

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

3	WASHINGTON UTILITIES AND)	
4	TRANSPORTATION COMMISSION,)	DOCKET NO. UG-941408
)	
	Complainant,)	
5	vs.)	
)	
6	CASCADE NATURAL GAS CORPORATION))	VOLUME 2
	Respondent.)	PAGES 24 - 68
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8 A hearing in the above matter was held on
9 March 10, 1995 at 9:30 a.m. at 1300 South Evergreen
10 Park Drive Southwest, Olympia, Washington before
11 Administrative Law Judge ELMER CANFIELD.

12

13 The parties were present as follows:

14 CASCADE NATURAL GAS CORPORATION, by
15 JOHN L. WEST and BETH M. ANDRUS, Attorneys at Law,
16 4400 Two Union Square, 601 Union Street, Seattle,
Washington 98101-2352.

17 WASHINGTON UTILITIES AND TRANSPORTATION
18 COMMISSION STAFF, by ROBERT CEDARBAUM, Assistant
Attorney General, 1400 South Evergreen Park Drive
Southwest, Olympia, Washington 98504.

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

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25 Cheryl Macdonald, CSR
Court Reporter

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	I N D E X					
	WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
1						
2	STOLTZ	30	32	62		
3	EXHIBIT	MARKED	ADMITTED			
	T-1		31			
4	T-3		31			
	2		32			
5	4		32			
	5		32			
6	6		32			
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7	8		32			
	C-9	35	35			
8	10	36	36			
	11	37	38			
9	12	39	40			
	13	41	42			
10	C-14	42	44			
	C-15	46	47			
11	16	48	49			
	C-17	50	50			
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1 P R O C E E D I N G S

2 JUDGE CANFIELD: This hearing will please
3 come to order. This is docket No. UG-941408,
4 Washington Utility and Transportation Commission,
5 complainant, vs. Cascade Natural Gas Corporation,
6 respondent. This hearing is being conducted by
7 Administrative Law Judge Elmer Canfield of the Office
8 of Administrative Hearings at Olympia in the
9 Commission's hearing room on Friday, March 10, 1995.

10 The purpose of today's hearing is to
11 receive direct testimony and evidence and allow for
12 cross-examination of the respondent. At the outset I
13 would like to begin by take taking appearances
14 beginning with the respondent, please.

15 MR. WEST: Your Honor, I'm John West. With
16 me today is Beth Andrus. We represent Cascade Natural
17 Gas Corporation. Our address is 4400 Two Union
18 Square, Seattle, Washington 98101.

19 JUDGE CANFIELD: Thank you. Next, please.

20 MR. CEDARBAUM: I'm Robert Cedarbaum,
21 assistant attorney general representing the Commission
22 staff. My business address is the Heritage Plaza
23 Building, 1400 South Evergreen Park Drive Southwest in
24 Olympia, 98504.

25 JUDGE CANFIELD: Thank you. Next.

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1 MR. MANIFOLD: Robert F. Manifold,
2 assistant attorney general representing public
3 counsel. My address is 900 Fourth Avenue, Room 2000,
4 Seattle, Washington 98164.

5 JUDGE CANFIELD: Thank you. And I will
6 note that Paula Pyron representing Northwest
7 Industrial Gas Users is not present but I believe Mr.
8 West indicates he has been notified by Ms. Pyron or
9 Mr. Finklea that they will not be here today. Maybe
10 you can indicate that for the record, Mr. West.

11 MR. WEST: Yes, Your Honor. That's
12 correct.

13 JUDGE CANFIELD: As far as preliminary-type
14 matters, let me address the one matter. Mr. Cedarbaum
15 notified our office that through oversight a notice of
16 hearing did not go out for today's hearing. I will
17 note that today's date was agreed upon by all parties
18 at the pre-hearing conference held on January 23, and
19 the date was set forth in the pre-hearing conference
20 order that was entered several days later. And I
21 believe, Mr. Cedarbaum, you have, prior to today's
22 hearing, talked with all parties concerning that
23 matter; is that correct?

24 MR. CEDARBAUM: That's right, Your Honor.
25 After I found out that a notice hadn't been issued by

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1 whatever oversight caused that, I contacted Mr. West,
2 Mr. Manifold and Ms. Pyron and they all three agreed
3 to waive notice for this hearing and to go ahead
4 today.

5 JUDGE CANFIELD: Okay. Let me just confirm
6 that, just a quick go-round, that there are no
7 objections and all have agreed to waive notice for
8 today's hearing. Mr. West.

9 MR. WEST: No objection.

10 JUDGE CANFIELD: Mr. Manifold.

11 MR. MANIFOLD: It's awfully tempting to
12 wake everybody up and say no, but yeah, no objection.

13 JUDGE CANFIELD: Likewise, that was the
14 representation from Ms. Pyron, Mr. Cedarbaum; is that
15 correct?

16 MR. CEDARBAUM: That's right.

17 JUDGE CANFIELD: And likewise, that's
18 staff's position on it as well, no objection?

19 MR. CEDARBAUM: Absolutely.

20 JUDGE CANFIELD: With that, we'll proceed
21 then. Are there any other preliminary matters that
22 anyone has to address before we begin this morning?

23 MR. WEST: One other, Your Honor. There
24 are some items today that are confidential, and some
25 of the exhibits which will be introduced by staff also

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1 are confidential one of which at least was
2 inadvertently not marked confidential, so we will need
3 to make that notation, and to the extent the
4 questioning comes into confidential areas we will have
5 to be sure that either the hearing room is cleared or
6 that there are other precautions to avoid divulging
7 matters which should not be disclosed.

8 JUDGE CANFIELD: Okay. So noted. There is
9 that possibility that we could go into closed session
10 if there's no alternate way to handle it, so with that
11 in mind we'll certainly address it accordingly, and as
12 far as confidential exhibits we can certainly mark
13 those accordingly and have them sealed at the
14 Commission here and deal with it that way. There was
15 a protective order issued in the matter and protective
16 order agreement has been signed by various
17 individuals, so we've got that in place as well.
18 We'll certainly handle that accordingly then.

19 Hearing nothing else why don't we then
20 proceed. Mr. West.

21 MR. WEST: Cascade Natural Gas Corporation
22 would like to call Jon T. Stoltz to the stand, please.

23 JUDGE CANFIELD: While he's setting up I
24 will note at the pre-hearing conference we did premark
25 exhibits. The prefiled testimony JTS-Testimony was

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1 marked as Exhibit T-1 and then JTS-1 was Exhibit 2
2 and then the supplemental testimony was marked as
3 Exhibit T-3, and then we also had Exhibit 4 through 8
4 premarked, those being JTS-2 through JTS-6. So we
5 have those marked for identification. Mr. Stoltz, can
6 I have you raise your right hand, please.

7 Whereupon,

8 JON STOLTZ,

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

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12 DIRECT EXAMINATION

13 BY MR. WEST:

14 Q. Please state your name and business
15 address.

16 A. My name is Jon T. Stoltz. My business
17 address is 222 Fairview Avenue North, Seattle,
18 Washington 98109.

19 Q. Please state your occupation and position.

20 A. I am senior vice-president of planning and
21 rates for Cascade Natural Gas.

22 Q. Have you prepared testimony in this docket?

23 A. I have.

24 Q. Can you identify the exhibits which have
25 been marked T-1, 2, T-3 and 4 through 8 as your

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1 testimony?

2 A. Yes, they are.

3 Q. Do you have any additions or corrections to
4 this testimony?

5 A. No, I do not.

6 Q. If I were to ask you the questions today
7 that appear on Exhibit T-1 and T-3, would your answers
8 be the same?

9 A. Yes, they would.

10 Q. In your opinion, are the answers set forth
11 in Exhibit T-1 and T-3 true and correct?

12 A. Yes. That is my opinion.

13 MR. WEST: Your Honor, move the admission
14 of Exhibit T-1 and T-3 into evidence.

15 JUDGE CANFIELD: Any objections to those
16 exhibits?

17 MR. CEDARBAUM: No.

18 MR. MANIFOLD: No.

19 JUDGE CANFIELD: Those testimony, exhibits
20 T-1 and T-3 are so entered into the record.

21 (Admitted Exhibits T-1 and T-3.)

22 MR. WEST: I tender Mr. Stoltz for
23 cross-examination.

24 JUDGE CANFIELD: We've got the testimony.
25 Were you're going to be offering the exhibits as well?

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1 MR. WEST: Yes, Your Honor. I would like
2 to correct myself. In addition to T-1 and T-3
3 Exhibits 2, 4, 5, 6, 7 and 8.

4 JUDGE CANFIELD: Any objections to those
5 additional exhibits?

6 MR. MANIFOLD: No.

7 MR. CEDARBAUM: No.

8 JUDGE CANFIELD: Those additional exhibits
9 2, 4, 5, 6, 7 and 8 are so entered into the record.
10 With that Mr. Stoltz is available for cross, so Mr.
11 Cedarbaum.

12 (Admitted Exhibits 2, 4, 5, 6, 7 and 8.)

13 MR. CEDARBAUM: Thank you.

14

15 CROSS-EXAMINATION

16 BY MR. CEDARBAUM:

17 Q. Good morning, Mr. Stoltz.

18 A. Good morning.

19 Q. Like to begin by asking you some general
20 questions about how the company manages its gas supply
21 portfolio for core customers. Is it correct that the
22 company has several long-term supply contracts as
23 opposed to one or two very large contracts with
24 producers?

25 A. Yes, that is correct.

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1 Q. And is a reason for that, for having a
2 number of contracts, to diversify the company's gas
3 supply portfolio so that you spread the risk of
4 uncertainty of supplies among various producers and
5 various supply basins?

6 A. That is certainly one of the reasons.
7 Another reason would be to maintain as much
8 flexibility as possible to make changes in the future.

9 Q. The long-term supply contracts that Cascade
10 has has a variety of maximum of daily takes; is that
11 right?

12 A. Yes, I believe that's correct.

13 Q. Can you estimate for me what the range is
14 from high to low? And if off the top of your head you
15 can't we can certainly make it a record requisition.

16 A. I would prefer to respond with a record
17 requisition rather than to guess.

18 Q. As record requisition No. 1 if you could
19 provide us with the range of maximum daily takes on
20 your long-term supply contracts.

21 A. Yes, I could.

22 JUDGE CANFIELD: That is the first record
23 requisition in order No. 1.

24 (Record Requisition 1.)

25 MR. CEDARBAUM: Your Honor, at this time I

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1 would like to have marked for identification as
2 Exhibit I think it would be C-9 what I predistributed
3 prior to going on the record this morning. It's a
4 confidential exhibit, the Tenaska PGSS contract with
5 Cascade. There is both a contract dated January 15,
6 1991 and an amendment dated October 3, 1991. I would
7 like those marked together as the next exhibit.

8 JUDGE CANFIELD: Okay. I will combine them
9 as one exhibit and, as indicated, that is confidential
10 exhibit so we will attach the C number to the exhibit
11 and that will be marked as confidential Exhibit C-9.

12 (Marked Exhibit C-9.)

13 MR. CEDARBAUM: I guess for the record this
14 is the exhibit that Mr. West referred to as one that
15 hadn't actually been stamped confidential when it was
16 provided to us, but we understand that it should be
17 treated that way notwithstanding that lack of a stamp.

18 JUDGE CANFIELD: Okay, so noted.

19 Q. Mr. Stoltz, referring you to Exhibit C-9,
20 do you recognize this document as the Tenaska peaking
21 contract with Cascade along with the amendment to that
22 contract?

23 A. Yes, I do.

24 MR. CEDARBAUM: Your Honor, I would offer
25 Exhibit C-9.

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1 JUDGE CANFIELD: Any objections?

2 MR. WEST: No objection.

3 MR. MANIFOLD: No.

4 JUDGE CANFIELD: And as indicated that is a
5 confidential exhibit and it will be sealed at the
6 Commission level and parties are to treat it as
7 confidential pursuant to the protective order that's
8 been issued in the matter and it's so entered as
9 confidential exhibit C-9.

10 (Admitted Exhibit C-9.)

11 Q. Mr. Stoltz, this is the contract that you
12 reference in your supplemental testimony?

13 A. Yes, it is.

14 Q. The Tenaska peaking contract provides
15 Cascade with 500,000 therms per day; is that right?

16 A. Yes, that's correct, although that's an
17 approximate number. It depends on the heating value
18 of the oil.

19 Q. On page 6 of your supplemental testimony
20 T-3, lines 1 through 4, you state that Cascade's
21 currently facilities can deliver up to 200,000 therms
22 per day of the Tenaska peaking supply through the
23 company's distribution line that also serves Tenaska
24 directly with an interconnect with West Coast. Is
25 that right?

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1 A. Yes, that's correct.

2 MR. CEDARBAUM: Your Honor, at this time I
3 would like to have marked for identification as
4 Exhibit No. 10 what purports to be the company's
5 response to staff data request No. 2A which I
6 circulated prior to the hearing.

7 JUDGE CANFIELD: That multiple page
8 document will so be marked as Exhibit 10. It's not
9 confidential exhibit.

10 (Marked Exhibit 10.)

11 Q. Referring you to Exhibit 10 -- it's not a
12 confidential exhibit but Exhibit No. 10, Mr. Stoltz,
13 do you recognize this exhibit as the company's
14 response to staff data request No. 2A in this docket?

15 A. Yes, I do.

16 MR. CEDARBAUM: Offer this exhibit, Your
17 Honor.

18 JUDGE CANFIELD: Any objections? Let the
19 record reflect there are none and that's so entered
20 into the record as Exhibit 10.

21 (Admitted Exhibit 10.)

22 Q. According to the company's response on the
23 bottom part of the first page, is it correct that the
24 company completed a distribution study to determine
25 the deliverability of the distribution line to

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1 Tenaska?

2 A. Yes, that's correct.

3 Q. And that deliverability study was developed
4 in October and November of 1994; is that right?

5 A. That's correct.

6 MR. CEDARBAUM: Your Honor, if I could have
7 marked for identification as Exhibit 11 company's
8 response -- what purports to be company's response to
9 staff data request No. 6.

10 JUDGE CANFIELD: That multiple page
11 document will be marked as Exhibit No. 11.

12 (Marked Exhibit 11.)

13 Q. Mr. Stoltz, referring you to Exhibit No. 11
14 for identification, do you recognize this as the
15 company's response to staff data request No. 6?

16 A. I do.

17 Q. And this response -- this question asked
18 the company to explain how the Tenaska peaking
19 contract was incorporated into its 1993 IRP; is that
20 right?

21 A. Yes, that's correct.

22 Q. Toward the beginning of the second
23 paragraph of the response it states Tenaska resource
24 was conservatively assumed to be 20,000 therms per day
25 and not the 200,000 therms per day that's referenced

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1 in your testimony. Is that right?

2 A. That's right.

3 MR. CEDARBAUM: Your Honor, I would offer
4 Exhibit 11.

5 JUDGE CANFIELD: Any objections?

6 MR. MANIFOLD: No.

7 MR. WEST: No objections.

8 JUDGE CANFIELD: Let the record reflect
9 there are no objections. Exhibit 11 is so entered
10 into the record.

11 (Admitted Exhibit 11.)

12 Q. Just to clarify the exhibit, Mr. Stoltz,
13 looking at Exhibit 11, the question references 1993
14 IRP and the answer references the 1994 IRP. The
15 response that you give relates to the 1994 IRP of
16 Cascade; is that right?

17 A. That's what's typed here, yes. That's
18 correct. The IRP process takes couple of years to do.
19 I don't recall whether we titled the final document
20 1993 integrated resource plan or 1994 integrated
21 resource plan.

22 Q. Do you know when the 1994 IRP was filed
23 with the Commission?

24 A. No, not exactly.

25 Q. Would you accept subject to your check that

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1 it was in June of 1994?

2 A. That sounds correct.

3 Q. So at the time the company assumed the
4 20,000 therms per day in the IRP it hadn't done the
5 deliverability study that's referenced in a prior data
6 request?

7 A. That's correct.

8 Q. Was that what led you to assume or was the
9 fact because the distribution study had not been
10 done you had to make an assumption in the IRP?

11 A. Yes, that's correct.

12 MR. CEDARBAUM: Your Honor, next exhibit I
13 would like marked for identification as Exhibit 12 is
14 a document that appears to be the company's response
15 to staff data request No. 4.

16 JUDGE CANFIELD: That's a one-page document
17 and will so be marked for identification as Exhibit
18 12.

19 (Marked Exhibit 12.)

20 Q. Referring you to --

21 MR. CEDARBAUM: Just to back up for a
22 second, Your Honor, did I offer Exhibit 11? I can't
23 remember.

24 JUDGE CANFIELD: Yes. We've entered all
25 exhibits up through No. 11 thus far.

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1 Q. Referring you to Exhibit 12 for
2 identification, Mr. Stoltz, do you recognize this
3 document as the company's response to staff data
4 request No. 4?

5 A. I do.

6 MR. CEDARBAUM: Offer Exhibit 12, Your
7 Honor.

8 JUDGE CANFIELD: Any objections?

9 MR. WEST: No objection.

10 MR. MANIFOLD: No.

11 JUDGE CANFIELD: Exhibit 12 so entered into
12 the record.

13 (Admitted Exhibit 12.)

14 Q. Now, as we covered before, Mr. Stoltz, the
15 peaking contract with Tenaska provides Cascade with
16 500,000 therms per day and as you testified in your
17 supplemental testimony, the Cascade can take 200,000
18 therms per day directly into Bellingham. Is it
19 correct that in response to this data request No. 4
20 company explained that when it needs the other 300,000
21 therms per day of deliverability in the future it will
22 acquire that transportation capacity in a least cost
23 manner?

24 A. That's correct.

25 Q. In some places in your testimony, your

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1 supplemental testimony, you refer to supply side
2 resources but you didn't clarify in the testimony
3 whether you were talking about commodity or capacity.
4 Is it correct that staff asked you about that and to
5 clarify whether you meant that when you used the
6 phrase "supply side resource" you meant to include
7 both commodity and capacity or just to explain your
8 definition of the term?

9 A. I recall a question to that regard.

10 MR. CEDARBAUM: Your Honor, at this time I
11 would ask that the next exhibit be marked for
12 identification as Exhibit 13 which appears to be the
13 company's response to staff data request No. 12.

14 JUDGE CANFIELD: That's a two-page document
15 and will so be marked as Exhibit 13.

16 (Marked Exhibit 13.)

17 Q. Referring you to Exhibit 13 for
18 identification, Mr. Stoltz, do you recognize this
19 document as the company's response to staff data
20 request No. 12?

21 A. I do.

22 Q. In which staff asked you to define --
23 provide your definition of a supply side resource?

24 A. Yes, that's correct.

25 Q. This is part 12A. Is it correct that your

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1 response indicates that what you meant would include
2 both gas supply and pipeline capacity?

3 A. Yes, if both were required to be delivered
4 to the marketplace.

5 MR. CEDARBAUM: Finally, with regard to
6 Tenaska, I would like to have marked for
7 identification as Exhibit 14 a confidential exhibit,
8 so it would be C-14.

9 JUDGE CANFIELD: Were you going to be
10 offering Exhibit 13?

11 MR. CEDARBAUM: Yes. I would offer Exhibit
12 13.

13 JUDGE CANFIELD: Any objections to Exhibit
14 13?

15 MR. WEST: No objection.

16 MR. MANIFOLD: No objection.

17 JUDGE CANFIELD: Exhibit 13 is so entered
18 into the record.

19 (Admitted Exhibit 13.)

20 JUDGE CANFIELD: And pursuant to the last
21 request of Mr. Cedarbaum, I will mark this next
22 document as confidential Exhibit No. C-14.

23 (Marked Exhibit C-14.)

24 Q. Mr. Stoltz, referring you to Exhibit C-14,
25 do you recognize this as staff data request No. 18 in

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1 docket UG-941213?

2 A. I do.

3 Q. And that docket was the docket number that
4 was given to the company's original PGA filing. That
5 was withdrawn and then replaced with the current file?

6 A. Yes, that's correct.

7 Q. And it appears from the company's response
8 to data request No. 18 from the original docket that
9 the Tenaska peaking contract was negotiated as part of
10 a bypass threat; is that right?

11 A. It was negotiated at the same time the
12 company was negotiating a transportation agreement
13 with this customer. This customer on his
14 transportation side represented a bypass threat, and
15 therefore I guess you could surmise that since the
16 negotiations were going on together that this was
17 associated with the customer who had a bypass threat.

18 Q. Again, you will have to help me out here
19 somewhat in terms of whether we're getting into
20 confidential information, so if I ask a question you
21 don't want to answer in open session, just tell me.

22 A. I will.

23 Q. But can I surmise then from your prior
24 answer that the peaking contract and the special
25 contract with Tenaska were not negotiated

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1 independently of one another?

2 A. They are interrelated, but they were also
3 negotiated independently.

4 Q. Looking at the second page of the document,
5 the first full sentence and the second full sentence
6 at the top, one sentence begins "although" and the
7 next sentence begins "negotiation." Do you see that?

8 A. I do.

9 Q. Is that an accurate representation of how
10 these things were interrelated?

11 A. Yes, it is.

12 MR. CEDARBAUM: If I hadn't already, Your
13 Honor, I would offer Exhibit C-14.

14 JUDGE CANFIELD: It hasn't been offered
15 yet. Any objections to that confidential exhibit?

16 MR. WEST: No objection.

17 MR. MANIFOLD: No.

18 JUDGE CANFIELD: That's so entered into the
19 record as confidential Exhibit C-14.

20 (Admitted Exhibit C-14.)

21 Q. The Tenaska contract, the peaking contract,
22 has four charges associated with it; is that right?

23 A. I believe that's correct.

24 Q. And one of those is a standby charge?

25 A. Yes, that's correct.

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1 Q. And that charge is a credit -- standby
2 charge is a credit based on the amount of gas
3 delivered by Cascade to Tenaska; is that right?

4 A. That's the way the clause works.

5 Q. So the standby charge isn't a function of
6 daily deliverability, total annual supply or the
7 amount of peaking service that Cascade takes from
8 Tenaska?

9 A. That's correct.

10 Q. And looking at Exhibit C-14, is it correct
11 that Cascade and Tenaska agreed to the standby charge
12 because Tenaska believed that its bypass cost was
13 lower than the cost-based rate that Cascade had
14 offered by the amount of the standby charge?

15 A. That was their negotiation posture.

16 Q. Now, your testimony in this case doesn't
17 refer to a bypass threat -- bypass threat by Tenaska;
18 is that right?

19 A. I do not recall any testimony in this case
20 that addressed that point.

21 Q. When was the first time, if ever, that
22 Cascade informed the Commission that the Tenaska
23 peaking contract was negotiated in part or in response
24 or was interrelated with the bypass threat? Or are we
25 talking about it for the first time?

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1 A. I do not recall.

2 MR. CEDARBAUM: Your Honor, I'm about to
3 move to a different subject, and if we could take a
4 few minutes off the record so I can distribute the
5 exhibit, I think that would speed things up.

6 JUDGE CANFIELD: We'll take a short break.

7 (Recess.)

8 (Marked Exhibit C-15.)

9 JUDGE CANFIELD: We're back on the record
10 after a short break during which time Mr. Cedarbaum
11 distributed some documents, and we did go ahead and
12 preassign some exhibit numbers to them off the record.
13 Mr. Cedarbaum.

14 MR. CEDARBAUM: Thank you.

15 Q. Switching gears now, Mr. Stoltz, to the
16 Longview peaking contract. Do you recognize what was
17 marked for identification as Exhibit C-15 as the
18 peaking gas service contract between Cascade and
19 Longview Fibre?

20 A. I do.

21 Q. This is the document -- the contract that
22 you reference in your supplemental testimony?

23 A. It is.

24 MR. CEDARBAUM: Your Honor, move the
25 admission of Exhibit C-15.

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1 JUDGE CANFIELD: Any objections?

2 MR. WEST: No objection.

3 MR. MANIFOLD: No.

4 JUDGE CANFIELD: That's so entered as
5 confidential Exhibit C-15.

6 (Admitted Exhibit C-15.)

7 Q. Under the Longview peaking contract,
8 Cascade pays an annual fee to Longview Fibre which is
9 called the PGS fee; is that correct?

10 A. Yes, that's correct.

11 Q. On page 27 of your testimony, lines 12
12 through 15, that paragraph, you state that Cascade
13 would consider renegotiating the PGS fee only if
14 comparable resources were available for at least five
15 years; is that right?

16 A. That's correct.

17 Q. On page 3 of the contract itself, under
18 section 4 there's a renegotiation and arbitration
19 clause; is that right?

20 A. Yes, that's correct.

21 Q. Those relate to the PGS fee?

22 A. Yes, that's correct.

23 MR. CEDARBAUM: Your Honor, if I could have
24 marked for identification as Exhibit 16 what appears
25 to be the company's response to staff data request 23.

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1 JUDGE CANFIELD: Okay. That two-page
2 document is so marked for identification as Exhibit
3 16.

4 (Marked Exhibit 16.)

5 Q. Under section B of the request -- excuse
6 me. First, Mr. Stoltz, referring you to Exhibit 16
7 for identification, do you recognize this as the
8 company's response to staff data request No. 23 in
9 this docket?

10 A. I do.

11 Q. Looking at part B on the second page, the
12 data request asked for the specific page and section
13 of the peaking contract that supported the five-year
14 term testimony that's in your supplemental testimony;
15 is that right?

16 A. Yes, it does.

17 Q. And your response was that there's nothing
18 in the agreement that specifically identifies a
19 five-year term as the necessary criteria for
20 renegotiation; is that correct?

21 A. That's correct.

22 Q. On page 21 of your testimony, lines 1
23 through 3, you state that the Longview Fibre peaking
24 contract provides a maximum of 150 therms which yields
25 20 days of service at the maximum rate; is that right?

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1 A. Yes, that's correct.

2 Q. And then on page 23 of your testimony --
3 and I'm speaking of your supplemental testimony -- you
4 state that even though Cascade performed some requests
5 for proposals in recent months, the company has not
6 become aware of any supply side resource opportunity
7 comparable to the peaking contract with Longview
8 Fibre. Is that right?

9 A. Yes, that's right.

10 Q. Referring you to I believe what's been
11 marked for identification as Exhibit 17.

12 JUDGE CANFIELD: Were you going to be
13 offering 16?

14 MR. CEDARBAUM: Yes. I would move the
15 admission of 16.

16 JUDGE CANFIELD: Any objections?

17 MR. WEST: No objections.

18 MR. MANIFOLD: No.

19 JUDGE CANFIELD: Exhibit 16 is so entered
20 into the record.

21 (Admitted Exhibit 16.)

22 Q. Moving on to 17 for identification, do you
23 recognize this as the company's response to staff data
24 request 21?

25 A. I do.

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1 Q. This is a confidential exhibit?

2 A. Yes, it is.

3 MR. CEDARBAUM: It would be C-17.

4 JUDGE CANFIELD: So marked for
5 identification.

6 (Marked Exhibit C-17.)

7 MR. CEDARBAUM: I would offer Exhibit C-17.

8 JUDGE CANFIELD: Any objection?

9 MR. WEST: No objection.

10 MR. MANIFOLD: No objection.

11 JUDGE CANFIELD: So entered as a
12 confidential Exhibit No. C-17.

13 (Admitted Exhibit C-17.)

14 Q. This data request referred to your
15 testimony concerning RFPs and asked for documentation
16 of those RFPs; is that right?

17 A. Yes, that's right.

18 Q. And the attachment included in this data
19 request was the documentation company provided?

20 A. Yes, that's right.

21 Q. This is the RFP letter that was sent out
22 for firm gas supplies; is that right?

23 A. It was -- the RFP letter that went out was
24 for three or four different types of packages.

25 Q. You're right. The company included a

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1 request related to four different packages of
2 supplies?

3 A. Yes, that's right.

4 Q. And is it correct that none of the
5 packages that the company was requesting has
6 deliverability terms, low factor terms, or purchase
7 point terms similar to the Longview peaking contract?

8 A. Yes, that's correct.

9 Q. Basically in the RFP you were asking for
10 commodity gas supplies rather than a peaking service;
11 is that right?

12 A. I believe that's correct.

13 Q. Looking back at the Longview contract
14 itself and Exhibit C-15, the renegotiation clause,
15 paragraph 4 on page 3. And I believe you explain this
16 in your testimony so I don't think it's a confidential
17 matter specifically, but the peaking contract states
18 that the PGS fee -- excuse me -- that the
19 renegotiation clause states that the PGS fee must be
20 comparable to the least cost alternative source of
21 peaking service reasonably available to Cascade; is
22 that right?

23 A. Yes, that's right.

24 Q. And so the emphasis in this clause of the
25 contract is on the PGS fee itself as opposed to the

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1 comparable resource?

2 A. I believe that's correct.

3 Q. So, in other words, under the renegotiation
4 clause Cascade would not have to have a resource
5 identical to the Longview Fibre contract to trigger a
6 renegotiation?

7 A. No. It would be impractical to have a
8 requirement that had to be identical in all manners,
9 but it would have to be very similar in
10 characteristics.

11 Q. Now, on page 23 of your testimony, lines 12
12 to 15 you state that the fees paid to Longview Fibre
13 for peaking service are based upon the cost of the LNG
14 service that Cascade has with Northwest Pipeline; is
15 that right?

16 A. That's correct.

17 MR. CEDARBAUM: Is the next exhibit, Your
18 Honor, 18?

19 JUDGE CANFIELD: Yes.

20 (Marked Exhibit 18.)

21 Q. If I could refer you to what's been marked
22 for identification as Exhibit 18, do you recognize
23 this document as the company's response to staff data
24 request No. 20?

25 A. I do.

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1 Q. And that data request asked the company's
2 definition for several categories of supply resources;
3 is that right?

4 A. Yes, that's right.

5 Q. Toward the bottom of the second page it
6 shows that Cascade considers LNG service coupled
7 with Northwest Pipeline's TF2 transportation service
8 to be a needle peaking resource; is that right?

9 A. Yes, that's correct.

10 Q. And the document also shows that Cascade
11 considers Northwest Pipeline's underground storage
12 coupled with Northwest's TF2 transportation capacity
13 to be a broad-based peaking resource; is that right?

14 A. That's correct.

15 Q. And then on the third page it's indicated
16 that the Longview Fibre peaking contract coupled with
17 TF1 transportation on the pipeline is a broad-based
18 peaking resource in Cascade's opinion; is that right?

19 A. Yes, that's correct.

20 MR. CEDARBAUM: I would move the admission
21 of Exhibit 18.

22 JUDGE CANFIELD: Any objections?

23 MR. WEST: No objection.

24 MR. MANIFOLD: No.

25 JUDGE CANFIELD: Exhibit 18 is so entered

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1 into the record.

2 (Admitted Exhibit 18.)

3 (Marked Exhibit 19.)

4 Q. Referring you now to what's been marked for
5 identification as Exhibit 19, do you recognize this
6 document as the company's response to staff data
7 request No. 16 in the original 941213 document?

8 A. I do.

9 Q. And the data request asked the company to
10 identify each of the peaking alternatives that Cascade
11 used to negotiate the Longview peaking fee; is that
12 right?

13 A. Yes, that's correct.

14 Q. The first part of the response indicates
15 that the Longview peaking service contract was
16 negotiated in the summer and fall of 1991. It was not
17 acquired to fill a specific supply requirement but it
18 was represented an opportunity to avoid bypass and
19 reduce long-term pipeline capacity; is that right?

20 A. In summarizing the response that is here,
21 yes, that is correct.

22 Q. And as with the Tenaska -- as with your
23 supplemental testimony concerning the Tenaska
24 contract, there's nothing in your testimony
25 referencing Longview Fibre's bypass threat; is that

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1 right?

2 A. I do not recall any reference in my
3 testimony to the bypass threat at Longview Fibre.

4 Q. Are you familiar with Commission policies
5 that allow gas utilities to negotiate a special
6 contract rate in the case of a bypass threat by a
7 large customer of an LDC?

8 A. I am.

9 Q. Cascade has some of those special
10 contracts?

11 A. We do.

12 Q. So despite your knowledge and existence of
13 those policies concerning special contracts, and your
14 experience in Cascade's development of special
15 contracts, you saw no necessity to discuss the topic
16 of bypass in your testimony?

17 A. No, I did not. Neither one of these
18 contracts represent a discount in the rates that we
19 charge to customers. They are both stand-alone supply
20 side resources and I treated them in this testimony as
21 such.

22 Q. With regard to how a company recovers costs
23 for its supply contracts, including peaking contracts,
24 with customers, those costs are treated in the PGA
25 mechanism like we have here today and passed on to

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1 ratepayers; is that right?

2 A. Yes that's correct.

3 Q. And if a company negotiates a special
4 contract with a customer to avoid bypass the revenue
5 shortfall that may exist will be treated in a
6 company's general rate case and presumably -- or
7 company may attempt to pass that revenue shortfall on
8 to other customers; is that right?

9 A. Yes. In the case of where a new contract
10 for the rates charged for delivering natural gas to a
11 customer results in a special contract, that special
12 contract's new revenue would be considered in a
13 general rate application.

14 Q. Cascade hasn't had a general rate case
15 since it negotiated and signed the Longview peaking
16 contract; is that right?

17 A. Yes, that's correct.

18 Q. Is Cascade considering filing a general
19 rate case?

20 A. We are.

21 Q. Has any decision been made on that?

22 A. No affirmative decision has been made. We
23 are still reviewing the calendar results of 1994 and
24 based upon that review we will decide whether to file
25 a rate case or not.

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1 Q. No decision yet?

2 A. No decision yet.

3 Q. Trying to see what my workload was going to
4 be over the next few months.

5 A. It doesn't look very avoidable.

6 MR. CEDARBAUM: Have I offered 19 yet?

7 JUDGE CANFIELD: No, you haven't.

8 MR. CEDARBAUM: I would then do that.

9 JUDGE CANFIELD: Any objections?

10 MR. WEST: No objection.

11 MR. MANIFOLD: No objections.

12 JUDGE CANFIELD: Exhibit 19 is so entered
13 into the record.

14 (Admitted Exhibit 19.)

15 Q. So when the company negotiates a special
16 contract between rate cases, shareholders essentially
17 bear the burden of any revenue shortfall; is that
18 right?

19 A. There is no cost recovery from the other
20 ratepayers until the company makes an application to
21 recover such costs. As we discussed earlier for a
22 special contract where we're involving the rates that
23 a customer pays, that would be done in a general rate
24 case. We have not filed one.

25 Q. At page 21 of your testimony, supplemental

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1 testimony, liens 1 through 10, you explain that
2 Cascade can have 20 days of service that the PGS
3 contract is dispatched at the maximum 150,000 therms
4 per day, but then you testify further in that
5 paragraph as to some flexibility in the contract; is
6 that right?

7 A. Yes, I do.

8 Q. And does Cascade consider that flexibility
9 to be a valued part of its contract with Longview
10 Fibre?

11 A. Yes, absolutely.

12 (Marked Exhibit C-20.)

13 Q. If I could have you look at what's been
14 marked for identification as Exhibit C-20. Do you
15 recognize this as the company's response to staff data
16 request No. 24?

17 A. I do.

18 Q. And the data request asked for information
19 concerning the number of times that the Longview
20 peaking contract had been dispatched; is that right?

21 A. Yes, that's correct.

22 Q. And the confidential information that's
23 referenced -- that's attached to the first page would
24 show how many days the contract has been dispatched
25 over about the last three years; is that right?

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1 A. It would.

2 Q. Is it a confidential -- is it confidential
3 information to ask you to state how many days that is?

4 A. The information you're requesting was all
5 identified as confidential in our original response.
6 I believe it would be confidential.

7 Q. Is it confidential to ask you in this open
8 session whether or not Cascade dispatched the maximum
9 daily amount when it dispatched Longview Fibre or
10 something less?

11 A. I don't believe I would have a problem with
12 giving that answer. Each time we have used it thus
13 far we have used it for a full 24-hour period.

14 Q. So that the maximum amount was used?

15 A. That would be the maximum.

16 Q. Would you accept subject to check that the
17 first of the month spot price index for Northwest
18 Pipeline for February 1995 was 1.03 per MMBTUs at the
19 Canadian border and 1.06 per MMBTUs in the Rocky
20 Mountains?

21 A. I would accept that subject to check.

22 Q. And you can check that in Inside FERC's gas
23 market report which, if you need to, we can provide
24 you with a copy.

25 The information in your response to -- in

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1 Exhibit C-20 would indicate how many days the company
2 dispatched the Longview peaking contract in February
3 of 1995; is that right?

4 A. It does.

5 MR. CEDARBAUM: Move the admission of
6 Exhibit C-20.

7 JUDGE CANFIELD: Any objections?

8 MR. WEST: No objection.

9 MR. MANIFOLD: No objection.

10 JUDGE CANFIELD: Exhibit C-20 is so entered
11 into the record as a confidential exhibit.

12 (Admitted Exhibit C-20.)

13 Q. Now, Cascade has a peaking contract with
14 Longview Fibre and it also has a special contract with
15 Longview Fibre; is that right?

16 A. Yes, that's correct, although they -- the
17 peaking contract of course is a supply side resource.
18 The special contract is for a new cogeneration
19 facility that is being constructed there.

20 Q. So if Cascade invoked the renegotiation
21 clause of the contract, the contract would still be
22 binding upon Longview Fibre; is that right?

23 A. The clause does of course does provide for
24 a mutual agreement for a new PGS fee. This would be
25 between both Fibre and Cascade with arbitration as a

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1 vehicle for resolving a dispute in that manner, but it
2 would have no way to make it nonbinding.

3 Q. And so because of the peaking contract on
4 the supply side and the special contract on the
5 distribution side, Longview Fibre's bypass threat has
6 disappeared?

7 A. No, not at all. The bypass threat was for
8 the mill not for the new generation facilities. The
9 mill will still continue to receive service under our
10 standard 663 rate schedule. That mill does have a
11 bypass threat. However, they cannot exercise the
12 bypass as long as the PGS is in operation.

13 MR. CEDARBAUM: Your Honor, I guess my
14 memory keeps failing me on whether I've offered
15 exhibits or not. If I haven't offered C-20 I would
16 like to do that now.

17 JUDGE CANFIELD: It has been offered and it
18 has been entered as confidential Exhibit C-20.

19 MR. CEDARBAUM: Thank you. Those are all
20 my questions.

21 JUDGE CANFIELD: Mr. Manifold?

22 MR. MANIFOLD: Yes.

23

24 CROSS-EXAMINATION

25 BY MR. MANIFOLD:

00062

1 Q. There's an exhibit regarding the RFP that
2 was issued in this past September of '94?

3 A. I recall that.

4 Q. Have any contracts been entered into as a
5 result of that?

6 A. Yes, I believe there were.

7 Q. Do you know how many?

8 A. It was either three or four. It was enough
9 to cover our peaking requirements for the '94, '95
10 heating season.

11 MR. MANIFOLD: Thank you.

12 JUDGE CANFIELD: Mr. West, any questions on
13 redirect?

14 MR. WEST: Your Honor, if I may, I would
15 like to confer with Mr. Stoltz for just a moment.
16 Brief recess.

17 JUDGE CANFIELD: Sure. We can take a short
18 five-minute recess.

19 (Recess.)

20 JUDGE CANFIELD: We're back on the record
21 after a short morning break, and Mr. West.

22 MR. WEST: Thank you, Your Honor.

23

24 REDIRECT EXAMINATION

25 BY MR. WEST:

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1 Q. Mr. Stoltz, I would like to refer you to
2 the exhibit which has been marked C-17 relating to the
3 RFP?

4 A. I have that.

5 Q. Are you familiar with the nature of the
6 response from suppliers which were received by Cascade
7 in response to that RFP?

8 A. I am. Cascade Natural Gas has a resource
9 integration committee who get together to review
10 responses to RFPs.

11 Q. Can you describe generally what the nature
12 of those responses was.

13 MR. CEDARBAUM: Your Honor, I guess I will
14 have to object. I don't think it's appropriate -- the
15 best evidence would be written documentation of what
16 the responses were, minutes of board of directors
17 meetings or whatever describing them, not Mr. Stoltz's
18 general testimony and recollection of what those
19 responses were. So I would object to his testimony
20 not being the best evidence.

21 JUDGE CANFIELD: Any response, Mr. West?

22 MR. WEST: Your Honor, I think the staff
23 was asking Mr. Stoltz questions about the nature of
24 the service that was requested in the RFP and whether
25 or not what was being requested in the RFP was a

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1 service similar to the PGS service, and the point of
2 our discussion in this is to indicate whether or not
3 the responses received related to any comparable
4 services to the PGS.

5 MR. CEDARBAUM: And I guess, Your Honor,
6 that's my point. My question is related directly
7 to what Exhibit C-17 says and what other testimony --
8 and comparing it to other evidence that's in this
9 case, but I can't cross-examine Mr. Stoltz in any real
10 way and fair way about what a developer may have
11 offered to the company unless I can see documentation
12 of what that offer was. What the company requested is
13 in evidence. What others -- what developers offer is
14 not and that's my problem.

15 JUDGE CANFIELD: Are those the areas that
16 you're eliciting that you are going to be going into?

17 MR. WEST: That's the only area, Your
18 Honor.

19 JUDGE CANFIELD: Mr. Cedarbaum, this can be
20 followed upon in cross or if possible record
21 requisition if it's not available currently to --

22 MR. CEDARBAUM: Obviously I'm also
23 interested now that I hear that this stuff is out
24 there I would like to ask for it, but today, I don't
25 know. I'm in a very difficult position in terms of

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1 cross-examining a witness about offers that aren't in
2 evidence other than what his general testimony may
3 describe. So I think at this point I would have to
4 object, but I'm not averse to figuring out some way
5 of making this a fair situation that he can testify to
6 and I can cross-examine on it.

7 JUDGE CANFIELD: I will allow the question
8 then. If it's still a problem that can't be taken
9 care of by the cross or a requisition, we'll deal with
10 that and possibly put something in the record that we
11 can cover it as an initial matter next time or through
12 supplemental response as a request. I will just go
13 ahead and allow the question and see if we've still
14 got a problem, so objection overruled.

15 Q. Mr. Stoltz, do you have the question in
16 mind?

17 A. I don't think I have the exact question in
18 mind, but I think I have an answer in mind.

19 Q. So much the better.

20 A. As indicated in Exhibit C-17, Cascade sent
21 the letter out to 50 suppliers. From that letter we
22 received responses from several and, as I indicated to
23 Mr. Manifold earlier, we selected approximately four
24 of those responses. Some of those responses were for
25 a broad-based peaking type resource which, by

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1 definition, would be somewhat similar to the PGS. I
2 may also add that none of those were selected in our
3 optimization model or our resource integration
4 committee.

5 MR. WEST: No further questions.

6 JUDGE CANFIELD: Mr. Cedarbaum, any
7 additional questions?

8 MR. CEDARBAUM: Yes. Well, actually I
9 would like to make record requisition No. 2 to have
10 Mr. Stoltz provide any and all documentation of the
11 responses to Exhibit C-15.

12 JUDGE CANFIELD: Is that C-17?

13 MR. CEDARBAUM: I'm sorry. C-17.

14 Basically, Mr. Stoltz, I think you understood what I'm
15 looking for. I would like to see whatever
16 documentation you're relying upon for your testimony
17 in response to Mr. West's redirect questions.

18 THE WITNESS: I believe we can supply that.

19 JUDGE CANFIELD: Okay. That is record
20 requisition No. 2.

21 (Record Requisition 2.)

22 MR. MANIFOLD: Are you seeking both the
23 responses and the analysis of those responses?

24 THE WITNESS: That's what I intended to
25 supply was both.

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1 MR. CEDARBAUM: Yes. We would like to have
2 both.

3 JUDGE CANFIELD: So noted for the record.

4 MR. CEDARBAUM: Thank you.

5 JUDGE CANFIELD: No additional questions
6 then, Mr. Manifold?.

7 MR. MANIFOLD: No.

8 JUDGE CANFIELD: Anything further, Mr.
9 West, of Mr. Stoltz?

10 MR. WEST: No, Your Honor.

11 JUDGE CANFIELD: With that, thank you, Mr.
12 Stoltz, you're excused. And does that conclude the
13 company's presentation today then?

14 MR. WEST: Yes, it does, Your Honor.

15 JUDGE CANFIELD: Okay. So noted. I will
16 note at the pre-hearing conference we did go through
17 the rest of the schedule, and my notes indicate that
18 the next date in this matter is a prefiling date for
19 staff, public counsel and intervenors of April 7 with
20 cross set for April 27 and 28, and I assume the
21 Commission will be issuing a notice of hearing on
22 that, Mr. Cedarbaum?

23 MR. CEDARBAUM: I think we're back on track
24 on that. Yes, we will.

25 JUDGE CANFIELD: So noted. With that I

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1 will adjourn the hearing for today and thank you all
2 for coming in and participating. This hearing is
3 adjourned.

4 (Hearing adjourned at 10:40 a.m.)

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