm thinking that the payout range was  
10 between half a million and one and a half million  
11 dollars.

12 Q. For a year?

13 A. Yes.

14 Q. Was that before you eliminated paying for  
15 outage appointments?

16 A. I think that in preparing for this that  
17 number is excluding payments for outage performance.  
18 In other words, it was the analysis -- what I did as  
19 the analysis done at the time of the three-point  
20 service guarantee and eliminated the component payouts  
21 associated with outage. There was no updated analysis  
22 after that time.

23 Q. So how many missed appointments did that  
24 represent at half a million dollars? My calculator,  
25 if I may interrupt, indicates that \$500,000 divided by

1 \$50 per missed appointment would indicate that you had  
2 assumed or calculated or had available the data of  
3 10,000 missed appointments that were mutually agreed  
4 on by the customer and the company for the low end  
5 figure; is that correct?

6 A. That's consistent with what we did was a  
7 high/low, yes. Actually, this particular analysis --  
8 in this analysis for appointments it was between 4,000  
9 and 10,000, yes.

10 Q. Four to 10,000 missed appointments in a  
11 year?

12 A. Actually what I can do is I can just read  
13 to you the estimates if that would move this along.

14 Q. Yes, please go ahead.

15 A. There were --

16 Q. Maybe I should ask you first, what were  
17 these estimates based upon? Were they based upon some  
18 review of the company's experience with missed  
19 appointments?

20 A. Yes. We looked at -- in the case where we  
21 had records we looked at those records. In the case  
22 where it was something -- an area where we were  
23 thinking of expanding such as adding appointments --  
24 more type of appointment service on the electric side,  
25 there was estimates of that, estimates for cut-ins and

1 cut-outs. It includes service developer appointments  
2 and then a category called other electric appointments  
3 kind of to just cover whatever may happen.

4 Q. Go ahead.

5 A. So the range on -- then we differentiate by  
6 gas and electric. So for --

7 Q. Perhaps we could speed this along if we  
8 could all be looking at the same document and figure  
9 out if there's anything useful there to put into the  
10 record. Would that be possible?

11 A. We could provide this.

12 JUDGE SCHAEER: Do you have that in the  
13 hearing room, Mr. Harris?

14 MR. HARRIS: We have just the one copy  
15 right there.

16 A. The reason I'm concerned about this is  
17 that --

18 MR. HARRIS: May I make a suggestion that  
19 we finish the examination of Ms. Lynch and while we're  
20 changing witnesses give Mr. Manifold a copy, if it's  
21 all right with you, Mr. Manifold, after we have a  
22 chance to look at it. If he has a couple of more  
23 questions he would like to ask her on it he can ask  
24 her about it then rather than breaking right now.

25 MR. MANIFOLD: Sure.

1 JUDGE SCHAEER: I wasn't intending to break  
2 right now.

3 MR. MANIFOLD: That sounds fine to me.

4 Q. To be sure we're in agreement on our math,  
5 10,000 missed appointments during a year would be the  
6 equivalent of 35 missed appointments each day for  
7 every work day during the year for 52 weeks a year not  
8 counting holidays. Ms. Lynch, would you agree with  
9 that calculation?

10 A. I will accept that.

11 Q. Is it true that there's about 800,000 Puget  
12 customers and about 450,000 gas customers?

13 A. I will accept that, yes.

14 Q. So that would be a combined how many  
15 customers allowing for the overlap -- it's about a  
16 million customers allowing for the overlap?

17 A. Yes.

18 Q. So if 10,000 appointments were missed that  
19 would be about 1 percent of the customers had a missed  
20 appointment that had been mutually agreed upon? Just  
21 trying to avoid doing math on my brief here.

22 A. Yes.

23 Q. Thank you.

24 MR. MANIFOLD: I have no further questions.  
25 Your Honor. May I just double-check among this mound

1 of paper that I have introduced into evidence all of  
2 the documents that were marked this morning?

3 JUDGE SCHAER: Yes, you have, Mr. Manifold.

4 MR. MANIFOLD: Thank you.

5 JUDGE SCHAER: Ms. Pyron, did you have  
6 questions for this witness.

7 MS. PYRON: No, Your Honor.

8 JUDGE SCHAER: Mr. MacIver, did you have  
9 questions for this witness?

10 MR. MACIVER: No, Your Honor.

11 JUDGE SCHAER: Mr. Wright.

12 MR. WRIGHT: No, Your Honor.

13 JUDGE SCHAER: Mr. Ellsworth.

14 MR. ELLSWORTH: Just a couple, Your Honor.

15

16 CROSS-EXAMINATION

17 BY MR. ELLSWORTH:

18 Q. Ms. Lynch, would you agree that there's a  
19 direct correlation between system reliability and  
20 customer satisfaction?

21 A. Yes, although I don't believe measurements  
22 of reliability exactly represent or adequately measure  
23 -- portray customer satisfaction.

24 Q. Is it your position or the company's  
25 position in that SAIDI would be a meaningless standard



1 for the Commission to use in analyzing system  
2 reliability for PSE?

3 A. Mr. Lehenbauer is addressing those issues  
4 on SAIDI and SAIFI. My suggestion, my proposal, my  
5 recommendation is that SAIDI and SAIFI are not a  
6 measure of customer satisfaction, that what's more  
7 important or most important and what we have  
8 throughout our proposal is that the customer  
9 satisfaction is what's important, not the operational  
10 statistics.

11 Q. Thank you, but my question was would SAIDI  
12 be a meaningless standard for the Commission to apply?

13 A. In terms of measuring customer  
14 satisfaction, yes.

15 Q. And I may be the one that's confused, but I  
16 thought with respect to Exhibit No. 168 that in  
17 earlier questioning by Mr. Manifold today that you had  
18 testified that the joint applicants believed that  
19 employee safety was an appropriate criteria to include  
20 in a customer service index. Was I mistaken or --

21 A. That's not my testimony.

22 Q. So your testimony is that employee safety  
23 should not be included in a customer service quality  
24 index?

25 A. My testimony is that it should not be

1 included in a customer satisfaction survey, right.

2 MR. ELLSWORTH: Nothing further.

3 JUDGE SCHAEER: Thank you. Commissioners,  
4 did you have questions for Ms. Lynch?

5 COMMISSIONER HEMSTAD: No.

6 COMMISSIONER GILLIS: I have just a brief  
7 one, I think.

8

9 EXAMINATION

10 BY COMMISSIONER GILLIS:

11 Q. I was interested in your testimony at the  
12 top of page 12. You appear to be testifying that  
13 public counsel's service quality proposal with  
14 penalties would put PSE at a competitive disadvantage  
15 with potential retail competitors. Did I paraphrase  
16 that correctly?

17 A. Yes.

18 Q. First of all, when you prepared that  
19 testimony, did you have in mind that PSE would face  
20 retail competition in the next five years?

21 A. Yes.

22 Q. Could you explain that a little bit more?

23 A. The service quality proposal in combination  
24 with the entire rate plan envisioned that we were  
25 going to be facing a different sort of marketplace

1 including retail wheeling.

2 Q. So would you explain a little more, though,  
3 how the service quality proposal would place PSE at a  
4 competitive disadvantage?

5 A. What I mean there is that if we are under,  
6 especially under that recommended by public counsel to  
7 operate our system not in a manner in which the  
8 customer demands, but in order to meet different  
9 operational statistics or standards that might cause  
10 us to not be able to compete with these other players,  
11 these other people in the market.

12 Q. So you believe that a new market entrant  
13 would not conform to those standards?

14 A. I guess we're concerned that they may not  
15 be required to conform to those standards.

16 Q. Well, I mean, can you be a good competitor  
17 without complying to those standards?

18 A. It's possible. You know, it depends on  
19 whether or not -- at what price -- the price that the  
20 customer is willing to pay for levels of service  
21 quality, and I think that our proposal in assessing  
22 the service quality, the actual satisfaction of the  
23 customers gets to that more than just having us  
24 operate our system in order to meet these operational  
25 standards.

1 Q. So if I understand you right, you're  
2 testifying then that the standards that are proposed  
3 by public counsel would be an additional cost to PSE  
4 beyond what you would intend to operate under  
5 otherwise?

6 A. Possibly. Possibly, yes. That's all.

7 Q. Just a curiosity. If the service standards  
8 were -- if these service standards were established  
9 and instead of imposing penalties there were an  
10 allocation of rewards for meeting the service  
11 standards, would that be a competitive disadvantage  
12 for the new entrant? In other words, under that  
13 hypothetical if that were PSE, PSE would be receiving  
14 an allocation of rewards for meeting service standards  
15 and a revenue source, I suppose. Would that be  
16 inappropriate if our goal were to promote a level  
17 playing field for retail competition?

18 A. I think that that's taking it a little bit  
19 out of what this proposal is in that this proposal  
20 seems to be addressing a concern to prevent us from  
21 having service deterioration, and I absolutely agree  
22 that in a situation where you're in open competition  
23 and the customer has choice -- in fact, I think that's  
24 in testimony where the customer has choice service  
25 quality is an important consideration and that -- but

1 I'm not so sure about your question on it being an  
2 unfair advantage for the joint company. I don't know.

3 Q. Well, I guess the bottom line, if I  
4 interpret your testimony correctly, you would advocate  
5 a uniform approach to service standards for all  
6 competitors in a competitive environment. Is that  
7 your testimony?

8 A. I would advocate uniform application of  
9 service standards making sure that that service  
10 standard is very carefully designed, yes.

11 Q. Thank you.

12

13 EXAMINATION

14 BY JUDGE SCHAEER:

15 Q. Ms. Lynch, I want to ask you first about  
16 the phone center goal that was discussed yesterday by  
17 Ms. Alexander and discussed in testimony with you  
18 earlier today. Is a 30-second goal the amount of time  
19 it would take a customer to speak to a customer  
20 service representative or some other live person or is  
21 it the amount of time between the customer dialing the  
22 number and having the phone answered by an automated  
23 menu system?

24 A. I think, and Mr. Lehenbauer can correct me,  
25 but I believe that's the time taken to get to a

1 representative.

2 Q. On page 13 of your testimony at line 4, you  
3 discuss the 2.5 percent escalation rate used for  
4 nonproduction costs in Exhibit 28?

5 A. Yes.

6 Q. If a reclassification of some of those  
7 costs were taken -- if some of those costs were taken  
8 out of the nonproduction category as proposed by  
9 public counsel, what escalation rate would you propose  
10 be used for the costs remaining in the nonproduction  
11 category?

12 A. I believe that at a minimum the escalation  
13 rate should be the 2 and a half percent. However, I  
14 think that it's also very reasonable, and I think that  
15 both the company and the staff in their proposal for  
16 escalating similar costs in Mr. Flaherty's merger  
17 savings used a number around 3 percent, so as a  
18 minimum I would suggest 2 and a half.

19 Q. Finally, on page 13 lines 6 through 7 you  
20 state that \$61 million for nonproduction costs is an  
21 extremely conservative estimate; is that correct?

22 A. Yes.

23 Q. What is the basis for that evaluation?

24 A. That evaluation again is derived from  
25 information or analysis from Mr. Story where he has

1 identified a revenue deficiency in the first year of  
2 \$39 million for this category of costs.

3 Q. This is really my last question. Are your  
4 company's service order systems automated to the  
5 degree that a missed appointment would be flagged by  
6 the system and a rebate issued automatically?

7 A. I don't believe so, no.

8 Q. If not what are the company's proposed  
9 procedures to make sure that all the appointments are  
10 recorded?

11 A. I don't think that we have those identified  
12 yet.

13 JUDGE SCHAEER: Thank you. That's all I  
14 have. Is there any redirect for this witness?

15 MR. HARRIS: No, Your Honor.

16 JUDGE SCHAEER: Anything further? Let's go  
17 off the record briefly to change witnesses. I believe  
18 Mr. Lehenbauer is your next witness.

19 MR. VAN NOSTRAND: Mr. Heidell.

20 (Recess.)

21 Whereupon,

22 JAMES HEIDELL,  
23 having been first duly sworn, was called as a witness  
24 herein and was examined and testified as follows:

25 JUDGE SCHAEER: Let's be back on the record.

1 Did anyone have any exhibits to distribute for this  
2 witness? I've marked for identification as Exhibit  
3 T-170 Mr. Heidell's rebuttal testimony which is  
4 JAH-1. As Exhibit 171 JAH-2. As Exhibit 172 JAH-4,  
5 and as Exhibit 173 JAH-5.

6 Are those all of the exhibits for this  
7 witness remaining, Mr. Van Nostrand?

8 MR. VAN NOSTRAND: Yes, Your Honor.

9 (Marked Exhibits T-179, 171, 172 and 173.)

10

11 DIRECT EXAMINATION

12 BY MR. VAN NOSTRAND:

13 Q. Mr. Heidell, could you state your name and  
14 spell it for the record, please?

15 A. Yes. My name is James A. Heidell, H E I D  
16 E L L.

17 Q. Do you have before you what's been marked  
18 for identification as Exhibit T-170?

19 A. Yes, I do.

20 Q. Do you recognize that document as your  
21 prefiled rebuttal testimony in this case?

22 A. Yes, I do.

23 Q. And you understand that in accordance with  
24 the Commission's twelfth supplemental order we will be  
25 excluding from that testimony on page 1, lines 18



1 through 20 and pages 2 through 9?

2 A. Yes, I do.

3 Q. Do you have any additions or corrections to  
4 make to your Exhibit T-170?

5 A. Yes, I have one correction on page 10, line  
6 14 and a half. The end of the sentence on that line  
7 says, "furthermore elimination of data point was  
8 appropriate since it resulted," and the word "is"  
9 should be corrected to "in," the last word on the  
10 sentence.

11 Q. And as corrected if I asked you the  
12 questions sever in Exhibit T-170 would you give the  
13 answers as set forth in that document?

14 A. Yes, I would.

15 Q. Do you also have before you what's been  
16 marked for identification as Exhibits 171, 172 and  
17 173?

18 A. Yes.

19 Q. Do you recognize those as the exhibits  
20 accompanying your prefiled rebuttal testimony?

21 A. Yes, I do.

22 Q. Were they prepared under your direction and  
23 supervision?

24 A. Yes, they were.

25 Q. Do you have any additions or corrections to

1 make to those exhibits?

2 A. I have one correction. On Exhibit 172,  
3 JAH-4, the second line in that exhibit on page 1 where  
4 the sentence starts "pages 2 and 3 of this exhibit,"  
5 that should just say "page 3 of this exhibit."

6 Q. And as corrected are the exhibits now true  
7 and correct to the best of your knowledge?

8 A. Yes, they are.

9 MR. VAN NOSTRAND: Your Honor, I would move  
10 the admission of Exhibit T-170 and Exhibits 171, 172  
11 and 173 and the portions of T-170 so identified are  
12 excluded.

13 JUDGE SCHAER: Any objection?

14 MR. CEDARBAUM: No.

15 MR. MANIFOLD: I'm sorry, Your Honor, I'm a  
16 little confused on what got marked. JAH-1 is  
17 T-170. JAH-2 is 171?

18 JUDGE SCHAER: Yes.

19 MR. MANIFOLD: JAH-3?

20 JUDGE SCHAER: Is excluded.

21 MR. MANIFOLD: No objection.

22 MR. VAN NOSTRAND: Mr. Heidell is available  
23 for cross-examination.

24 JUDGE SCHAER: You're not being able to be  
25 heard in the back, so if you jump up to object or

1 whenever you speak please use the microphone.

2 (Admitted Exhibits T-170, 171, 172 and 173.)

3 JUDGE SCHAER: Mr. Cedarbaum, did you have  
4 questions for this witness?

5 MR. CEDARBAUM: No.

6 JUDGE SCHAER: Mr. Manifold, do you have  
7 questions.

8 MR. MANIFOLD: No questions.

9 JUDGE SCHAER: Ms. Pyron, do you have  
10 questions?

11 MS. PYRON: No questions, Your Honor.

12 JUDGE SCHAER: Mr. MacIver?

13 MR. MACIVER: No questions.

14 JUDGE SCHAER: Mr. Wright?

15 MR. WRIGHT: No questions?

16 JUDGE SCHAER: Ms. Smith?

17 MS. SMITH: No questions.

18 JUDGE SCHAER: Mr. Ellsworth?

19 MR. ELLSWORTH: Just a couple, Your Honor.

20 THE WITNESS: I was doing so well.

21

22 CROSS-EXAMINATION

23 BY MR. ELLSWORTH:

24 Q. Everybody is bailing at the end of the day  
25 but we've got a couple of questions. Exhibit 172, Mr.

1 Heidell on page 1, table No. 1, for 1990, would you  
2 agree that the nonstorm SAIDI for 1990 is more than  
3 twice as high as 1989 and 1991?

4 A. Yes. The number is higher. It shows the  
5 natural variation numbers nonstorm SAIDI.

6 Q. Did you do any investigation to determine  
7 why that number might be twice as high as the year  
8 before and the year after it?

9 A. Yes, I did.

10 Q. What did you do?

11 A. I spoke to the people in the company who  
12 was responsible for keeping these numbers and we  
13 discussed what was going on here.

14 Q. Did they give you an explanation as to why  
15 that nonstorm SAIDI was that high?

16 A. Yes, they did.

17 Q. What was their explanation?

18 A. The explanation is that under the  
19 definition of storm that more than 5 percent of the  
20 customers are out it would be classified as a storm  
21 SAIDI. In this year there were a number of weather  
22 events which increased the number of outages and there  
23 just weren't enough outages to be classified as  
24 nonstorm and that is why you also see on the column  
25 nonstorm SAIFI a similar high number. Remember,

1 nonstorm SAIFI is just the number of outages, nonstorm  
2 outages that occur in a year. As the number of  
3 nonstorm outages increase you will naturally get a  
4 corresponding increase in the number of nonstorm  
5 outage minutes.

6 Q. Did you talk with any of Puget's labor  
7 relations personnel to determine if there were any  
8 aberrational conditions in labor relations 1990?

9 A. No, I did not talk to any personnel. I was  
10 aware of that letter and did discuss that letter with  
11 people who are responsible for keeping this data.

12 Q. Did you talk with any of the labor relation  
13 people as to whether there was a pattern or practice  
14 in 1990 of IBEW members refusing call-out or over  
15 time?

16 A. Well, I think as I previously answered, I  
17 did not talk directly to any of the labor  
18 representatives. I did talk to Puget management about  
19 the issues and the claims that such outages were  
20 related to the union negotiations.

21 Q. So you don't know one way or the other  
22 whether there were any union problems contributing to  
23 nonstorm SAIDI that year?

24 A. As I said, I spoke to management personnel  
25 who are responsible --

1 Q. Would you answer my question with a yes or  
2 no and then we can get into your explanation if you  
3 can do it with a yes or no or no and if you can't  
4 please tell me why.

5 A. Would you please repeat the question.

6 Q. Isn't it true that you didn't talk with  
7 anybody from Puget's labor relations about whether  
8 labor relations issue were contributing to nonstorm  
9 SAIDI?

10 A. I did not talk to anybody from labor  
11 relations.

12 MR. ELLSWORTH: I have nothing further.

13 JUDGE SCHAEER: Commissioners, did you have  
14 any questions for this witness?

15 COMMISSIONER HEMSTAD: No.

16 COMMISSIONER GILLIS: No.

17 JUDGE SCHAEER: I have no questions. Is  
18 there any redirect?

19 MR. VAN NOSTRAND: Yes, Your Honor.

20

21 REDIRECT EXAMINATION

22 BY MR. VAN NOSTRAND:

23 Q. Mr. Heidell, in light of the statistical  
24 explanation which you were able to give with respect  
25 to the nonstorm SAIDI data, did you believe it was

1 necessary to explore the labor relations issue?

2 A. No, I did not. As my testimony states, the  
3 number of nonstorm outages are perfectly in line with  
4 the duration, the number of minutes of outage.

5 There's a very good correspondence between the two.

6 As I read the labor relations letter, I didn't read  
7 anything in it about union personnel causing more  
8 outages in a year as a result of negotiations.

9 MR. VAN NOSTRAND: Thank you. I have no  
10 further questions.

11 JUDGE SCHAEER: Is there anything further  
12 for this witness? Thank you for your testimony.  
13 Let's go off the record for just a moment to allow the  
14 next witness to take the stand.

15 (Recess.)

16 JUDGE SCHAEER: Let's be back on the record.  
17 Whereupon,

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

21 JUDGE SCHAEER: I'm going to mark for  
22 identification as Exhibit T-174 the rebuttal testimony  
23 of Jerry Lehenbauer and I'm going to mark as Exhibit  
24 C-175, document entitled Response to Public Counsel  
25 Data Request No. 323. I'm going to note that on a

1 second page of Exhibit C-175 there is a top secret  
2 stamp. I have been informed that that is an incorrect  
3 designation. I'm going to ask that everyone cross  
4 that out. We do not need to treat this as a top  
5 secret document. You do need to write in that it is a  
6 confidential document and treat it as such. Your  
7 witness is sworn, Mr. Van Nostrand.

8 (Marked Exhibits T-174 and C-175.)

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

10

11 DIRECT EXAMINATION

12 BY MR. VAN NOSTRAND:

13 Q. Mr. Lehenbauer, could you state your name  
14 and spell it for the record, please?

15 A. My name is Jerry Lehenbauer, L E H E N B A  
16 U E R.

17 Q. Do you have before you what's been marked  
18 for identification as Exhibit T-174?

19 A. Yes.

20 Q. Do you recognize that as your prefiled  
21 rebuttal testimony in this case?

22 A. Yes.

23 Q. If I asked you the questions as set forth  
24 in that document, would you give the answers today?

25 A. Yes.



1 MR. VAN NOSTRAND: Your Honor, move the  
2 admission of Exhibit T-174.

3 JUDGE SCHAEER: Any objection?

4 MR. MANIFOLD: No objection.

5 JUDGE SCHAEER: That document is admitted.  
6 (Admitted Exhibit T-174.)

7 MR. VAN NOSTRAND: Mr. Lehenbauer is  
8 available for cross-examination.

9 JUDGE SCHAEER: Mr. Cedarbaum, did you have  
10 questions for Mr. Lehenbauer.

11 MR. CEDARBAUM: Yes, I have some.

12

13 CROSS-EXAMINATION

14 BY MR. CEDARBAUM:

15 Q. Hello, Mr. Lehenbauer. Just to start off,  
16 is it correct that currently Puget Power tracks SAIDI  
17 and SAIFI?

18 A. That's correct.

19 Q. And if the merger is approved by this  
20 Commission Puget Sound Energy will continue to track  
21 SAIDI and SAIFI?

22 A. That's also correct.

23 Q. On page 2 of your testimony, lines 19  
24 through 22 you basically state that you don't believe  
25 SAIDI and SAIFI data can be used as a performance

1 indicator to measure system reliability; is that  
2 right?

3 A. Yes.

4 Q. In the company's supplemental response to  
5 staff data request No. 41, is it correct that staff  
6 was provided with a reliability chapter of Puget's  
7 distribution planning guidelines? That's the  
8 supplemental response. I will give you a moment to  
9 get a copy of that. Do you have that?

10 A. Yes.

11 Q. And again I'm looking at just what was  
12 marked as attachment No. 5 which we understand to be  
13 the reliability chapter for Puget's distribution  
14 planning guidelines. Do you have that in front of you  
15 now? This is what it looks like (indicating).

16 A. Outage reporting system and reliability  
17 evaluation process?

18 Q. That's right. And this is the reliability  
19 chapter for Puget's distribution planning guidelines?  
20 Is that correct or will you accept it subject to your  
21 check?

22 A. Yes.

23 Q. Turning to page 16, at least the page  
24 that's paginated 16. Is it correct that the document  
25 states that at Puget Power reliability is measured by

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1 three indices referred to as SAIDI, SAIFI, and then  
2 there's a third one, C A I D I. Is that correct? Is  
3 that what the document states?

4 A. Just a moment, please. Where were you  
5 reading that please?

6 Q. At the top of the page under the bullets  
7 section reliable it states in the third sentence, "At  
8 Puget Power reliability is measured by indices SAIDI  
9 SAIFI and CAIDI"?

10 A. Yes.

11 Q. For the record, can you just state what  
12 CAIDI is?

13 A. CAIDI is SAIDI divided by SAIFI.

14 Q. Okay. Is it also correct that on page 16  
15 of this document -- again paginated page 16 -- it  
16 states at the bottom as follows, "These reliability  
17 guidelines give the divisions a method for defining  
18 outage problem areas and a choice of solutions to  
19 improve the reliability of those areas." Is that  
20 right?

21 A. Yes.

22 Q. And again that's referring to SAIDI and  
23 SAIFI?

24 A. Yes.

25 Q. Is it also correct that Puget uses SAIDI

1 and SAIFI to measure the cost-effectiveness of  
2 possible solutions to reliability-related problems?

3 A. SAIDI and SAIFI are expressed in minutes of  
4 outage time, and that information might be used in  
5 determining or that information may go into an  
6 analysis of determining different options but there's  
7 certainly not the only indicators.

8 Q. I understand that, but they are input into  
9 the determination of a cost-effectiveness of a  
10 project?

11 A. They may be used for that.

12 Q. On page 4 of your testimony, lines 22  
13 through 24 you testify that "nonstorm SAIDI and SAIFI  
14 are used to analyze the effectiveness of preventive  
15 maintenance programs such as tree trimming." Do you  
16 see that?

17 A. Yes.

18 Q. Is it correct or would you accept subject  
19 to check that in each of the last five years Puget has  
20 spent more for tree trimming than the maximum amount  
21 of the penalty proposed of \$7 million by staff for the  
22 service quality index?

23 A. You said last seven years?

24 Q. Five.

25 A. I don't think that's correct.

1 Q. What document number are you looking at?

2 A. I have a page that defines the expenditures  
3 per year for the vegetation management program.

4 Q. Is the document that you're looking at  
5 contained in a response to a data request that we've  
6 received?

7 A. I assume so.

8 Q. Do you know which one it is so I can find my  
9 copy of that document?

10 A. Can you repeat the question again?

11 Q. My question was with respect to the costs  
12 that Puget has incurred for tree trimming. I asked  
13 you to accept subject to check that that amount  
14 annually for each of the last five years was more than  
15 \$7 million and I think you disagreed with that and I'm  
16 trying to find out the source of your disagreement.

17 A. It's IBEW data request No. 52.

18 MR. CEDARBAUM: Your Honor, I didn't bring  
19 that with me but maybe Mr. Ellsworth --

20 MR. ELLSWORTH: I don't have it with me.  
21 Hang on just a second.

22 JUDGE SCHAEER: Let's go off the record for  
23 a moment.

24 (Discussion off the record.)

25 Q. Mr. Van Nostrand just provided me with a

1 copy of your response to IBEW data request No. 52, and  
2 as I look at it it says in about the middle of the  
3 document the tree trimming budget and expenditures are  
4 as follows and then for the years 1990 through 1995  
5 the expenditures ranged from \$4.1 million to \$10.6  
6 million; is that right?

7 A. That's correct.

8 Q. Is it also correct that this document shows  
9 O and M expenditures for transmission and distribution  
10 for the 1990 to 1995 period to range from about \$66.3  
11 million in 1990 to a high in 1992 of \$75.9 million?

12 A. Yes.

13 Q. With respect to the same testimony we've  
14 been discussing on page 4, lines 22 through 24, you  
15 indicated again that SAIDI and SAIFI are used to  
16 analyze the effectiveness of tree trimming. Would it  
17 be correct that the company tries to avoid outages  
18 caused by normal weather variations by employing its  
19 tree trimming program?

20 A. The tree trimming program is designed to  
21 reduce outages caused by trees going into the lines.

22 Q. During normal weather, it includes that  
23 objective?

24 A. Yes.

25 Q. And the SAIDI and SAIFI statistics would

1 reflect, then, those tree trimming efforts?

2 A. Yes.

3 MR. CEDARBAUM: Thank you. Those are all  
4 my questions.

5 JUDGE SCHAEER: Mr. Manifold, did you have  
6 questions of this witness?

7 MR. MANIFOLD: Yes, just a few.

8

9 CROSS-EXAMINATION

10 BY MR. MANIFOLD:

11 Q. Mr. Lehenbauer, good afternoon.

12 A. Good afternoon.

13 Q. Do you have before you what's been marked  
14 as Exhibit C-175?

15 A. Yes, I do.

16 Q. Is that your response as indicated to the  
17 designated data request?

18 A. That's correct.

19 Q. And I would represent to you that it's a  
20 complete copy of it and if it isn't we'll be happy to  
21 supplement.

22 MR. MANIFOLD: Your Honor, I would move for  
23 the admission of Exhibit C-175.

24 MR. VAN NOSTRAND: No objection.

25 JUDGE SCHAEER: That document is admitted.

1 (Admitted Exhibit C-175.)

2 Q. I have questions about a couple of parts of  
3 this. There are several discrete reports each of  
4 which is paginated. In the first report on page 7 it  
5 says "a firm appointment day/time for service needs  
6 will be available to all customers in the new  
7 company." Could you explain what that means?  
8 Perhaps we should back up. This is a steering  
9 committee discussion document of a group that you were  
10 part of to provide customer support within the  
11 company?

12 A. That's correct.

13 Q. Is this something that includes people from  
14 both companies?

15 A. Yes, that is correct.

16 Q. Is this one of the task forces that is  
17 working on re-engineering the company to pursue best  
18 practices?

19 A. Yes.

20 Q. And on page 7 of this particular document  
21 one of the key concepts is firm scheduling of  
22 appointments for service requests and then under  
23 description of redesign it says as I read before; is  
24 that correct?

25 A. Yes.



1                   JUDGE SCHAEER: Mr. Manifold, I'm a little  
2 bit concerned that you're reading from this document  
3 since it has been designated as confidential. Have  
4 you checked these portions with Mr. Van Nostrand?

5                   MR. MANIFOLD: Excuse me. No. Since this  
6 is a topic that was discussed with a particular  
7 witness I'm not certain that it is confidential.

8                   JUDGE SCHAEER: I'm not certain it is. I  
9 just want to be sure that appropriate checking had  
10 been done because I don't want to breach the  
11 confidentiality.

12                   MR. VAN NOSTRAND: This page is fine.

13           Q.       Mr. Lehenbauer, could you explain what's  
14 meant by "a firm appointment day/time for service  
15 needs will be available to all customers in the new  
16 company"?

17           A.       One of the major features that we are  
18 working on in these discussions of these task forces  
19 -- this particular one is called provide customer  
20 support -- are a lot of technology enhancements. For  
21 example, one of the things that does not exist today  
22 on the electric side is an efficient service  
23 scheduling system. So, again, at this task force  
24 level we are anticipating -- and again, this is a  
25 recommendation. This is not something that's

1 necessarily been approved. This is a recommendation  
2 to a steering committee. We are now working on some  
3 greater detail now of this type of a recommendation,  
4 but the intent is that if we can apply some new  
5 technology we would like to be able to provide firm  
6 appointment for service needs available to all  
7 customers. It's basically what it says, but the  
8 capability to do that requires some new technology  
9 that we are anticipating developing. Does that answer  
10 your question?

11 Q. Yes, thank you. If you look at page 17 of  
12 this portion of the document --

13 MR. MANIFOLD: Let me ask if the  
14 information on that page is confidential? Okay.

15 Q. I read this to indicate that your task  
16 force in studying how to provide service to its  
17 utilities customers contacted the utilities listed  
18 here, Pacific Gas and Electric, Snohomish PUD, Seattle  
19 City Light, et cetera?

20 A. Yes.

21 Q. And is that the sort of thing that you  
22 normally do in your company to figure out how best to  
23 operate the departments that you're responsible for?

24 A. Or to figure out how to not operate them.  
25 I don't think the utility model is necessarily always

1 the one that we're trying to pursue. It's not just  
2 utilities that we talked to. We have talked to a lot  
3 of other folks also.

4 Q. American Express, for instance?

5 A. Eddie Bauer.

6 Q. In talking to those other entities, both  
7 utilities and nonutilities, did you seek information  
8 from them on what their internal standards or  
9 guidelines were for call center performance such as  
10 percentage of calls answered within a period of time?

11 A. I think for the most part we know that  
12 information already. We were interested in seeing if  
13 there was anything novel or anything new going on.

14 Q. What is it that you know already?

15 A. The types of service level indicators used  
16 by different utilities or by different industries.

17 Q. And what are those in terms of call center  
18 performance?

19 A. I think they were of late probably 80 to 85  
20 percent within 30 seconds. That was maybe three or  
21 four years ago. Some of the newer things I've seen  
22 are some of the companies now going to 20 seconds as  
23 an average speed of answer. I noticed Maine is at  
24 something I've never seen before, 90 seconds. I don't  
25 know where that came from but that's something that

1 we're not used to seeing.

2 Q. Did Ms. Lynch consult with you regarding  
3 this element of service quality prior to preparing her  
4 testimony?

5 A. Ms. Lynch is not part of this task force  
6 group. This is a group of, again, an independent  
7 process that is separate of the process of this merger  
8 case.

9 Q. So the answer is no?

10 A. There was another group of employees that  
11 worked with Ms. Lynch and Mr. Heidell and provided  
12 them with information and feedback related to the  
13 development of the customer service quality program.  
14 I don't know if there was a specific day or a specific  
15 meeting where we talked directly -- where I talked  
16 directly one-on-one with Ms. Lynch about my knowledge  
17 of service level performance levels throughout the  
18 United States or from these specific companies, and I  
19 don't recall the task force making the detailed  
20 information of this kind available directly to Ms.  
21 Lynch.

22 Q. From the manner in which you answered my  
23 question it sounded like you -- it's a matter of  
24 pretty common knowledge to you the 80 percent or 85  
25 percent within 30 seconds. That isn't something you

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1 just went out and found out in the last couple of  
2 months?

3 A. That's correct.

4 Q. An issue or a question that Ms. Lynch  
5 referred to you was under current Puget Sound Power  
6 and Light Company practices which appointments does it  
7 schedule -- which types of appointments does it  
8 schedule with customers and what's the time period  
9 within which those are currently scheduled?

10 A. I think -- can I differentiate the  
11 difference between or one of the major difference  
12 between the gas and electric side on appointments?

13 Q. Please do.

14 A. A lot of the need for tight scheduling of  
15 appointments on the gas side is because we need to get  
16 into the customer's home. A lot of the electric  
17 appointments do not require us to get into the  
18 customer's home, and the customer is frequently  
19 indifferent to whether they're there or whether  
20 they're not there. If we're installing a street light  
21 or an area light for that customer they don't need to  
22 be home. They sure would like to know if it's going  
23 to get done today or by Friday but it's a different  
24 situation. I would say where the scheduling is more  
25 critical on the electric side is with builders in

1 installing new services in plats and things of that  
2 nature. I am not familiar with the details of our  
3 scheduling system but we do have a program of working  
4 with builders and assumedly that includes some pretty  
5 tight controls on meeting their schedules.

6 Q. In terms of existing customers, residential  
7 or small commercial customers, do I take your answer  
8 to be that there really respect any particular kinds  
9 of scheduling needs there at this point?

10 A. If a customer calls and indicates that  
11 they're very concerned about their bill and we cannot  
12 resolve it in a telephone conversation we would  
13 probably agree to come into the customer site. We  
14 would try to make the appointment such that it met the  
15 customer's need to the best of our ability, whether it  
16 required doing a walk-through of their home or  
17 whatever.

18 Q. Do you know how many customer appointments  
19 on the electric side Puget makes during any recent  
20 time period?

21 A. No, I do not.

22 Q. Do you know how many they make on the gas  
23 side?

24 A. No, I do not.

25 MR. MANIFOLD: No further questions. Thank

1 you.

2 JUDGE SCHAER: Ms. Pyron, did you have  
3 questions of this witness?

4 MS. PYRON: No questions, Your Honor.

5 JUDGE SCHAER: Mr. MacIver.

6 MR. MACIVER: No questions.

7 JUDGE SCHAER: Mr. Wright.

8 MR. WRIGHT: No questions.

9 JUDGE SCHAER: Ms. Smith.

10 MS. SMITH: No questions.

11 JUDGE SCHAER: Mr. Ellsworth.

12 MR. ELLSWORTH: Just one, Your Honor.

13

14 CROSS-EXAMINATION

15 BY MR. ELLSWORTH:

16 Q. Mr. Lehenbauer, Exhibit 174, page 8, the  
17 question starting at line 5 and a half or 6, did you  
18 do an independent statistical analysis or are you just  
19 relying on Mr. Heidell's testimony?

20 A. I'm relying on Mr. Heidell's testimony.

21 MR. ELLSWORTH: Thank you. Nothing  
22 further.

23 JUDGE SCHAER: Commissioners, did you have  
24 any questions?

25

1 EXAMINATION

2 BY COMMISSIONER HEMSTAD:

3 Q. On page 6 of your testimony at the top of  
4 the page you indicate that Puget initiated a number of  
5 measures to improve service during similar events in  
6 the reference to major storms in December of 1995.  
7 What were those improvements?

8 A. We installed an additional 100 telephone  
9 lines. One of the problems or one of the concerns  
10 that customers had was that they were getting a busy  
11 signal. We promised that that would not occur again.  
12 In addition to installing the 100 lines we subscribed  
13 to a service that if for some short period of time we  
14 would not have enough capacity we've actually  
15 subscribed to a service with AT&T that, again, will  
16 allow us to directly place our own message on that.

17 We added five employees to the call center.  
18 We upgraded the availability or the capacity of our  
19 voice response unit. We enhanced our trouble order  
20 tracking system where the customer can now self-report  
21 an outage and can also call back and if their telephone  
22 number in our database matches they can directly access  
23 update information on that outage. We trained  
24 approximately an additional 140 employees that are not  
25 traditional call center employees that are now



1 available to work in the event of a major storm after  
2 hours. We trained probably 85 field employees to go  
3 out and do initial assessment work in a much more  
4 organized fashion. Things of that nature.

5 Q. How do you plan to measure whether those  
6 techniques, whether they've been successful?

7 A. We've had two events this year, what I  
8 would call significant events. They weren't  
9 company-wide. One was in the Olympia area and one was  
10 in the Bellingham area. Over 62 percent of the  
11 callers used the voice response unit to either report  
12 an outage or to get updated information on that outage,  
13 which we consider to be very good. All of those  
14 pieces that I described were in place, so I think we  
15 did have a more expedient response. It was not a  
16 multi-day response as the one in '95, so I think we're  
17 going to try to measure the effectiveness of this.

18 Again, there's some pretty rigid guidelines  
19 that have been developed including emergency manual for  
20 each of our operating divisions. We did a presentation  
21 to -- I think that's mentioned that we did a  
22 presentation here. I'm sorry, I'm getting sidetracked.  
23 Did I answer the question?

24 COMMISSIONER HEMSTAD: That's all I have.

25

## EXAMINATION

1

2 BY COMMISSIONER GILLIS:

3 Q. Just a quick one. If there were an index  
4 related to SAIDI as a part of a standard, from your  
5 position within the company, do you think that would  
6 change the way that you would operate in any manner  
7 and given there would be a penalty associated with not  
8 meeting that standard?

9 A. I don't know if I can answer that directly.  
10 What we're trying to do is we're trying to develop a  
11 reliability index that we hopefully will be more  
12 representative of sort of monitoring overall  
13 reliability. I'm sure to some degree that index would  
14 include some information of the SAIDI/SAIFI type  
15 statistics, but again, I don't think anybody in the  
16 utility -- I know the different utility districts  
17 we've spoken with are comfortable with these different  
18 IEE indicators. Whether we would operate different if  
19 all of a sudden we had an indicator that we had to  
20 measure and perform to, is that sort of the question?

21 Q. Yes. An issue that I think I'm -- I heard  
22 from Ms. Lynch was that the particular standards --  
23 setting particular statistical standards would alter  
24 operations and cause the companies some additional cost  
25 that they wouldn't otherwise, and I was just curious,

1 first of all, if that statement is correct or not?

2 A. I think as applied to SAIFI if you just  
3 applied to that, my guess is because of the potential  
4 variability of the weather that it would be taking a  
5 risk and we could end up with five years of not one  
6 problem and then have one year of disaster like we've  
7 had in 1990 or 1993. So I don't know that you could do  
8 much because of the weather variability to change your  
9 operations than you would do other wise if you didn't  
10 have such an indicator.

11 COMMISSIONER GILLIS: Thank you.

12

13 EXAMINATION

14 BY JUDGE SCHAEER:

15 Q. Mr. Lehenbauer, do you believe that there  
16 are measures of reliability or service quality other  
17 than those referenced in your testimony?

18 A. I believe that there are a number of things  
19 being either worked on or developed that are -- that  
20 will hopefully be improvement on the IEE SAIFI/SAIDI  
21 type indicators.

22 Q. Can you give me some examples of those?

23 A. In one of my data responses I provided a  
24 proposal from a company that is intentionally trying to  
25 develop such a standard, and that's what I'm looking

1 for.

2 Q. I don't have the data request responses so  
3 why don't you just give me examples.

4 A. May I read from my response?

5 Q. Certainly.

6 A. "We are currently evaluating a service."

7 Q. If you read slowly so the court reporter  
8 can get it.

9 A. Sorry. "We are currently evaluating a  
10 service provided by SGS Statistical Service entitled  
11 'T and D' reliability benchmarking studies.' This  
12 approach uses five years of data to develop a  
13 composite of reliability index scaled from zero to  
14 1,000. A copy of the SGS statistical has been  
15 attached."

16 So we have not actually had -- this was  
17 dated October 14 from this company so we really didn't  
18 spent a lot of time evaluating it but I believe there  
19 are -- this is an example of, I believe, a number of  
20 efforts under way to try to improve on how you measure  
21 service reliability versus just using the SAIDI/SAIFI  
22 type indicators.

23 Q. Do the two companies keep statistics on the  
24 number, type of reports, duration and cause of outages  
25 and the work crew size and time spent responding to

1 them?

2 A. I'm sorry, I missed the very first part of  
3 your question.

4 Q. Well, I asked if the two companies -- I'm  
5 not certain if the gas company would need to, but I  
6 thought I would ask for both.

7 A. I still need to hear the first part.

8 Q. Do the two companies keep statistics on the  
9 number, type, frequency, duration and cause of outages  
10 and the work crew size and time spent responding to  
11 them?

12 A. Yes, for the electric side.

13 Q. And do you on the gas side?

14 A. I don't know.

15 Q. If yes how do you use the data?

16 A. The data is used to analyze trends in  
17 outages in the different detailed categories that -- I  
18 want to find an example so I can refer to it. For  
19 example, the SAIDI type data is broken down into  
20 categories such as trees and limbs, car/pole  
21 accidents. These are situations where someone drives  
22 into one of our cars (sic) and causes an outage.  
23 Underground dig-ups, scheduled outages and so forth  
24 and so on. So the different parts of the company  
25 may be interested in this data. You know, certainly

1 the claims department would get a piece of the data  
2 for their use, the vegetation management department  
3 would be very interested in tree-related outages so  
4 they would be looking at that piece of the data very  
5 closely.

6           Someone that's doing a cost analysis of  
7 repairing a certain piece of equipment that might be  
8 trending a failure would want to know how much over  
9 time has been spent on repairing this versus how much  
10 of this has occurred during the normal time and what  
11 type of a preventive maintenance strategy do we employ.  
12 Is it more cost-effective to let it fail and then  
13 repair it or is this the type of thing that we want to  
14 develop a preventive maintenance program.

15       Q.     Could you use that data to develop  
16 indicators for your performance and then work to  
17 improve those indicators over time?

18       A.     I think we would use maybe subsets of that  
19 data, but I don't think we would use the SAIDI total  
20 indicator. I think I gave some examples where a  
21 specific area of the company such as vegetation  
22 management might say let's establish a goal so that no  
23 more than 25 percent of SAIDI is related to  
24 tree-related outages and they as a group would then be  
25 very interested in monitoring that, and I am again

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1 more or less speaking the traditional nonstorm  
2 definition that we've been using as we've provided the  
3 data.

4 Q. Yes. And you recommended in your testimony  
5 the use of customer surveys to measure customer  
6 service success rather than system reliability indices  
7 in part because of storm-related variability and  
8 outage type indices; is that correct?

9 A. That's correct.

10 Q. How would you recommend that customer  
11 surveys get around the variability in storm events?  
12 Would you survey only after storms?

13 A. The intent of the survey, as I understand  
14 it, the one that's currently being field tested was  
15 not -- actually, I guess I don't know this for sure.  
16 It's my assumption that that survey instrument was not  
17 for major, major storms, that that was for ongoing  
18 routine outages, whether they be a car/pole accident,  
19 an underground dig-up or storm related that doesn't  
20 fit the large storm definition.

21 Q. So then would you survey only when no  
22 storms have occurred for several months?

23 A. No. The intent of the survey would be that  
24 it would go to all customers who had a disruption of  
25 service or it would go to a representative sample of

1 customers who had a disruption of service irregardless  
2 of the weather.

3 Q. And how would you recommend capturing the  
4 opinions of customers concerning your system's ability  
5 to serve in the face of storms?

6 A. We have something -- I guess we kind of  
7 know that. I mean, we've been through so many storms  
8 in the last 20 years that we really do know how  
9 customers feel about this. Hence, in 1994 when we  
10 didn't respond as well to our customer's needs we  
11 ended up here in Olympia explaining some mitigation  
12 that I just spoke of a few minutes ago. So I think we  
13 have a pretty good handle on that type of event and  
14 how better to prepare for it in the future.

15 Q. So you don't need to get your customers'  
16 opinions on that?

17 A. I am assuming we would get their opinions  
18 anyway, but I don't think that was the intent of the  
19 survey instrument.

20 JUDGE SCHAEER: Thank you. That's all I  
21 have. Is there any redirect for this witness?

22 MR. VAN NOSTRAND: No, Your Honor.

23 JUDGE SCHAEER: Anything further?

24 MR. MANIFOLD: Your Honor, we have now  
25 looked at the document that Ms. Lynch was referring to



1 earlier and it includes both gas and electric  
2 information and it occurs to me rather than waiting  
3 and recalling Ms. Lynch and then bouncing questions  
4 back to Mr. Lehenbauer we might ask him a couple of  
5 questions about electric service issues related to  
6 this that I wasn't aware of when we were asking  
7 questions before.

8 JUDGE SCHAER: Do you have any problem with  
9 that, Mr. Van Nostrand?

10 MR. VAN NOSTRAND: No, Your Honor.

11 JUDGE SCHAER: Let's go ahead and do that.

12

13 CROSS-EXAMINATION

14 BY MR. MANIFOLD:

15 Q. Mr. Lehenbauer, first of all, do you have  
16 in front of you what I have in front of me, the  
17 document from Ms. Lynch?

18 A. Yes, I believe so.

19 Q. Starts with "keep all appointments number  
20 one"?

21 A. Yes.

22 Q. Have you seen this before? It's dated  
23 4-19-96.

24 A. Doesn't look familiar.

25 Q. So we're both starting fresh here. Did you

1 provide input for the electrical column on cut-ins and  
2 turn-ons and appointments and so forth?

3 A. It was provided by someone in my  
4 department.

5 Q. What's a cut-in?

6 A. It's new service.

7 Q. And at the bottom of the sheet what's the  
8 new customers per year, new services?

9 A. A cut-in is setting the meter if that  
10 clarifies it any more. Cutting in is cutting a  
11 customer into a new location, so if you move from  
12 apartment A to apartment C that would be a cut-in. A  
13 new service is if you just built a new house and we're  
14 now going to plug the meter in.

15 Q. So cut-ins are churn?

16 A. Pardon me?

17 Q. Cut-ins are people moving from one place to  
18 the other?

19 A. That's correct. That's the way I interpret  
20 it.

21 Q. What appointment is needed for that? I  
22 took the tenor at least of your earlier testimony that  
23 cut-ins didn't require customer appointments?

24 A. They don't require us to go into the  
25 customer's house, but let's say that you are moving

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1 from apartment A to apartment C and the person that  
2 was in apartment C was disconnected, in other words,  
3 the electricity was actually turned off, so now you  
4 are moving and you want the electricity turned on so  
5 it's more -- all you need to do is call us but we  
6 don't need to come into your home to do that, and yet  
7 because of the fact that we had to turn it off  
8 assumedly for credit reasons for the previous  
9 customer, it now requires some scheduling or you have  
10 some scheduling, so we would make an attempt in this  
11 case if it's during core hours, we have an employee  
12 group that would be dispatchable to go do that cut-in.  
13 After hours we would charge you an extra fee and we  
14 would send a service man to do that cut-in for you if  
15 you want it done then. Does that help explain it?

16 Q. Yes, it does. What this shows is the  
17 number of electric cut-ins per year at 175,000. Does  
18 that look reasonable to you?

19 A. I know there's an awful lot of movement  
20 within our service territory so I know that it's a  
21 high number.

22 Q. That's about a 22 percent of your customers  
23 moving, does that sound reasonable to you?

24 A. Yes. It could even be higher than that, but  
25 yes.

1 Q. Is it correct that about 5 percent of those  
2 need a service call?

3 A. I don't know. I wouldn't be surprised if  
4 that's the number but I don't know what the exact  
5 number is.

6 Q. Do you have any idea of how many of those  
7 cut-ins that require appointments, how many of those as  
8 a percentage currently the company misses the  
9 appointment for company reasons as opposed to missed  
10 for customer reasons?

11 A. If they're after hours and we have someone  
12 going to one of those appointments as a service man,  
13 because by contract that's who we have to use after  
14 hours, and they are called to an emergency and we make  
15 a judgment that that emergency is more important than  
16 hitting that appointment, we have some of those that  
17 happen every night.

18 During the daytime I don't know how our  
19 statistics are. It's fairly complicated. There's all  
20 sorts of logistics that take place here. For example,  
21 we have to get the customer to pay before we go out and  
22 do these reconnects or these cut-ins, the ones that we  
23 have to make field trips on, so sometimes that requires  
24 a customer to go to a certain location by a certain  
25 time. My guess is it's not a perfect system and that

1 there's probably some improvement we could make with it  
2 but it's also something that's not real simple and  
3 straightforward.

4 Q. I understand. I take it from your answer  
5 you don't have any data or any particular estimate of  
6 what percentage of those will be missed at this point  
7 under current operations?

8 A. We probably have more data than I am aware  
9 of because we do track each meter reader's specific  
10 movements. They use an electronic device that enters  
11 just about everything they do. I have not researched  
12 this specifically.

13 MR. MANIFOLD: Thank you.

14 JUDGE SCHAEER: Is there anything further  
15 for this witness?

16 MR. VAN NOSTRAND: Would you like to offer  
17 this exhibit?

18 MR. MANIFOLD: No. I think we need to talk  
19 some more about it and see if he wants to put it in,  
20 either one of us wants to put it in.

21 MR. VAN NOSTRAND: Do we need to recall Ms.  
22 Lynch for purposes of this exhibit?

23 MR. MANIFOLD: I thought we would talk  
24 about that at the break.

25 MR. VAN NOSTRAND: Nothing further for this

1 witness.

2 JUDGE SCHAER: Thank you for your  
3 testimony. Let's take our afternoon recess at this  
4 time. When we come back from the recess, Mr. Roland,  
5 will you please have taken the stand and have your  
6 materials ready and even if we need to briefly need to  
7 call Ms. Lynch and will everyone who has any exhibits  
8 for Mr. Martin please distribute those during the  
9 break. Please be back at five minutes to four. We're  
10 off the record.

11 (Recess.)

12 JUDGE SCHAER: Let's be back on the record  
13 after our afternoon recess. During the recess a  
14 document was distributed which is one page. The top  
15 line says "keep all appointments." The bottom line  
16 says "service guarantee." And I believe it contains  
17 service guarantee data. It's my understanding  
18 formally from the parties that they intend to offer  
19 this by stipulation. Was it you, Mr. Cedarbaum or  
20 you, Mr. Harris?

21 MR. CEDARBAUM: Not me.

22 MR. MANIFOLD: I think it's Mr. Harris's  
23 exhibit and we agreed not to oppose it.

24 MR. HARRIS: We would offer it at this  
25 time.

1                   JUDGE SCHAER:  Would you like to tell me  
2 just slightly more about what it is.

3                   MR. HARRIS:  This is the document that Ms.  
4 Lynch was referring to during her testimony about the  
5 backcasting of the service quality guarantee.  It  
6 contains the calculations that she was relying on and  
7 it clarifies some of her testimony.

8                   JUDGE SCHAER:  I will mark this as Exhibit  
9 179 for identification and it will be admitted.

10                   (Marked and Admitted Exhibit 179.)

11 Whereupon,

12                                   ROLAND MARTIN,  
13 having been first duly sworn, was called as a witness  
14 herein and was examined and testified as follows:

15                   JUDGE SCHAER:  Would you like me to  
16 identify Mr. Martin's exhibits?

17                   MR. CEDARBAUM:  Yes, please.

18                   JUDGE SCHAER:  I've marked for  
19 identification as Exhibit T-176 the prefiled testimony  
20 of Roland C. Martin.  I've marked for identification  
21 as Exhibit TS-177 Exhibit RCM-1 and I've marked for  
22 identification as Exhibit 178 Exhibit RCM-2.  In  
23 addition to these materials I have marked Mr. Martin's  
24 deposition and the correction sheet attached thereto  
25 as Exhibit 180 for identification.

1 MR. MACIVER: Exhibit number, Your Honor?

2 JUDGE SCHAEER: 180. 179 was the document  
3 that was admitted by stipulation. I've marked as  
4 Exhibit 181 for identification the document marked  
5 Staff Response to PSE Data Request No. 4. Again  
6 that's 181. Staff Response to PSE Data Request No. 5  
7 I've marked as Exhibit 182 for identification and the  
8 worksheet of one page which reads on the top line,  
9 PRAM 5 1997, 1998, 1990, 2000, 2001 Five-Year Total,  
10 I've marked for identification as Exhibit 183.

11 (Marked Exhibits T-176, TS-177, 178, 180,  
12 181, 182 and 183.)

13

14 DIRECT EXAMINATION

15 BY MR. CEDARBAUM:

16 Q. Would you please state your full name and  
17 spell your last name.

18 A. Roland C. Martin. Last named spelled M A R  
19 T I N.

20 Q. And Mr. Martin, you're employed by the  
21 Commission as a regulatory consultant in the electric  
22 section?

23 A. Yes.

24 Q. Did you prepare direct testimony in this  
25 proceeding?



1 A. Yes.

2 Q. Referring you to what's been marked for  
3 identification as Exhibit T-176, is that your direct  
4 testimony?

5 A. Yes.

6 Q. Was this prepared by you or under your  
7 supervision and direction?

8 A. Yes.

9 Q. And it's true and correct to the best of  
10 your knowledge and belief?

11 A. Yes.

12 Q. Directing your attention to what's been  
13 marked for identification as Exhibit TS-177 and  
14 Exhibit 178. Are those exhibits that you prepared  
15 together with your direct testimony?

16 A. Yes, they are.

17 Q. And both Exhibits TS-177 and 178 were  
18 prepared by you or under your supervision?

19 A. Yes.

20 Q. And they're true and correct to the best of  
21 your knowledge and belief?

22 A. Yes.

23 MR. CEDARBAUM: Your Honor, at this time I  
24 would offer Exhibits T-176, TS-177 and Exhibit 178.

25 JUDGE SCHAEER: Any objection?

1                   MR. VAN NOSTRAND: Your Honor, if I could  
2 have clarified, page 5 of Exhibit T-176 is a top  
3 secret page.

4                   MR. CEDARBAUM: Yes, Your Honor. Thank  
5 you, Mr. Van Nostrand. I'm not quite sure how we want  
6 to handle that procedurally. What was filed with the  
7 Commission and distributed to certain parties who can  
8 obtain top secret information is a page 5 that has two  
9 numbers that are top secret and I guess we can  
10 separate that out and create a second top secret  
11 exhibit for that page.

12                  JUDGE SCHAEER: Can we identify that as part  
13 of Exhibit TS-177?

14                  MR. CEDARBAUM: That would be fine.

15                  JUDGE SCHAEER: Add that page to the other  
16 top secret exhibit. With that clarification, do you  
17 have any objection?

18                  MR. VAN NOSTRAND: No, Your Honor.

19                  JUDGE SCHAEER: Then Exhibit T-176, TS-177,  
20 which includes the top secret page of page 5 of T-176,  
21 and Exhibit 178 are admitted.

22                  (Admitted Exhibits T-176, TS-177 and 178.)

23                  JUDGE SCHAEER: Did you have questions of  
24 this witness, Mr. Van Nostrand?

25                  MR. VAN NOSTRAND: I do, Your Honor, thank

1 you.

2 CROSS-EXAMINATION

3 BY MR. VAN NOSTRAND:

4 Q. Good afternoon, Mr. Martin.

5 A. Good afternoon.

6 Q. Do you have before you what's been marked  
7 for identification as Exhibit 180?

8 A. Yes.

9 Q. Do you recognize that as the transcript of  
10 your deposition of October 4?

11 A. Yes, I do.

12 Q. And the last sheet of that Exhibit 180 is  
13 the correction sheet for that transcript?

14 A. Yes.

15 Q. And as corrected by the information on that  
16 correction sheet is the transcript included as Exhibit  
17 180 true and correct to the best of your knowledge?

18 A. Yes.

19 MR. VAN NOSTRAND: Your Honor, move the  
20 admission of Exhibit 180.

21 MR. CEDARBAUM: No objection.

22 JUDGE SCHAEER: That document is admitted.

23 (Admitted Exhibit 180.)

24 Q. Do you also have before you what's been  
25 marked for identification as Exhibit 181?

1 A. Yes.

2 Q. And do you recognize that as your response  
3 to PSE data request No. 4?

4 A. Yes.

5 MR. VAN NOSTRAND: Your Honor, move the  
6 admission of 181.

7 MR. CEDARBAUM: No objection.

8 JUDGE SCHAEER: That document is admitted.  
9 (Admitted Exhibit 181.)

10 Q. Do you also have before you what's been  
11 marked for identification as Exhibit 182?

12 A. Yes, I do.

13 Q. And you recognize that document as a packet  
14 of data request responses including your responses to  
15 Nos. 5, 6, 7, 8, 28 and 49?

16 A. That's correct.

17 MR. VAN NOSTRAND: Your Honor, move the  
18 admission of Exhibit 182.

19 MR. CEDARBAUM: No objection.

20 JUDGE SCHAEER: That document is admitted.  
21 (Admitted Exhibit 182.)

22 Q. And Mr. Martin, were you in the hearing  
23 room on Monday when Ms. Linnenbrink testified about  
24 the confusion regarding the \$103 million number versus  
25 the \$75 million rate reduction proposed by staff?

1 A. Yes, I was here.

2 Q. And she referred you to some materials that  
3 you provided to Mr. Story in follow-up discussions  
4 with Mr. Story regarding this item?

5 A. Yes. I sent this document to Mr. Story.  
6 That's after we talked on the telephone.

7 Q. And do you recognize as Exhibit 183 that  
8 document which you sent to Mr. Story?

9 A. That's correct.

10 Q. And could you please indicate what that  
11 document shows?

12 A. This document is intended to correct the  
13 table that he shows in his rebuttal testimony on page  
14 3. It is intended to depict the impact of staff's  
15 proposed electric rate reduction which is in the  
16 magnitude of \$75 million over the five-year rate plan  
17 period.

18 Q. And how does this document compare with the  
19 work paper which we included in your -- as an  
20 attachment to your deposition as Exhibit No. 1?

21 A. Exhibit No. 1 is a work paper which  
22 supports a line item in my Exhibit 177. It is the  
23 backup for calculating the magnitude of the difference  
24 between the DSM revenues that the company is expected  
25 to collect from the customers compared with the

1 anticipated DSM revenue requirement levels during the  
2 rate plan period and this is the basis of the work  
3 paper that supports the \$103 million differential in  
4 revenues over cost for DSM.

5 Q. And as we look at line 10 on that exhibit  
6 which shows the 328 subtraction in column B, do you see  
7 that?

8 A. Yes.

9 Q. And then if we compare that to on Exhibit  
10 183, line 14, which also -- line 12 which also shows a  
11 328 figure?

12 A. Yes.

13 Q. Is the difference then in Exhibit 183 you  
14 proceed across the table to calculate the DSM rates  
15 that would be applied in each of the five years of the  
16 rate plan based on the assumed kilowatt hour load  
17 shown on line 1?

18 A. Can you repeat the references again,  
19 please, the difference in what again?

20 Q. Well, your Exhibit 1 to your deposition  
21 does not contain those lines across there which show  
22 that DSM rate on line 12 of Exhibit 183. I'm trying  
23 to clarify that that is a difference between your  
24 Exhibit 183 and the Exhibit 1 to your deposition, is  
25 it not?

1 A. Yes.

2 Q. And did you calculate those remaining  
3 figures on line 12, the 290, the 281, the 267, are you  
4 following me?

5 A. Yes.

6 Q. You calculate that by taking the particular  
7 conservation investment and divide it by the kilowatt  
8 hour load in line 1?

9 A. Yes.

10 Q. And so you set those declining rates at the  
11 outset of the rate plan based on your estimate as to  
12 what the loads will be during the five years of the  
13 rate plan?

14 A. Yes, so that the actual effect on on a per  
15 KWH basis will be dependent on the actual KWH during  
16 the respective years.

17 Q. And that analysis -- just to clarify, that  
18 analysis wasn't provided anywhere in your work papers  
19 filed with your testimony, was it?

20 A. As I said, it was provided to Mr. Story.  
21 The date shown on the work paper is October 16, 1996  
22 which is after my reading of his rebuttal and after  
23 realizing that he's got some misunderstanding about  
24 what the staff proposal is.

25 Q. Do you also recall the discussion on Monday

1 regarding the difference between the \$103 million rate  
2 reduction, which was a scenario that was considered  
3 and it was rejected in favor of the \$75.5 million  
4 rate reduction. Do you recall that?

5 A. Yes. Electric reduction in the magnitude  
6 of \$103 million was considered by staff at one time.

7 Q. Is there any testimony in staff's prefiled  
8 testimony which discusses the analysis that was  
9 performed to determine why the \$75.5 million rate  
10 reduction was appropriated and \$103 million was not?

11 A. I don't believe there's any testimony about  
12 that, because what we were doing at the time is trying  
13 to formulate the staff case and our final analysis,  
14 and our proposal contains \$75.4 million reduction.

15 Q. And you don't discuss anywhere in your  
16 testimony that the \$103 was considered but was  
17 rejected in favor of the \$75 million?

18 A. No. My only discussion in my testimony is  
19 that \$103 million is the magnitude that the company  
20 will be collecting over costs on this particular item.

21 Q. And the difference between \$103 million and  
22 \$75 million is about \$28 million; is that right?

23 A. That's correct.

24 Q. Does staff's decision to recommend \$75  
25 million reduction rather than \$103 million suggest



1 that staff was cutting the margins so close that the  
2 \$18 million makes the difference between financial  
3 viability and no financial viability?

4 A. The difference is one of the levels of  
5 reducing staff's recommended electric decreases, which  
6 is done in conjunction with consultation with Dr.  
7 Lurito, because he was hired to evaluate the financial  
8 viability of the company in terms of the staff's rate  
9 plan, so that's the reason why there was some  
10 adjustment as to the final level of staff's  
11 recommendation in its rate plan.

12 Q. I would like to turn to your testimony on  
13 page 5 and focus on your table A as a good summary of  
14 the staff rate plan analysis and of the exhibit you've  
15 included, Exhibit TS-177. In the first line of that  
16 table, which is line 4, according to the numbers on  
17 the left-hand side of the page, shows merger savings  
18 of \$166 million; is that right?

19 A. That's right.

20 Q. And if I try to extract that from your  
21 Exhibit TS-177, is it true that's basically lines 1  
22 through 6 and line 8?

23 A. That's right. Or, in other words, we can  
24 take line 10 and then add back the line 7 which is the  
25 amortization of regulatory assets.

1 Q. And the amount you have shown on line 5 of  
2 \$103 million is the amount which we just discussed  
3 which staff describes as the excess DSM revenues over  
4 costs?

5 A. That's right.

6 Q. And that's from line 27 of your Exhibit  
7 TS-177; is that right?

8 A. That's correct.

9 Q. And then turning to the elements of the  
10 staff rate plan, the amount shown on line 8 is \$28  
11 million for regulatory asset amortization; is that  
12 right?

13 A. That's right.

14 Q. And that's from line 7 of your Exhibit  
15 TS-177?

16 A. That's the rounded amount on line 7.

17 Q. And the more complete description of what's  
18 encompassed in this \$28 million is Mr. Schooley's  
19 testimony; is that right?

20 A. That's right.

21 Q. But, briefly, it's made up of three  
22 elements, would you agree with that? If I could maybe  
23 justify go through them one at a time. The one piece  
24 of it is the \$16.9 million in storm damage reserve?

25 MR. CEDARBAUM: Your Honor, I guess I will

1 object at this point if we get into specifics. I'm  
2 not sure where Mr. Van Nostrand is leading with this  
3 but these are subjects covered by Mr. Schooley, and to  
4 the extent that he goes beyond the scope of Mr.  
5 Martin's testimony, I would object. I don't know  
6 where this is headed and I don't want to start down  
7 that road until I can hear just how specific this will  
8 be.

9 MR. VAN NOSTRAND: I was not going to go  
10 into any detail at all other than to show that the \$28  
11 million simply represents the three pieces that are  
12 contained in Mr. Schooley's testimony. This is the  
13 only place where that number is brought forward and I  
14 think it would be helpful to clarify how that \$28  
15 million was derived. I wasn't going to go into any  
16 more detail other than there were three pieces of it  
17 and the rough amounts of what they were.

18 MR. CEDARBAUM: I won't object on that  
19 basis.

20 JUDGE SCHAEER: Let's go ahead and get those  
21 three pieces of that number established.

22 Q. Would you agree that the one piece is the  
23 \$16.9 million of storm damages?

24 A. Yes.

25 Q. And another piece is the environmental

1 remediation costs which Puget and WNG have recorded in  
2 accordance with accounting orders?

3 A. That's another component, yes.

4 Q. And a final component is about \$200,000 in  
5 remaining rate case costs from the gas company's last  
6 rate case?

7 A. I believe that's another component, yes.

8 Q. And would those three together add up to  
9 that amount you have shown there on line 7, the  
10 27,691?

11 A. That's correct. These were derived  
12 directly from Mr. Schooley's exhibit.

13 Q. In terms of what we're doing with that \$28  
14 million number, is it fair to say that staff's basis  
15 for amortizing these regulatory assets is not that  
16 either Puget or WNG did anything improper in recording  
17 these amounts; is that right?

18 MR. CEDARBAUM: Your Honor, I guess at this  
19 point I will object. We've gone now past the point of  
20 just identifying the numbers to the basis for the  
21 staff recommendation and that seems to me to be one  
22 step beyond the purpose of this questioning.

23 JUDGE SCHAER: Can you refer me to  
24 something about this in Mr. Martin's testimony, Mr.  
25 Van Nostrand, or would this more appropriately be

1 addressed to Mr. Schooley?

2 MR. VAN NOSTRAND: Well, Mr. Schooley  
3 certainly shows how the numbers were derived and will  
4 state that they were properly recorded in accordance  
5 with accounting orders of the Commission. I think  
6 what I would like to establish through Mr. Martin as  
7 the primary sponsor of the rate plan is that these are  
8 amounts that were properly recorded in accordance with  
9 Commission precedence or prior orders and they are  
10 being written off as part of the rate plan under -- as  
11 an element of the rate plan it seems fair to establish  
12 -- I think this is the only witness that can establish  
13 that even though they're properly recorded as one  
14 element of the rate plan -- and frankly this is the  
15 last question I had but I think Mr. Martin is the only  
16 one that I can establish --

17 JUDGE SCHAEER: Would Mr. Schooley be able  
18 to answer that question?

19 MR. CEDARBAUM: I think we can, but if  
20 that's all we're going to have on this Mr. Martin can  
21 answer, I don't object, but if he can't answer --

22 JUDGE SCHAEER: If you're able to answer you  
23 may do so now.

24 THE WITNESS: May I request that he repeat  
25 the question.

1 Q. Is it fair to say that staff's basis for  
2 amortizing these regulatory assets as part of the rate  
3 plan is not that either Puget or WNG did anything  
4 improper in recording these amounts; isn't that  
5 correct?

6 A. That's correct, because the basis for  
7 amortizing these regulatory assets is to apply some of  
8 the merger benefits that's established or contemplated  
9 under the merger.

10 Q. And continuing on down table A, of the next  
11 item, line 9 DSM amortization; is that right? ?

12 A. That's right.

13 Q. And this again is discussed in Mr.  
14 Schooley's testimony?

15 A. Yes.

16 Q. And the amount you have shown there is from  
17 line 29 of your Exhibit TS-177?

18 A. Yes.

19 Q. And just to briefly describe what this is,  
20 these are conservation investment which Puget has made  
21 since April 1995; is that correct?

22 A. Or, to my understanding, I think it's the  
23 layer from May 1995 through the end of 1997.

24 Q. And including it in the staff rate plan  
25 would have this conservation amortized over the

1 five-year period of the rate plan; is that right?

2 A. That's right.

3 Q. And continuing on down the line, line 10  
4 shows the electric and gas rate decrease which is  
5 being proposed by staff; is that right?

6 A. That's correct.

7 Q. And the \$100 million figure shown on that  
8 line is from lines 46 and 47 of your Exhibit TS-177?

9 A. That's correct.

10 Q. And the next line which is a TS number,  
11 that refers to best practices and power stretch goals;  
12 is that right?

13 A. Yes. It's the sum of the two items.

14 Q. And inclusion of this line on your table  
15 reflects your determination that these best practices  
16 savings would be achieved and the power stretch goals  
17 would be achieved; is that correct?

18 A. Including these figures assumes that these  
19 are additional sources of savings in addition to the  
20 merger savings.

21 Q. And in saying that you assumed that they  
22 can be achieved; is that right?

23 A. Yes.

24 Q. And these particular figures are from lines  
25 12 and 13 of your Exhibit TS-177, they are added

1 together to produce that figure shown on line 12?

2 A. That's correct.

3 Q. And the next line on your table A, the \$144

4 million, that comes from line 15 of your Exhibit

5 TS-177?

6 A. Yes. They appear in both lines 14 and 15.

7 Q. And this just reverses the 1 percent

8 increase which is proposed as joint applicants' rate

9 plan?

10 A. Yes.

11 Q. Now, you don't show anywhere on this table

12 A the \$322 million in power cost increases which you

13 have shown on your exhibit TS-177 on line 24, do you?

14 A. It's not in this table.

15 (Recess.)

16 JUDGE SCHAEER: We're back on the record.

17 While we were off the record the court reporter was

18 able to make sure her equipment is working correctly.

19 We hope. Please proceed.

20 Q. And this amount shown on line 24 of your

21 Exhibit 177, TS-177 that was not carried forward in

22 your table A, that's the \$322 million in power cost

23 increases from Exhibit 28 which consists of known

24 power cost increases during the rate stability period;

25 is that correct?



1 A. I lost track. Could you please repeat.

2 Q. The \$322 million which you have shown on  
3 line 24 of your Exhibit TS-177 and which you did not  
4 carry forward into your table A, is that the same \$322  
5 million on joint applicants' Exhibit 28 representing  
6 power cost increases?

7 A. Yes. That is correct. Those are the  
8 figures from Exhibit 28 prepared by Ms. Lynch.

9 Q. Isn't that a rather significant cost  
10 component to not include in your analysis on table A?

11 A. The proper table A is not to summarize my  
12 exhibit TS RM-1, but it intends to show in a different  
13 fashion where savings are coming from and what staff's  
14 plan is, and that the impact is that there's  
15 substantial remaining benefits which will be  
16 applicable to whatever cost pressures the company is  
17 experiencing. And I believe that there was a  
18 description stated in my testimony which says that it  
19 becomes evident that staff's rate plan not only  
20 implements direct pass-through merger benefits to  
21 ratepayers but also leaves substantial savings that  
22 will offset PSE 1 percent rate increase and other cost  
23 pressures during the rate plan period beginning 1997  
24 through 2001, so as to the nature of those cost  
25 pressures those are detailed and portrayed in Exhibit

1 TS-177.

2 Q. But doesn't the \$322 million figure exceed  
3 the amount shown on line 14 of your table A?

4 A. Comparing those two alone, but you see in  
5 my table that there's a plus, which says plus other  
6 unquantified savings, so taking those two together is  
7 not an accurate comparison, I guess, so that if we  
8 account for those other unquantified savings and the  
9 adjustments that I portrayed in Exhibit TS-177, we  
10 have a better picture of what the bottom line impact  
11 of comparing savings and cost pressures.

12 Q. So just trying to determine how the \$322  
13 million in power costs fits in your table A. The text  
14 there on lines 19 and 20 of page 5, you would include  
15 that \$322 million of power cost increases as part of  
16 this other cost pressures during the rate plan period?

17 A. That's one of the cost pressures as shown  
18 in the Exhibit TS-177.

19 Q. I just have a very few questions regarding  
20 the lost revenues portion of your analysis on T-177.  
21 If you look on page 11 of Exhibit T-176. And this  
22 concerns the \$17.8 million which you would allocate to  
23 the shareholders under the staff rate plan; is that  
24 right? I'm looking at the middle of the page like  
25 lines 14, 15.

1           A.     This is the residual savings.

2           Q.     And you refer to the amount not offset by  
3 residual savings is \$17.8 million; is that right?

4           A.     That's correct.

5           Q.     And the next line you discuss certain  
6 measures and you say the applicants have identified  
7 but not quantified these measures and you go on to  
8 define certain measures, which is the marketing of 250  
9 average megawatts. How do these measures relate to  
10 the \$17.8 million figure which you've calculated and  
11 discussed there on line 15?

12          A.     These measures are among those savings that  
13 were not quantified but the company says it will be a  
14 source of savings or -- which may be used to reduce  
15 costs, so there are other pots of savings that are  
16 available to the company which can be pursued during  
17 the rate plan period that they do not fall under the  
18 category of either best practices or power stretch  
19 goals.

20          Q.     And so if the company is able to remarket  
21 that 250 average megawatt and mitigate some of those  
22 lost revenues would that reduce that \$17.8 million  
23 figure?

24          A.     It will reduce, corroborate, or maybe there  
25 might be even excess savings to apply to those other

1 cost pressures.

2 Q. And does the treatment you're proposing  
3 here with respect to the \$17.8 million, does that  
4 preclude the company from having an ability to  
5 mitigate those lost revenues?

6 A. I believe I don't understand the question.

7 Q. What do you propose be done with respect to  
8 that \$17.8 million by the Commission in its order if  
9 the staff rate plan is adopted?

10 A. As I've said in my testimony, that residual  
11 amount that's not covered by the specific cost  
12 categories I have identified in my exhibit, those will  
13 have to be mitigated by the company by pursuing these  
14 other measures that I enumerated in my testimony, so  
15 what I mean is in addition to merger savings, best  
16 practices or power stretch goals, they will have to  
17 pursue additional savings.

18 Q. And the \$17.8 million is derived from the  
19 lost revenues portion of your TS-177 page 2 lines 52  
20 through 60; is that right?

21 A. It is derived by subtracting line 50 and  
22 line 58.

23 Q. My question was if by identifying the \$17.8  
24 million here, are you precluding the company from  
25 being able to mitigate those lost revenues by pursuing

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1 those measures such as remarketing the 250 average  
2 megawatts?

3 A. By precluding you mean I am preventing the  
4 company from mitigating those costs?

5 Q. Before those costs are charged to  
6 shareholders, as what you're suggesting here, will  
7 there be an opportunity to mitigate them under your  
8 proposal?

9 A. Yes.

10 Q. I have a very few questions on one of the  
11 standards you set forth in your testimony on page 3 is  
12 "electric and gas ratepayers" -- this is on lines 9 to  
13 11 -- "from a cost of service standpoint should be  
14 better off with the merger than without." Do you see  
15 that?

16 A. Yes.

17 Q. And I take it when you refer to cost of  
18 service standpoint with the merger savings aren't the  
19 costs which you look at when you refer to cost of  
20 service standpoint lower with the merger than without?

21 A. To the extent that those are directly  
22 passed through to the ratepayers. I think the  
23 ratepayers are better off with the merger if they have  
24 direct experience of the benefits coming up from the  
25 merger.

1 Q. And does this test you're stating on this  
2 page really go to the issue of whether they're passed  
3 through or whether they are simply from a cost of  
4 service standpoint ratepayers are better off with than  
5 without?

6 A. Under our rate plan proposal we propose  
7 that the merger benefits will be directly passed  
8 through to the ratepayers.

9 MR. VAN NOSTRAND: I have no further  
10 questions, Your Honor.

11 JUDGE SCHAEER: Mr. Manifold, did you have  
12 questions of this witness?

13 MR. MANIFOLD: Yes.

14 JUDGE SCHAEER: Had you offered the  
15 worksheet, Mr. Van Nostrand?

16 MR. VAN NOSTRAND: I believe so. 183?

17 MR. CEDARBAUM: I don't have any objection  
18 to it.

19 JUDGE SCHAEER: I don't show it as being  
20 admitted so let's be sure we admit it twice instead of  
21 not at all.

22 MR. VAN NOSTRAND: I would offer 183, Your  
23 Honor.

24 JUDGE SCHAEER: That document is admitted.

25 (Admitted Exhibit 183.)

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CROSS-EXAMINATION

3 BY MR. MANIFOLD:

4 Q. Mr. Martin, do you have available to you  
5 Exhibit 156 -- excuse me -- Exhibit 56 which was, I  
6 believe, put in through Mr. Torgerson and was the  
7 company's response to a public counsel data request  
8 No. 90?

9 A. I don't have it with me.

10 Q. I would like to compare some numbers on  
11 this with what's on Exhibit 183. I would like to  
12 direct your attention to Exhibit 56, the last page,  
13 line 19, which is entitled revenue requirement and  
14 this concerns conservation revenue requirement, I  
15 believe you will see. And also your attention to  
16 Exhibit 183, line 5, and the numbers on these two  
17 lines are different. I wondered if you could explain  
18 whether they ought to be or not. And given that it's  
19 4:45 in the afternoon, I do have other questions, if  
20 it would be more convenient to come back to this in  
21 the morning, that's fine with me.

22 A. I can give a short explanation of what the  
23 difference is.

24 Q. Okay.

25 A. First the line 19 on Exhibit 56 is the full

1 revenue requirement level while line 6 of Exhibit 183  
2 it's a revenue requirement before revenue sensitive  
3 items in the PRAM 5. So looking at the figure in the  
4 17, which will be the equivalent number in Exhibit  
5 183, \$68.9 million versus \$64.9 in Exhibit 183, the  
6 principal difference is that this amount shown in  
7 Exhibit 183 is the actual revenue requirement before  
8 revenue sensitive items that was the basis of the  
9 rates granted in PRAM 5, while this amount, 68.9 in  
10 Exhibit 156 is the revenue requirement for that period  
11 but with certain adjustments, and those adjustments, I  
12 believe, are stated in the second page of the exhibit  
13 regarding certain assumptions. One of them which  
14 might have a different -- which might have a big  
15 impact, if you look at assumption No. 5, rate used for  
16 bond trust financing is 6.97 net of tax 4.53. The  
17 revenue requirement in PRAM 5 I believe was still  
18 based on the full revenue requirement applied on base  
19 -- rate of return applied on rate base. I believe  
20 there are two other tax adjustments which were done on  
21 Exhibit 156. So generally speaking those are the  
22 principal differences, but this \$64.9 million number  
23 can be directly verified from the Commission's order  
24 in PRAM 5.

25 Q. Just a small thing. I think you've picked



1 up my mistake of calling it Exhibit 156. We're  
2 talking about Exhibit 56 here, right?

3 A. My mistake.

4 Q. I started it. In your testimony, Exhibit  
5 176, page 5, lines 18 to 20, I read that to be stating  
6 that some amount of savings will be left to the  
7 company after the direct pass through of merger  
8 benefits to ratepayers under the staff plan. Am I  
9 reading correctly?

10 A. Yes.

11 Q. And is the quantification of that in  
12 Exhibit TS-177, page 2, line 50?

13 A. Well, not exactly because all numbers above  
14 that line already account for certain cost pressures  
15 being offset by savings and benefits, so there are  
16 already cost that are being offset. There are already  
17 applications of benefits that are being made before  
18 reaching line 50.

19 Q. Is line 50 the savings prior to taking into  
20 account lost revenues and line 60 is the amount after  
21 taking that into account?

22 A. That's correct.

23 Q. At page 11 -- line 22-23, is this current  
24 proceeding a general rate case as you're referring to  
25 there? The context is the special contracts lost

1 revenues can be shifted only if at all on a  
2 perspective basis after a general rate case, and I  
3 gather from your testimony that you do not regard this  
4 as a general rate case for the purpose of applying  
5 that standard?

6 A. I was simply calling the specific  
7 conditions in the Commission orders, but with regards  
8 to this specific subject matter, maybe Mr. Miernyk  
9 will be the appropriate witness to talk about the lost  
10 margins.

11 Q. Well, I may have misstated but my question  
12 is simply, in your opinion, is this a general rate  
13 case?

14 A. My interpretation of this proceeding is  
15 that it's -- it is a general rate case in terms of  
16 addressing the issues in the PRAM 5 which were  
17 postponed to be resolved in a general rate case, and I  
18 understand that that is why --

19 Q. But not for other purposes?

20 A. Yes, that's my understanding from my  
21 personal point of view.

22 Q. So it is for the purposes of dealing with  
23 the PRAM but not for other purposes?

24 A. That's my understanding.

25 Q. A few questions on meter reading and

1 billing. Do you recall that Mr. Flaherty on behalf of  
2 the company calculated savings from bill printing and  
3 posting -- and postage in his testimony and exhibits?

4 A. That's one of the items that he measures the  
5 source of merger savings.

6 Q. And those savings were associated with the  
7 reduced number of bills to be printed and mailed as a  
8 result of customers taking service from both the  
9 existing Puget and the existing Washington Natural?

10 A. Yes. They include envelopes and post dates  
11 and processing.

12 Q. Did you review Mr. Lazar's testimony and  
13 exhibit on the amount of meter reading and bill  
14 processing expense that would be saved as a result  
15 of joint billing and the amount of working capital  
16 savings that would result?

17 A. I am aware that he made those calculations  
18 in this exhibit.

19 Q. Did staff undertake any independent  
20 analysis of those type of savings?

21 A. No.

22 Q. Do you believe that such savings could be  
23 realized?

24 A. Yes. And the reason why I did not perform  
25 separated adjustment along those lines is that we have

1 included in my picture on the different sources of  
2 savings and benefits the best practices, and I believe  
3 those are the types of best practices contemplated  
4 under that savings category.

5 Q. A few questions about conservation  
6 advertising. At page 8 of your testimony, line 22, I  
7 believe you indicate that there's -- there was \$2.1  
8 million of conservation advertising allowed in Puget's  
9 last general rate case?

10 A. That's correct.

11 JUDGE SCHAEER: I believe the question was  
12 answered. Could you read the answer, Cheryl.

13 (Record read as requested.)

14 JUDGE SCHAEER: Is this a good place to  
15 break, Mr. Manifold?

16 MR. MANIFOLD: Sounds like it. Was there a  
17 comma in that question? Yes, it is.

18 JUDGE SCHAEER: Let's break for the evening  
19 and resume tomorrow morning at 9 a.m. Mr. Martin,  
20 please be ready and rearing to go and on the witness  
21 stand at that time. Is there anything else that needs  
22 to come before us today? Hearing nothing we're off  
23 the record.

24 (Hearing adjourned at 5:00 p.m.)