

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

3	WASHINGTON UTILITIES AND)	
	TRANSPORTATION COMMISSION,)	
4	Complainant,)	DOCKET NO. UE-930622
	vs.)	Volume III
5	PUGET SOUND POWER & LIGHT)	Pages 50 - 146
	COMPANY,)	
6	Respondent.)	
	-----)	
7			

8 A hearing in the above matter was held on
9 September 1, 1993 at 9:35 a.m., at 1300 South
10 Evergreen Park Drive Southwest, Olympia, Washington,
11 before Administrative Law Judge ALICE L. HAENLE.

12 The parties were present as follows:

13 PUGET SOUND POWER & LIGHT COMPANY by
14 James M. Van Nostrand, Attorney at Law, 411 108th
15 Avenue Northeast, Bellevue, Washington 98004.

16 WICFUR by Peter J. Richardson, Attorney at
17 Law, 702 West Idaho Street, Suite 700, Boise, Idaho
18 83702.

19 THE PUBLIC by Robert F. Manifold, Assistant
20 Attorney General, 900 Fourth Avenue, #2000, Seattle,
21 Washington 98164.

22 THE COMMISSION by Sally G. Brown, Assistant
23 Attorney General, 1400 South Evergreen Park Drive
24 Southwest, Olympia, Washington 98504.

21

22

23

24 Lisa K. Nishikawa, CSR, RPR

25 Court Reporter

I N D E X						
	WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
1						
2						
3	T. NGUYEN	55	57			
4	G. BLACKMON	64	65			78
5	J. LAUCKHART	90	91			
6	E. EIGABROADT	108				
7	E. HAWKINSON	115				
8	J. WOLCH	118				120
9	B. FOSBRE	120				
10	R. SOUTH	124				130
11	D. KAPPLE	131				140
12						
13	EXHIBIT	MARKED	ADMITTED			
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24	24 (late-filed	146	146			

25 exhibit)

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

2 JUDGE HAENLE: The hearing will come to
3 order. This is the third day of hearing in Docket No.
4 UE-930622 which is the PRAM 3 filing. The hearing is
5 taking place on September 1, 1993 at Olympia,
6 Washington before the commissioners. The purpose of
7 the hearing today, as indicated in the notice of
8 hearing is to take direct and cross of Commission
9 staff witnesses, intervenor witnesses, and company
10 rebuttal witnesses. I'll remind you that we are
11 scheduled to take public testimony at 1:30 this
12 afternoon.

13 I would like to take appearances, just your
14 name and your client's name since all of you have
15 given appearances before. Mr. Van Nostrand.

16 MR. VAN NOSTRAND: Thank you, your Honor.
17 For respondent Puget Sound Power & Light Company,
18 James M. Van Nostrand.

19 JUDGE HAENLE: Thank you. Ms. Brown.

20 MS. BROWN: Sally G. Brown, assistant
21 attorney general, appearing on behalf of Commission
22 staff.

23 JUDGE HAENLE: Mr. Manifold.

24 MR. MANIFOLD: Appearing on behalf of

25 Office of Public Counsel, Robert F. Manifold.

(COLLOQUY)

53

1 MR. RICHARDSON: Peter J. Richardson
2 appearing on behalf of WICFUR.

3 JUDGE HAENLE: Thank you. In the way of
4 preliminary matters, I indicated to you that I would
5 like to take up the admissibility of the responses to
6 Bench Request Nos. 1 and 2. They have been
7 distributed already by mail by the company. Is there
8 anyone who didn't get them? All right, is there any
9 objection to the entry? I will mark the response to
10 Bench Request No. 1 as 14 for identification, and I'll
11 mark the response to Bench Request No. 2 as 15 for
12 identification. Is there any objection to the entry
13 of the documents into the record, Mr. Van Nostrand?

14 (Marked Exhibit Nos. 14 and 15.)

15 MR. VAN NOSTRAND: No, your Honor.

16 JUDGE HAENLE: Ms. Brown?

17 MS. BROWN: No.

18 JUDGE HAENLE: Mr. Manifold?

19 MR. MANIFOLD: No objection.

20 JUDGE HAENLE: Mr. Richardson?

21 MR. RICHARDSON: No objection, your Honor.

22 JUDGE HAENLE: Thank you. All right, I'll
23 enter Exhibits 14 and 15 then into the record.

24 (Admitted Exhibits Nos. 14 and 15.)

25 MR. VAN NOSTRAND: I would want to note for
(COLLOQUY)

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1 the record, your Honor, that we do have the results of
2 the PRAM deferral, the FIFO worksheet that's on Bench
3 Request No. 1 with the month of July added as an
4 update. The response to Bench Request 1 goes through
5 June.

6 JUDGE HAENLE: Do you want to distribute
7 that then? If it would be all right with counsel then
8 I would like to have that added onto it as well if
9 there's more current information. Is this otherwise
10 exactly the same as what was distributed before, Mr.
11 Van Nostrand?

12 MR. VAN NOSTRAND: Yes.

13 JUDGE HAENLE: Shall we substitute then
14 rather than adding it on? Is that all right with you,
15 Mr. Van Nostrand?

16 MR. VAN NOSTRAND: I think that would be
17 fine.

18 JUDGE HAENLE: Ms. Brown?

19 MS. BROWN: That's fine.

20 JUDGE HAENLE: Mr. Manifold?

21 MR. MANIFOLD: Yes.

22 JUDGE HAENLE: Mr. Richardson?

23 MR. RICHARDSON: Yes, your Honor.

24 JUDGE HAENLE: Let's substitute those

25 updated pages then from the pages that were previously
(COLLOQUY)

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1 distributed, and that would be Exhibit 14.

2 Is there anything else we need to discuss
3 then before we go on to take the testimony of the
4 three witnesses? Hearing nothing, then we'll begin
5 with the Commission staff's witness.

6 Before we went on the record I marked
7 for identification a multi-page document, in the
8 upper right-hand corner it has THN-Testimony. I
9 marked that as Exhibit T-16 for identification. And
10 the witness is on the stand.

11 (Marked Exhibit No. T-16.)

12 Whereupon,

13 THO H. NGUYEN,
14 having been first duly sworn, was called as a witness
15 herein and was examined and testified as follows:

16 JUDGE HAENLE: Ms. Brown, your witness has
17 been sworn.

18 MS. BROWN: Thank you.

19

20 DIRECT EXAMINATION

21 BY MS. BROWN:

22 Q. Please state your full name for the record
23 and spell the last.

24 A. My name is Tho Nguyen. My last name is

25 spelled N G U Y E N.

(NGUYEN - DIRECT BY BROWN)

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1 Q. What is your business address?

2 A. My business address is Chandler Plaza
3 Building, 1300 South Evergreen Park Drive Southwest,
4 PO Box 47250, Olympia, Washington, 98504.

5 Q. You are employed by the Washington
6 Utilities and Transportation Commission?

7 A. Yes, I am.

8 Q. What is your position?

9 A. My position is Revenue Requirement
10 Specialist 5.

11 Q. In preparation for your testimony here
12 today did you predistribute what's been marked for
13 identification as Exhibit T-16?

14 A. Yes.

15 Q. Are there any revisions, additions, or
16 corrections that you care to make to your testimony?

17 A. No.

18 Q. Is Exhibit T-16 true and correct to the
19 best of your knowledge?

20 A. Yes.

21 Q. And was Exhibit T-16 prepared by you?

22 A. Yes.

23 Q. If I were to ask you the questions set
24 forth in Exhibit T-16 today, would your answers be the

25 same?

(NGUYEN - DIRECT BY BROWN)

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1 A. Yes.

2 MS. BROWN: Your Honor, I move the
3 admission of Exhibit T-16.

4 JUDGE HAENLE: Any objection, Mr. Van
5 Nostrand?

6 MR. VAN NOSTRAND: No, your Honor.

7 JUDGE HAENLE: Mr. Manifold?

8 MR. MANIFOLD: No objection.

9 JUDGE HAENLE: Mr. Richardson?

10 MR. RICHARDSON: No objection, your Honor.

11 JUDGE HAENLE: Exhibit T-16 will be entered
12 into the record.

13 (Admitted Exhibit No. T-16.)

14 MS. BROWN: Mr. Nguyen is available for
15 cross-examination.

16 JUDGE HAENLE: Mr. Van Nostrand.

17 MR. VAN NOSTRAND: Thank you, your Honor.

18

19 CROSS-EXAMINATION

20 BY MR. VAN NOSTRAND:

21 Q. Good morning, Mr. Nguyen.

22 A. Good morning.

23 Q. Am I correct you're the staff auditor
24 assigned to review the company's filing in this case?

25 A. Yes, that's correct.

(NGUYEN - CROSS BY VAN NOSTRAND)

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1 Q. And in that capacity did you audit the
2 company's calculation of the deferred amounts?

3 A. Yes. I did some review of the company's
4 calculation of the deferred amounts.

5 Q. And in your review did you determine that
6 the monthly deferrals were calculated in accordance
7 with prescribed procedures?

8 A. Yes, except for the calculation of customer
9 count trueup.

10 Q. And as part of your review did you review
11 the company's calculation of the base cost revenue
12 requirement as set forth in Mr. Lauckhart's Exhibit 4?

13 A. Yes.

14 Q. And I take it from the absence of a staff
15 adjustment that you determined that calculation to be
16 correct?

17 A. Again, except for the calculation of
18 customer count trueup, the calculation is correct.

19 Q. Are you proposing a different approach to
20 be followed for the customer count trueup?

21 A. I am not proposing in this filing a
22 consideration of the company proposal to spread the
23 recovery of the deferral amounts over a two-year
24 period, but we are working on the development of the

25 methodology of customer count trueup under which the
(NGUYEN - CROSS BY VAN NOSTRAND)

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1 previously estimated customer count for each month
2 would trueup with the actual customer count for that
3 month, and we expect to be able to present that
4 methodology to the Commission in the next PRAM filing.

5 Q. But for purposes of this filing you're not
6 proposing any calculation different than is set forth
7 in Mr. Lauckhart's Exhibit 4, is that right?

8 A. That's correct.

9 Q. And if we could look for a moment at the
10 calculation of revenue requirement for resource cost
11 in the scope of your audit of the company's filing,
12 did you review the calculation set forth in Mr.
13 Lauckhart's Exhibit 5?

14 A. Yes. That was included in the scope of our
15 review, but the trueup of revenue for resource cost
16 was handled by another staff member, not by myself.

17 Q. Did you look at the conservation portion of
18 the revenue requirement for resource cost as set forth
19 in Mr. Lauckhart's Exhibit 6?

20 A. Yes. I did look at the calculation
21 portion. The amounts were the same as the amount
22 conservation cost included in the general rate case.

23 Q. And as far as the other item shown on the
24 revenue requirement for resource cost, the delta from

25 power cost adjustment, I take it a review was

(NGUYEN - CROSS BY VAN NOSTRAND)

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1 performed by staff but that was not done by you, is
2 that right?

3 A. That's correct.

4 Q. And did staff's review include a review of
5 the power supply work papers and the application of
6 the simple dispatch model to calculate power cost?

7 A. I assume that that has been done, yes.

8 Q. And in the absence of any testimony on this
9 point from another staff witness, does that indicate
10 that staff is satisfied that the company has followed
11 the agreed-upon procedures for calculating power cost?

12 MS. BROWN: Your Honor, I'm going to object
13 to this. Beyond the scope of Mr. Nguyen's testimony.
14 I think he's already indicated he's offering testimony
15 on the narrow issue of the customer count trueup, not
16 on power supply, conservation, base resource, or any
17 of the other subjects.

18 JUDGE HAENLE: I think it would be useful
19 for the Commission to know what the staff's position
20 is on all of the issues in this case. If there are
21 other issues that are contested and they were not
22 discussed, the Commission would want to know why. My
23 concern is to be sure the Commission understands what
24 the positions of all the parties are. So if Mr.

25 Nguyen knows the answer to that, I would like to hear
(NGUYEN - CROSS BY VAN NOSTRAND)

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1 what it is.

2 MS. BROWN: I understand we also have an
3 opportunity for oral argument on the 14th of this
4 month.

5 JUDGE HAENLE: Well, that's true, but
6 hearing the staff's position now might affect the
7 manner in which cross-examination of the other
8 witnesses is conducted as well, so I will overrule the
9 objection and ask the witness to answer. Sir?

10 A. I am informed by the staff member who took
11 care of the review of the power costs and revenue
12 requirement for resource that he didn't have an
13 exception to the company calculation.

14 Q. So is it fair to say as a whole on the
15 basis of staff's review and audit of the company's
16 filing that staff has not identified any instances
17 where the company has not followed agreed-upon
18 procedures for calculating PRAM deferrals?

19 A. Yes, that's correct again, except for the
20 calculation of customer count trueup.

21 MR. VAN NOSTRAND: I have no further
22 questions, your Honor.

23 JUDGE HAENLE: All right. Questions, Mr.
24 Manifold?

25 MR. MANIFOLD: No questions.

(NGUYEN - CROSS BY VAN NOSTRAND)

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1 JUDGE HAENLE: Questions, Mr. Richardson?

2 MR. RICHARDSON: No questions, your Honor.

3 JUDGE HAENLE: All right. Commissioners,
4 did you have questions?

5 CHAIRMAN NELSON: No.

6 COMMISSIONER CASAD: I have no questions.

7 COMMISSIONER HEMSTAD: No.

8 JUDGE HAENLE: Redirect, Ms. Brown?

9 MS. BROWN: No.

10 JUDGE HAENLE: Anything more of the
11 witness? Thank you, sir, you may step down.

12 (Off the record.)

13 JUDGE HAENLE: Let's be back on the record.

14 During the time we were off the record public
15 counsel's witness assumed the stand. Would you raise
16 your right hand, sir.

17 Whereupon,

18 GLENN BLACKMON,

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

21 JUDGE HAENLE: Thank you. Also during the
22 time we were off the record I marked for
23 identification a number of documents as follows.

24 Marked as Exhibit T-17 for identification is a 15-page

25 document, in the upper right-hand corner it has GB-1.

(COLLOQUY)

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1 Marked as 18 for identification, a one-page document,

2 in the upper -- well, one page plus a cover page.

3 In the upper right-hand corner it has GB-2. And

4 marked as 19 for identification is a one-page exhibit

5 plus a cover page, GB-3.

6 Mr. Manifold, your witness has been sworn.

7 Perhaps you would like to explain your errata sheet

8 and clean pages, Mr. Manifold.

9 (Marked Exhibits Nos. T-17, 18 and 19.)

10 MR. MANIFOLD: Perhaps I'll let the witness

11 do that.

12 JUDGE HAENLE: All right.

13 MR. MANIFOLD: Well, no, I'll go ahead.

14 JUDGE HAENLE: All I meant was the

15 procedure we had used, not what they were

16 specifically.

17 MR. MANIFOLD: Okay, fine. Yes, there were

18 some mistakes noted in the witness's testimony and an

19 errata sheet was distributed to all parties and the

20 bench on Monday of this week, and I have today

21 distributed to those who were interested clean copies

22 of those pages which were affected by the errata so

23 they can substitute those into their predistributed

24 copies of the testimony, and I've provided for the

25 official record a clean copy of the testimony.

(COLLOQUY)

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1 JUDGE HAENLE: And the clean copy is the
2 prefiled with the changes that you had reflected on
3 the errata sheet, there are no other changes?

4 MR. MANIFOLD: Correct.

5 JUDGE HAENLE: Go ahead, sir.

6

7 DIRECT EXAMINATION

8 BY MR. MANIFOLD:

9 Q. Dr. Blackmon, would you please state your
10 name and address and how you're employed.

11 A. My name is Glenn Blackmon and my address is
12 217 and a half West Fourth Avenue, Olympia,
13 Washington, and I'm an economic and policy consultant
14 in private practice, and I'm a partner in the firm
15 Delta Pacific.

16 Q. Were you employed by public counsel as a
17 consultant to analyze this filing?

18 A. Yes, I was.

19 Q. Have you prepared and filed what has been
20 marked as Exhibit T-17?

21 A. Yes.

22 Q. If you were asked the questions contained
23 therein would you give the answers that are contained
24 therein today?

25 A. Yes, I would, with the changes that are
(BLACKMON - DIRECT BY MANIFOLD)

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1 reflected on the errata sheet.

2 Q. Okay. And did you prepare or have prepared
3 under your direction what's been marked for
4 identification as Exhibits 18 and 19?

5 A. Yes.

6 Q. And are those true and correct to the best
7 of your knowledge?

8 A. Yes.

9 MR. MANIFOLD: Your Honor, I would move for
10 the admission of what's been marked as Exhibits T-17,
11 18, and 19.

12 JUDGE HAENLE: Any objection, Mr. Van
13 Nostrand?

14 MR. VAN NOSTRAND: No objection.

15 JUDGE HAENLE: Objection, Ms. Brown?

16 MS. BROWN: No.

17 JUDGE HAENLE: Mr. Richardson?

18 MR. RICHARDSON: No objection.

19 JUDGE HAENLE: Exhibits T-17, 18, and 19
20 will be entered then into the record. All right, Mr.
21 Van Nostrand.

22 (Admitted Exhibits Nos. T-17, 18, and 19.)

23 MR. VAN NOSTRAND: Thank you, your Honor.

24

(BLACKMON - CROSS BY VAN NOSTRAND)

1 BY MR. VAN NOSTRAND:

2 Q. Good morning, Dr. Blackmon.

3 A. Good morning.

4 Q. Turning to your testimony on page 3, line
5 7, your testimony states, doesn't it, that generally
6 the deferral amount proposed by the company appears to
7 be calculated appropriately?

8 A. Yes.

9 Q. And your testimony goes on to analyze the
10 trueup of power costs for the most recent period, May
11 '92 through April '93, is that right?

12 A. Yes.

13 Q. And the first issue discussed in your
14 testimony on pages 3 and 4 has to do with a couple of
15 transactions where you claimed the company departed
16 from the usual application of the simple dispatch
17 model, is that correct?

18 A. Did you say claim?

19 Q. Yes.

20 A. Yes.

21 Q. And in your testimony as originally
22 prefiled you identified two transactions and those
23 were the sales to the DSI customers and the capacity
24 sale to the Washington Water Power Company, is that

25 right?

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 MR. MANIFOLD: Your Honor, I'm going to
2 object to questions regarding testimony that isn't
3 being propounded today.

4 JUDGE HAENLE: Mr. Van Nostrand?

5 MR. MANIFOLD: I should note that I
6 specifically made a point of distributing the errata
7 on Monday so people could adjust what they needed to
8 do at the hearing in accordance with that.

9 MR. VAN NOSTRAND: Okay. I will withdraw
10 the question, your Honor.

11 JUDGE HAENLE: Go ahead, sir.

12 Q. As far as the treatment of sales by the
13 company to the DSI, it is your testimony that these
14 transactions produced profits of about \$182,000, is
15 that correct?

16 A. That's correct.

17 Q. And when you calculated this profit figure
18 did you take into account that in the setting of
19 general rates an assumed level of secondary purchases
20 and sales is included in the calculation of power
21 costs?

22 A. Yes, I did. And considering that power
23 costs are set in a general rate case using the
24 production cost and system model, I concluded that the

25 level of general rates does not include any allowance
(BLACKMON - CROSS BY VAN NOSTRAND)

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1 for profits that would result from transactions such
2 as this where the company is generating power and
3 selling it to someone else during a period of time
4 when it is itself buying power for its own
5 requirements in the wholesale markets.

6 Q. Do you consider this transaction to be a
7 secondary sale as that term is used in the application
8 of the simple dispatch model?

9 A. Yes, I do.

10 Q. But yet it's not a secondary sale in your
11 mind for purposes of the PCS model in calculating
12 power costs in the general rate case?

13 A. In a general rate case the level of pro
14 forma power supply expense is set using this computer
15 model called the PCS. The PCS is a monthly model,
16 which means that it assumes that the entire month
17 occurs in an instant and that you can have power --
18 secondary power purchases in a month or you can have
19 secondary power sales in a month, depending on what
20 the utility's situation is in that month. But that
21 model doesn't allow for circumstance in which within a
22 month a utility -- this utility would be both buying
23 and selling power, and yet the evidence is that every
24 month Puget both buys and sells power in the secondary

25 market. This is a weakness of the model that's used,
(BLACKMON - CROSS BY VAN NOSTRAND)

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1 and because that weakness is there, the profits from
2 this type transaction are not reflected in general
3 rates.

4 Q. But you would agree that as part of the PCS
5 model used in setting power costs in a general rate
6 proceeding that one of the elements is an assumed
7 level of secondary purchases and sales?

8 A. It's an assumed -- yes, I would agree with
9 that. It's an assumed level of secondary sales that
10 would reflect the net transactions of the company for
11 a month. If the utility were selling 100 megawatts of
12 power in a month and buying 120 megawatts in a month
13 that model would only see the difference, the 20
14 megawatts of difference, and would establish a cost
15 for 20 megawatts. It does not in any way capture
16 the profits that the company accrues from that other
17 100 megawatts of transactions where it has bought
18 power at a lower price than it has sold power.

19 Q. Your testimony at page 5, lines 10 to 16,
20 and again on page 12 refers to a \$3.3 million
21 adjustment for the calculation of net revenues from
22 secondary purchases and sales, is that correct?

23 A. I wouldn't refer to it as an adjustment. I
24 would refer to it as an amount, but that is correct.

25 Q. And your testimony notes that had this

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 procedure been in place during the period from May '92
2 to April '93 the deferral would have been about \$3.3
3 million lower, is that right?

4 A. That's right.

5 Q. And your testimony states, doesn't it, that
6 such a calculation has not been performed in the past?

7 A. Could you refer me to a specific line or --

8 Q. Yes. Page 5, lines 13, 16. In the past
9 the profits from these transactions have not been
10 included in the projection and subsequent trueup of
11 power costs.

12 A. That's correct.

13 Q. So you would agree, wouldn't you, that the
14 existing procedures do not provide that such a
15 calculation be made?

16 A. I would agree with that, yes.

17 Q. And you would agree that the company's
18 calculation of the deferral with respect to this issue
19 has been in accordance with the procedures in place at
20 the time and as in place at the current time?

21 A. No.

22 Q. But yet you agree in your testimony that in
23 the past these profits have not been reflected. This
24 calculation has not been performed?

25 A. I agree. And the \$3.3 million amount

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 represents my calculations of the profits that the
2 company received during the most recent year from
3 these power transactions that occur every month where
4 they buy low and sell high. The fact that that \$3.3
5 million amount is not included in the company's
6 calculations is, I agree, consistent with the PRAM
7 process that has been used in the past.

8 Now, the other item that we were talking
9 about, the sale of power to the DSIs, where the profit
10 on that was \$182,000, the company's treatment of that
11 transaction in this calculation is not in accordance
12 with the standard PRAM procedures as I understand it.
13 I want to make clear that my testimony also says that
14 the company was, I think, correct to depart from
15 standard procedure in this case, because if they had
16 left that transaction in it would have distorted the
17 model in a way that would have cost ratepayers \$2.7
18 million. I would much prefer that the company get to
19 keep its \$182,000 than they add to that another \$2.7
20 million.

21 The reason that I bring this up in my
22 testimony is that I -- it seems to me that it's
23 important to be aware that the company has departed
24 from the model, and they've done so because the model

25 is not perfect. It has weaknesses and this is one

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 weakness, is that it does not account very well for
2 the company's activities in a wholesale power market.

3 Q. If you could focus on the particular point
4 that I was discussing with you which was your
5 calculation of the \$3.3 million amount in your
6 testimony. And would you agree that the company's
7 calculation of the deferral has been in accordance
8 with the procedures in place at the time and as in
9 place at the current time?

10 A. To the extent that the company's
11 calculation does not include the \$3.3 million amount,
12 it is in accordance with the procedures that were in
13 place at the time.

14 Q. In your calculation of the \$3.3 million
15 amount, is this simply a calculation of the proposal
16 that you made in your testimony in the general rate
17 proceeding?

18 A. It's a calculation of the amount of profits
19 that the company earned in the most recent year from
20 May '92 to April '93 from power sale transactions that
21 are not captured in either the general rate case level
22 of rates or in the PRAM deferral, and it is consistent
23 with my proposal in the general rate case.

24 Q. And you propose in the general rate case

25 that as a modification to the PRAM that these net

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 revenues be taken into account in the future, is that
2 correct?

3 A. Yes, it is.

4 Q. Did you propose in the general rate case
5 that this modification be made with respect to the
6 existing deferrals under the PRAM?

7 A. No, I did not.

8 Q. Did any party make such a proposal in the
9 general rate case?

10 A. I haven't read the briefs. I don't know.

11 Q. Are you recommending that this proposed new
12 procedure be applied to the existing deferrals in this
13 proceeding?

14 A. No, I'm not recommending that. As my
15 testimony stated, I believe that it's important to
16 make the Commission aware of this situation and to
17 make sure that the Commission understands that the
18 company has used its discretion in applying the model.
19 They've done so in a way that departs from the
20 established procedure. I'm glad that they made that
21 departure.

22 And I think that it's also within the
23 Commission's discretion to arrive at a number that it
24 feels is a reasonable number. I recognize that that

25 \$3.3 million amount if they were to remove that from
(BLACKMON - CROSS BY VAN NOSTRAND)

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1 the deferral amount that that would be a departure
2 from existing practice. And I don't feel comfortable
3 making a recommendation that they depart from it in
4 that way. I feel that's their decision to make. And
5 so I have not made that recommendation.

6 Q. Is your understanding that the company in
7 the general rate case agreed with your proposal to
8 account for the net revenues from secondary purchase
9 and sale transactions each month?

10 A. I haven't read the briefs. I don't know.

11 Q. Did you ever discuss your proposal with the
12 company either informally or through the collaborative
13 process?

14 A. This proposal -- as far as I can recall, I
15 haven't discussed this proposal with the company. It
16 was made in a general rate case, and as far as I know
17 there were no collaboratives used to determine
18 parties' positions in the general rate case, and the
19 communication that occurs in a rate case like that is
20 usually through the attorneys.

21 Q. Did you participate in the collaborative
22 convened by the company early last year for purposes
23 of considering modifications to the PRAM?

24 A. No.

25 Q. We could look at another calculation you
(BLACKMON - CROSS BY VAN NOSTRAND)

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1 performed in your testimony. That's the impact of
2 calculating secondary purchase and sales rates
3 separately which you discuss on page 13. You
4 calculated that had this procedure been in effect with
5 respect to these deferrals the deferral for the period
6 of May '92 through April '93 would have been about
7 \$1.5 million lower. Is that correct?

8 A. Yes, it is.

9 Q. And you would agree, wouldn't you, that the
10 existing procedures do not provide for separate
11 calculation of the purchase and sales rates?

12 A. That's right.

13 Q. And you would further agree that with
14 respect to the calculation of secondary purchase and
15 sales rates that the company's calculation was in
16 accordance with procedures in place at the time and is
17 in place at the current time?

18 A. I would agree with that, yes.

19 Q. In the procedure that you're referring to
20 and the reason you made this calculation reflects the
21 proposal in your general rate case testimony that the
22 purchase and sales rates should be calculated
23 separately in the future?

24 A. That's correct.

25 Q. And this recommendation was also offered by
(BLACKMON - CROSS BY VAN NOSTRAND) 76

1 staff and essentially agreed to by the company in the
2 general rate case, is that correct?

3 A. I know that it was offered by staff and
4 agreed to by Mr. Lauckhart in his rebuttal testimony.
5 Again, you know, as I understand it, the positions of
6 the parties are established in the briefs and so I
7 don't know exactly what the company's position was in
8 its brief, but it's my understanding from Mr.
9 Lauckhart's rebuttal testimony that this was agreed
10 to.

11 Q. And would you agree that no party in the
12 general rate case proposed that this new procedure be
13 applied to the existing deferrals?

14 A. As far as I know, yes.

15 Q. And are you recommending that this new
16 procedure be applied to the existing deferrals?

17 A. No.

18 Q. And in fact if it were applied to the
19 existing deferrals it would result in the write-off
20 of about \$1.5 million that was properly booked in
21 accordance with the existing procedure, isn't that
22 correct?

23 A. I have yet to learn when a write-off has to
24 occur and when it doesn't. That's an accounting term

25 and I'm not an accountant.

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 Q. But you would agree that the company has
2 booked an amount of \$1.5 million as a deferral in
3 accordance with the procedures currently in place and
4 that that booking was proper?

5 MR. MANIFOLD: Objection, your Honor. I
6 think the witness has already stated he's not
7 qualified to answer a question about the company's
8 accounting procedures.

9 JUDGE HAENLE: Mr. Van Nostrand?

10 MR. VAN NOSTRAND: I don't know that it's
11 really a question that involves a whole lot of
12 accounting technical knowledge, your Honor. It's a
13 matter of ratemaking treatment of deferrals.

14 JUDGE HAENLE: I'll overrule the objection
15 and direct the witness to answer.

16 A. As far as I know, the company has recorded
17 the entire amount including the 1.5 million as it has
18 made these deferrals in the past.

19 Q. And when it did so, it was in accordance
20 with the procedures then in place, right?

21 A. With respect to this \$1.5 million amount it
22 was in accordance with the procedures then in place,
23 yes.

24 MR. VAN NOSTRAND: I have no further

25 questions, your Honor.

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 JUDGE HAENLE: All right. Do you have
2 questions, Ms. Brown?

3 MS. BROWN: No, your Honor.

4 JUDGE HAENLE: Mr. Richardson?

5 MR. RICHARDSON: No questions, your Honor.

6 JUDGE HAENLE: Questions, Commissioners?

7 CHAIRMAN NELSON: No.

8 COMMISSIONER CASAD: Yes.

9

10 EXAMINATION

11 BY COMMISSIONER CASAD:

12 Q. First, Dr. Blackmon, do I understand your
13 testimony to be that the 3.1 million or 3.3 million
14 that the company indicated that it treated in an
15 irregular fashion which advantaged ratepayers, that
16 had the company not done that you would not have
17 objected to their ordinary treatment?

18 A. No. I would definitely have objected.
19 What happened was that in January the company sold
20 power to DSI at 70 mils, much higher -- about twice as
21 high as what it was buying power for --

22 Q. Sold to Bonneville, didn't they?

23 A. They sold it to Bonneville for the use of
24 the DSI, and the DSI reimbursed Bonneville as far as I

25 know. The way the deferrals are calculated in the

(BLACKMON - EXAMINATION BY CASAD)

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1 PRAM, the purchases that Puget makes are included as a
2 cost by multiplying the average secondary rate by the
3 amount of the purchases they have to make. Well, you
4 throw a 70-mill transaction into a 30-mill pot and all
5 of a sudden it's a 50-mill pot.

6 Q. 75 mill, wouldn't it?

7 A. I calculated it at 70. I know Mr.
8 Lauckhart's testimony said 75. I would think he would
9 know that, but I can't explain that difference. In
10 any event, had that transaction been included in the
11 simple dispatch model, had the simple dispatch model
12 just been blindly applied, ratepayers would have been
13 disadvantaged by 2.7 million, and I think that would
14 have been perhaps technically correct and very
15 inappropriate to do that. And so I concur with the
16 company's decision to remove it from the calculation.

17 Q. Even though it would have been technically
18 correct not to have made that adjustment?

19 A. Exactly. And I think that -- to me it
20 points out flaws, glitches in the model. And in a
21 situation like that where the model's not perfect, it
22 can't be what determines the final outcome. There has
23 to be a rule of reason applied.

24 Q. Okay. You believe that a rule of reason

25 should be applied when you look at secondary sales and
(BLACKMON - EXAMINATION BY CASAD)

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1 transactions in the secondary market? That would be
2 a --

3 A. Yes.

4 Q. I just had one other question. On page 9
5 of your testimony at the top of the page will you
6 clear up for me? I am a little confused. It says the
7 projections were based on a four-year historical
8 average, and this probably contributed to the
9 difference, i.e., increased prices. Wouldn't using
10 the four-year average tend to decrease prices?

11 A. The four-year average was used to make the
12 projection, and so in effect the projected price level
13 was too low because it reflected, you know, a period
14 in the past, and so just a general escalation in power
15 costs over that four-year period would mean that
16 today's actual rate would be higher than the
17 projection that was made using past prices.

18 Q. Okay. And so then if one used today's
19 prices they would be lower than that four-year
20 historical projection?

21 A. No, they would be higher than the four-year
22 historical projection. Today's prices are higher than
23 the historical average for two reasons. One is that,
24 in general, costs have escalated, and the other is

25 that a specific matter relating to today prices are
(BLACKMON - EXAMINATION BY CASAD)

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1 higher because hydro conditions are adverse and so
2 supply and demand drives up prices.

3 Q. What would have been the result had a
4 two-year average been used?

5 A. I don't know. Because I don't recall
6 whether there was any trend within that four-year
7 period or not.

8 COMMISSIONER CASAD: Thank you. That's
9 all.

10

11 EXAMINATION

12 BY COMMISSIONER HEMSTAD:

13 Q. One question. Do you have any at this
14 point -- simply describe your recommendations as to
15 how you would change the model in order to avoid the
16 defects that you suggest are there.

17 A. A correction, perhaps it wouldn't make the
18 model perfect, is to include in the power costs that
19 are calculated through this model the net revenues and
20 profits that the company makes for the power sales
21 that occur within the month but that are in excess of
22 its own requirements. That's what I've proposed in
23 the general rate case.

24 COMMISSIONER HEMSTAD: That's all I have.

25 JUDGE HAENLE: Questions?

(BLACKMON - EXAMINATION BY HEMSTAD)

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1 CHAIRMAN NELSON: Go ahead.

2

3

EXAMINATION

4 BY JUDGE HAENLE:

5 Q. Referring again to your proposal in the
6 general rate case to cure what you see as a defect in
7 the model, on pages 10 and 11 of your prefiled
8 testimony, at the bottom of the page 10 and beginning
9 of page 11, you refer to four changes to the PRAM that
10 you've proposed, and you state then on page 11 that
11 the company in its rebuttal case in the general rate
12 case accepted a proposed modification in the way
13 revenues from secondary purchases and sales are
14 calculated.

15 In saying that, are you saying that the
16 company agreed both that secondary purchases and sale
17 rates would be calculated as separate averages and
18 agreed that the net revenues from within-month
19 transactions would be included as an offset to the
20 calculated net secondary costs?

21 A. No. Again -- I mean, I'm at a little bit
22 of a disadvantage here because I know what the
23 company's witnesses testified to on rebuttal, but I
24 haven't read their brief. Mr. Lauckhart's testimony

25 on rebuttal accepted the principle that secondary

(BLACKMON - EXAMINATION BY JUDGE)

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1 purchases and sales should be used to calculate
2 separate averages. He didn't address the issue of the
3 net revenues from transactions within each month in
4 his testimony, and at least in this particular year
5 that's a bigger dollar issue than the separate average
6 issue.

7 Q. Concerning the use of separate purchase and
8 sale rates, are you saying that the company agreed to
9 a modification in the form that you set out on page
10 12, lines 11 through 13 of your testimony?

11 A. As far as I know, yes. There was -- in the
12 general rate case there was some disagreement about
13 how to calculate the projected secondary rate -- the
14 secondary purchase rate and the secondary sale rate,
15 and those questions had to do with whether to make the
16 projection -- to split out the purchases and sales
17 before they go into this PCS model or after they come
18 out of the PCS model. But as far as I know there was
19 no dispute over the trueup part of it and how you
20 would calculate the averages separately.

21 Q. How would the PRAM trueup be done if only
22 the separate sales and purchase prices are used?

23 A. If I could refer you to Exhibit 5.

24 Q. I have it here.

25 A. Looking at page 2 of that exhibit, and then
(BLACKMON - EXAMINATION BY JUDGE)

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1 looking at lines 68 and 69, you'll see that this
2 exhibit which was prepared before the company's
3 rebuttal in the general case, as I understand it,
4 shows the same price for purchases and sales, so it's
5 an average that melds purchases and sales into one
6 number, and instead what would occur is that the
7 numbers on 68 and 69 would be different. Typically
8 the purchase rate would be lower than the sales rate.
9 And then if you look at line 71 in this particular
10 month of October '93 the company is in a position to
11 sell power, so the revenues from that sale of power
12 would be included as an offset to costs based on the
13 sales rate that was shown in line 69.

14 Q. And how would the PRAM trueup be done if
15 both of your recommended changes were made?

16 A. Well, there would be another line that
17 would be added, perhaps between 71 and 72, that would
18 reflect the net revenues for the transactions that
19 occur within the month that are in excess of the
20 company's own requirements. And the calculation of
21 those net revenues would be made by subtracting the --
22 if the company were selling, for instance, 100
23 megawatt hours in a month and were buying 120 megawatt
24 hours in a month, then of that 120 megawatt hours, 100

25 of it would represent a purchase/sale situation rather
(BLACKMON - EXAMINATION BY JUDGE)

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1 than a purchase for its own requirements, and you
2 would calculate the average margin that the company
3 enjoyed on those purchase/sale transactions and
4 include 100 megawatt hours at that average margin.

5 I would point out that that would not
6 eliminate -- it would not result in the exact
7 reflection of the company's profits in the model and
8 it would also not give the company a perfect incentive
9 to decide whether to do advantageous transactions or
10 not. Almost any time you use averages like this
11 there's going to be some distortion of the result, but
12 it comes closer to producing an accurate result than
13 the existing model does.

14 Q. In your opinion it is an improvement then?

15 A. Yes.

16 Q. Does your proposal for the way secondary
17 sales should be projected in the projection part of
18 the PRAM differ in any way from your understanding of
19 the staff's proposal?

20 A. Yes.

21 Q. How?

22 A. I would point out that that's not a
23 question that has to be decided in this forum because
24 I agree with the company that the revenue requirement

25 in this proceeding is solely trueup of past amounts,
(BLACKMON - EXAMINATION BY JUDGE)

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1 so the projections of the costs that will be incurred
2 starting October of this year are not at issue here.
3 They are at issue in the general rate case. But in
4 the general rate case I proposed that the projected
5 secondary rates be calculated using this four-year
6 average that was then escalated to reflect a more
7 current number, but -- which is how the company did it
8 too, except the company escalated the combined average
9 of purchases and sales and I just split them out into
10 two pots, used the same basic information that the
11 company did.

12 And then finally I would point out that
13 exactly how you project the secondary rates is in the
14 overall scheme of things not crucial because it all
15 gets trued up in the end anyway.

16 Q. I wondered how your proposal differed from
17 the staff's proposal.

18 A. I guess I explained how I did it. What the
19 staff did was calculated a factor that said that on
20 average the sale rate was some factor X higher than
21 the melded average and purchases were some factor Y
22 less, and then applied that to I think the output of
23 the PCS model results. It produced different results.
24 I think actually Mr. Moast and Mr. Winterfeld actually

25 had slightly different methods even within the staff

(BLACKMON - EXAMINATION BY JUDGE)

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1 case.

2 Q. Does your proposal for the way secondary
3 sales should be trued up in the trueup portion of the
4 PRAM differ in any way from your understanding of the
5 staff's proposal?

6 A. Not that I'm aware of, no.

7 Q. And how does your proposal for the way
8 secondary sales should be projected in the PRAM differ
9 if at all from your proposed adjustments in the
10 production costing model in the general rate case?

11 A. It doesn't differ.

12 Q. On page 4, line 21, of your prefiled
13 testimony you refer to an increase in PRAM cost to
14 ratepayers of the \$2.7 million from the sale, and on
15 the same page you indicate that Puget actually earned
16 a profit of \$182,000 on that sale. Are those both
17 correct?

18 A. Yes.

19 Q. Would you describe the result of the simple
20 dispatch model if it's modified as you recommend and
21 if the BPA/DSI sale is included in the simple dispatch
22 model.

23 A. I haven't done that calculation so I can't
24 give you the number that would result, but I can

25 describe how it would work. If the DSI sale were

(BLACKMON - EXAMINATION BY JUDGE)

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1 included in the average, that would increase the
2 average purchase rate. In this particular month of
3 January 1993 Puget was a net purchaser of power, so
4 what would be relevant here would be the purchase
5 rate. The sale rate would have no bearing. And the
6 purchase rate would be higher because we would be
7 including the dispatch of this combustion turbine
8 running on oil in the 50-some-odd-mill cost range, and
9 so that would cause the purchased power cost in a
10 simple dispatch model to be higher. At the same time,
11 the profits from that would be reflected in this new
12 line that I was suggesting, the simple dispatch model,
13 as a line to capture the profits from transactions
14 such as this.

15 Q. And finally, in the general rate case
16 public counsel recommended that the cost of emergency
17 backup power not be included in the average secondary
18 rate because it would improperly skew the average
19 because the emergency backup power is expensive. Do
20 you recall that?

21 A. Yes, I do.

22 Q. How do you define emergency backup power?

23 A. I don't know how that's defined. I mean,
24 it's identified within the company's calculations and

25 work papers, but I've never asked them how it's

(BLACKMON - EXAMINATION BY JUDGE)

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1 defined.

2 Q. Would you in making this proposal exclude
3 emergency sales as well as purchases?

4 A. Yes.

5 Q. Is the BPA/DSI sale an example of how high
6 priced power can influence the outcome of the simple
7 dispatch model as it is currently used in the PRAM?

8 A. Yes.

9 JUDGE HAENLE: That's all I had. Did you
10 have any redirect, Mr. Manifold?

11 MR. MANIFOLD: No.

12 JUDGE HAENLE: Anything more of the
13 witness, Mr. Van Nostrand?

14 MR. VAN NOSTRAND: No, your Honor.

15 JUDGE HAENLE: Ms. Brown?

16 MS. BROWN: No, your Honor.

17 JUDGE HAENLE: Mr. Richardson?

18 MR. RICHARDSON: No, your Honor.

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

21 (Off the record.)

22 JUDGE HAENLE: Let's be back on the record.

23 During the time we were off the record the company's
24 rebuttal witness assumed the stand. I'll remind you,

25 Mr. Lauckhart, that you were sworn earlier in this
(COLLOQUY)

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1 case and you remain under oath.

2 While we were off the record I marked for
3 identification a multi-page document JRL-11 as Exhibit
4 T-20 for identification. Go ahead, Mr. Van Nostrand.

5 (Marked Exhibit No. T-20.)

6 MR. VAN NOSTRAND: Thank you, your Honor.

7 Whereupon,

8 J. RICHARD LAUCKHART

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

12

13 DIRECT EXAMINATION

14 BY MR. VAN NOSTRAND:

15 Q. Thank you, your Honor. Mr. Lauckhart, do
16 you have before you what has been marked for
17 identification as Exhibit T-20?

18 A. Yes.

19 Q. And do you recognize that document as your
20 prefiled rebuttal testimony in this case?

21 A. Yes.

22 Q. Do you have any additions or corrections to
23 make to Exhibit T-20 at this time?

24 A. Yes. I have one correction on page 3, line

25 8. The 75 should be 70.

(LAUCKHART - DIRECT BY VAN NOSTRAND)

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1 Q. Does that complete your corrections, Mr.
2 Lauckhart?

3 A. Yes, it does.

4 Q. And as corrected, if I asked you the
5 questions set forth in Exhibit T-20 today would you
6 give the answers as set forth in that exhibit?

7 A. Yes.

8 MR. VAN NOSTRAND: Your Honor, I move the
9 admission of Exhibit T-20.

10 JUDGE HAENLE: Any objection, Ms. Brown?

11 MS. BROWN: No objection.

12 JUDGE HAENLE: Mr. Manifold?

13 MR. MANIFOLD: No objection.

14 JUDGE HAENLE: Mr. Richardson?

15 MR. RICHARDSON: No objection, your Honor.

16 JUDGE HAENLE: T-20 will be entered into
17 the record.

18 (Admitted Exhibit No. T-20.)

19 MR. VAN NOSTRAND: Mr. Lauckhart is
20 available for cross-examination.

21 JUDGE HAENLE: Thank you. Go ahead, Ms.
22 Brown.

23 MS. BROWN: Thank you.

24

(LAUCKHART - CROSS BY BROWN)

1 BY MS. BROWN:

2 Q. Please turn to page 7 of your rebuttal
3 testimony. There you discuss the issue of customer
4 count trueup. Beginning at line 8 you testify that
5 Mr. Nguyen's testimony is directed toward the accuracy
6 of the trueup for individual months, whereas the real
7 objective is a reasonable projection of the average
8 annual number of customers. Do you see that?

9 A. Yes.

10 Q. Could you please tell us why from the
11 company's perspective the quote-unquote real objective
12 of this trueup of customer count is a reasonable
13 projection of the average annual number of customers
14 rather than the actual customer counts for the months
15 being trued up?

16 A. Because when we get finally through the 12
17 months in the PRAM period the key number is the
18 average annual customers.

19 Q. Do you have Exhibit 12 available to you?

20 A. Yes.

21 Q. We established during cross-examination of
22 your direct testimony that the various pages of this
23 Exhibit 12 show the calculation of the trued up
24 customer counts for the months of October 1992 through

25 April of 1993. Do you recall that?

(LAUCKHART - CROSS BY BROWN)

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1 A. Vaguely.

2 Q. If you could accept that subject to check,
3 that would be fine. Turn now to the last page of this
4 exhibit.

5 A. Yes.

6 Q. Does this page show the calculation of the
7 trued up customer count for the month of April 1993?

8 A. Yes.

9 Q. Like to direct your attention to column D,
10 the column entitled Actual Count.

11 A. Yes.

12 Q. Is the circled figure of 789,794 at the
13 bottom of this column the trued up number of customer
14 count for the month of April 1993?

15 A. Yes.

16 Q. And is this figure the average number of
17 the customer counts for the 12 months from October
18 1992 through September 1993?

19 A. I believe so.

20 Q. And would you agree or would you accept
21 subject to check that this annual average number
22 of 789,794 customers was used by Puget to determine
23 the amount of actual allowed revenue for base cost for
24 the first seven months of PRAM 2?

25 A. Through April are you talking about? Is
(LAUCKHART - CROSS BY BROWN)

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1 that the first seven months?

2 Q. Yes.

3 A. I believe that's correct.

4 Q. Is it true that of the 12 customer counts
5 shown in column D only the customer counts for the
6 seven months of October 1992 through April of 1993 are
7 actuals, the rest are estimates?

8 A. That's correct. But what we need in order
9 to properly determine what our allowed revenue should
10 be is a 12 months' average number.

11 Q. If you could look now at the estimated
12 figures of customer counts for the months of May 1993
13 through September 1993 in column D. Would you agree
14 that each of these estimated figures is higher than
15 the figure for the preceding month?

16 A. Yes, because we just included the estimate
17 of growth that had been made in the projection of the
18 PRAM. Those numbers are shown in column C.

19 Q. And do you agree then that the average
20 annual number of 789,794 customers calculated by the
21 company for the month of April 1993 is necessarily
22 higher than the average of the actual customer counts
23 for the seven months of October '92 through April '93?

24 A. Because of growth, the numbers will be

25 higher later in the year than they are earlier in the
(LAUCKHART - CROSS BY BROWN)

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1 year. I would agree to that.

2 Q. Are the deferral amounts for a PRAM
3 determined by comparing the amounts of actual allowed
4 revenues calculated for a period with the amounts of
5 actual revenue receipts for that same period?

6 A. Could you repeat the question.

7 Q. Are the deferral amounts for a PRAM
8 determined by comparing the amounts of actual allowed
9 revenues calculated for a period with the amounts of
10 actual revenue receipts for that same period?

11 A. Yes.

12 Q. Please turn to Exhibit 11.

13 A. One of my favorite exhibits.

14 Q. Does line 13 of this exhibit show the
15 amounts of actual revenue receipts for the months of
16 October 1992 through April 1993?

17 A. Yes. There's a footnote on the second page
18 of Exhibit 11 that it describes what that shows, and I
19 believe what you stated is what that says.

20 Q. Do you agree or would you accept subject to
21 check that each of these actual revenue receipt
22 amounts is an individual monthly amount rather than a
23 12-month average amount?

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

25 Q. Would you agree that the actual revenue
(LAUCKHART - CROSS BY BROWN)

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1 receipt amount for each month has a direct
2 relationship to the actual number of customers in that
3 month rather than to the average annual number of
4 customers calculated by the company for that month?

5 A. Could you repeat that question.

6 Q. Would you agree that the actual revenue
7 receipt amount for each month bears a direct
8 relationship to the actual number of customers in that
9 month as opposed to the average annual number of
10 customers calculated by the company for a given month?

11 A. Well, I guess I could agree to that, but
12 I'm not sure the point you're making is a valid point.
13 For example, on the resource costs we compute a single
14 rate that over the year recovers the resource costs
15 even though we know that the resource costs vary from
16 month to month. So we're not trying to establish
17 rates here that have everything match up from month to
18 month. There will be some natural deferrals occurring
19 between months because of the fact that costs do not
20 come in in the same shape as revenues when you set one
21 rate to cover the whole 12-month period.

22 Q. Would you agree that the company's customer
23 count trueup method would determine the deferral
24 amounts for a PRAM period by comparing actual

25 individual monthly revenue receipt amounts with the
(LAUCKHART - CROSS BY BROWN)

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1 actual allowed revenue for base cost amounts
2 calculated from an average annual number of customers?

3 A. That was a long sentence there. And I'm
4 not sure I fully followed it. Maybe you could try it
5 a little slower.

6 Q. Would you agree that the company's customer
7 count trueup method would determine the deferral
8 amounts for a PRAM period by comparing actual
9 individual monthly revenue receipt amounts with the
10 actual allowed revenue for base cost amounts
11 calculated from an average annual number of customers?

12 A. Yes. And I would say the same thing
13 happens on the resource side.

14 Q. You state at line 14 of page 7, your
15 rebuttal testimony, that Mr. Nguyen states that one of
16 the reasons staff is not challenging the company's
17 customer count trueup method at this time is that a
18 two-year period is proposed by the company for the
19 recovery of deferral amounts in this proceeding and
20 that this two-year recovery proposal does not seem to
21 be relevant in your view. Do you see that?

22 A. Yes.

23 Q. Do you agree that the PRAM calls for the
24 trueup of estimated allowed revenue for base cost over

25 a two-year period with the trueup for the first seven
(LAUCKHART - CROSS BY BROWN)

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1 months being done in one year and the trueup for the
2 remaining five to be done in the next year?

3 A. I'm sorry. I didn't follow the question.
4 Could you try that again.

5 Q. Well, isn't it true that the PRAM calls for
6 the trueup of estimated allowed revenue for base cost
7 over a two-year period with the trueup for the first
8 seven months being done in one year and the trueup for
9 the remaining five months to be done in the next year?

10 A. I guess where I'm getting confused is
11 you're talking about recovering something over two
12 years and somehow talking about a seven-month and a
13 five-month period to do that. I'm a little confused
14 there.

15 Q. But isn't it true that the PRAM is set up
16 so that there's a trueup for the first seven months
17 being performed in one year and the trueup for the
18 subsequent remaining five months performed in the next
19 year?

20 A. I'll accept that as a general statement,
21 yes.

22 Q. And would you also accept that the PRAM
23 calls for the trueup of the estimated allowed revenue
24 for base cost over a two-year period?

25 A. Well, we've proposed that in this case.

(LAUCKHART - CROSS BY BROWN)

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1 Q. Do you agree that if the number of
2 customers for the first seven months is overstated the
3 company would be able to collect from ratepayers a
4 certain amount of allowed revenue for base cost one
5 year before it is due to the company?

6 A. The issue of the timing of these recoveries
7 and interest on whether you over- or under-collected
8 them too soon is a question that has many facets to
9 it. I suppose the one you're talking about would --
10 under certain situations might provide us collecting
11 money earlier than somebody thinks we ought to. I
12 think it's a fairly minor effect.

13 Q. So the answer is yes, that if the company
14 does in fact overstate the number of customers for the
15 first seven months and there is no two-year period for
16 recovery then the company would be able to collect
17 from ratepayers a certain amount of allowed revenue
18 for base costs in advance?

19 A. Yeah. I would say the answer is yes. Then
20 I would clarify that. On a technical basis under a
21 growing customer base that is possible, and I think it
22 would be very minor an impact. But if you turn to
23 your Exhibit 12 that you were talking to me about, on
24 the last page, if you actually used the number for

25 April as the customer count instead of the average you
(LAUCKHART - CROSS BY BROWN) 100

1 would have a larger number in April than you do for
2 the 12 months, so I'm a little confused about your
3 example.

4 The other thing I would point out is if you
5 just use the actual count every month, when you get to
6 September when the number is supposed to be 789,000,
7 because under this mechanism you're supposed to have a
8 12-month average, you got a number that's 798,000, so
9 I'm not sure how -- when you adjust back to a 12-month
10 average if you decide you should use a single month
11 actual as a number in every trueup month.

12 Q. You mentioned this timing advantage.
13 Because the recovery of any difference in allowed
14 revenue for base cost is spread over a two-year
15 period, this particular timing advantage would be
16 rendered moot, is that right?

17 A. I don't believe I mentioned the timing
18 advantage. I think you were bringing it up in a
19 hypothetical that I was agreeing to the number. And I
20 would also agree at the end of all this it is sort of
21 moot because it gets trued up.

22 Q. When does the company intend to file its
23 revised Schedule 94 BPA residential exchange filing?

24 A. Our current intent is as soon as we get

25 orders from the Commission in the general case and in
(LAUCKHART - CROSS BY BROWN)

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1 this PRAM case that we will then have sufficient
2 information to provide a meaningful Schedule 94 filing
3 and we would do it shortly after that.

4 Q. Do you mean within the month of October
5 then?

6 A. Yes.

7 MS. BROWN: That's all I have.

8 JUDGE HAENLE: Mr. Manifold?

9 MR. MANIFOLD: No questions.

10 JUDGE HAENLE: Mr. Richardson?

11 MR. RICHARDSON: No questions, your Honor.

12 JUDGE HAENLE: Commissioners?

13 CHAIRMAN NELSON: No.

14 COMMISSIONER CASAD: I have no questions.

15 COMMISSIONER HEMSTAD: None.

16 JUDGE HAENLE: Any redirect, Mr. Van

17 Nostrand?

18 MR. VAN NOSTRAND: No, your Honor.

19 JUDGE HAENLE: Any more of the witness?

20 All right, thank you, sir. You may step down. The
21 only other thing that I know of we need to do is the
22 public letters. Mr. Manifold, you brought with you a
23 group of letters.

24 MR. MANIFOLD: Yes, your Honor. I would

25 like to have marked and admitted as an exhibit a copy
(COLLOQUY)

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1 of the letters that the Office of Public Counsel has
2 received from members of the public regarding this
3 case. And I'm going to stop there for now.

4 JUDGE HAENLE: All right. Go ahead and
5 distribute that, and I will mark that as 21 for
6 identification.

7 Any objection to the entry of 21 for
8 illustrative purposes, Mr. Van Nostrand?

9 (Marked Exhibit No. 21.)

10 MR. VAN NOSTRAND: No, your Honor.

11 JUDGE HAENLE: Any objection, Ms. Brown?

12 MS. BROWN: No.

13 JUDGE HAENLE: Any objection, Mr.
14 Richardson?

15 MR. RICHARDSON: No objection, your Honor.

16 JUDGE HAENLE: All right. 21 will be
17 entered into the record.

18 (Admitted Exhibit No. 21.)

19 MR. MANIFOLD: Your Honor, as you know,
20 many people write the Commission as well. This
21 exhibit includes letters or petitions that were sent
22 to both the Commission and public counsel but there
23 are a number of others that were only sent to the
24 Commission. Those are being copied even as we speak,

25 and I would ask the Commission to file a late-filed
(COLLOQUY)

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1 exhibit. If possible we will do it by the end of
2 today. That would include the letters that have been
3 filed with the Commission.

4 JUDGE HAENLE: Okay, well, why don't you
5 get that as soon as you can then, and we'll deal with
6 that after the public testimony this afternoon.

7 MR. MANIFOLD: Okay.

8 JUDGE HAENLE: Is there anything else we
9 need to discuss now? All right. We'll be in recess
10 then until 1:30, and at 1:30 we'll take testimony of
11 members of the public. Thank you.

12 (Recess.)

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(COLLOQUY)

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1

AFTERNOON SESSION

2

1:30 p.m.

3

JUDGE HAENLE: The hearing will come to
4 order. This is a fourth session of hearing in the
5 PRAM 3 filings. That's Docket No. UE-930622. The
6 hearing is taking place on September 1, 1993 at
7 Olympia. The purpose of this 1:30 hearing is to take
8 comments from members of the public about the PRAM 3
9 filing. I indicated to you before we began that
10 the hearing would be held before the commissioners,
11 Chairman Sharon Nelson --

12

CHAIRMAN NELSON: Good afternoon.

13

JUDGE HAENLE: -- Commissioner Richard
14 Casad --

15

COMMISSIONER CASAD: Good afternoon, ladies
16 and gentlemen.

17

JUDGE HAENLE: -- and Commissioner Hemstad.

18

COMMISSIONER HEMSTAD: Good afternoon.

19

JUDGE HAENLE: At the tables in front
20 are some of the counsel representing certain of the
21 parties. Over on the far side is James Van Nostrand
22 who represents the company. Did you have anyone you
23 needed to introduce, Mr. Van Nostrand?

24

MR. VAN NOSTRAND: Yes, your Honor. I

25 would like to introduce William S. Weaver who is the
(COLLOQUY)

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1 executive vice president and chief financial officer
2 for the company.

3 JUDGE HAENLE: Thank you. And here at the
4 front is Sally Brown who represents the Commission.
5 Did you need to introduce anyone?

6 MS. BROWN: No.

7 JUDGE HAENLE: Okay. And Mr. Robert
8 Manifold who is acting as public counsel. Mr.
9 Manifold will be reading your names one at a time from
10 the list that's in the back of the room, so be sure
11 that if you're intending to testify that you've
12 printed your name and address on the list at the back
13 of the room.

14 When Mr. Manifold calls your name, if you
15 come up to the witness table over at the corner there
16 and I'll ask you to raise your hand and swear or
17 affirm that you'll tell the truth, and then Mr.
18 Manifold will ask you some foundation questions.
19 He'll ask you your name and your address. He'll ask
20 you if you are a commercial or residential ratepayer.
21 He'll ask you if you're testifying on your own behalf
22 or on behalf of someone else, and then ask you to give
23 your statement.

24 Okay, Mr. Manifold, did you want to give a

25 brief description of what this case is about.

(COLLOQUY)

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1 MR. MANIFOLD: Yes.

2 JUDGE HAENLE: Okay. You need to stand or
3 use the microphone or perhaps both.

4 MR. MANIFOLD: My name is Robert Manifold,
5 as I was previously introduced, with the Public
6 Counsel Section of the Attorney General's office. Let
7 me just give a couple of comments about what this case
8 is about. For any of you who are members of the
9 public there are sheets in the back which you may have
10 already picked up that give an outline of what the
11 case is.

12 In 1991 the Utilities Commission
13 established a new process for Puget Power in which
14 there the attempt was to decouple their profit
15 incentive from the amount of electricity sales it made
16 in order to obtain greater efficiencies. The process
17 then set up an annual filing to account for some of
18 its costs. That process has been called a PRAM, which
19 is called a periodic rate adjustment mechanism. It is
20 that filing for this year that we're here about today.

21 The company's calculation is that there's
22 approximately \$76 million owed to it and it's
23 proposing to collect that amount over the next two
24 years. This is an entirely separate filing from the

25 general rate case which is currently pending in front
(COLLOQUY)

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1 of the Commission in which the company has requested
2 approximately a \$101 million rate increase. There
3 have been questions raised by staff of the Commission,
4 by public counsel, and others regarding the process
5 of the periodic rate adjustment mechanism, and those
6 issues are being considered by the Commission as part
7 of the general rate case.

8 And I think that really is a little bit of
9 an overview. Some of the numbers on the rate impact
10 are contained in those sheets. And the Commission is
11 in my experience very eager to hear from consumers to
12 hear what their comments are on this.

13 I should tell you that in addition to the
14 comments today we introduced into evidence this
15 morning a copy of letters that had been received from
16 the public by my office in Seattle, which is this
17 document, and we're going to offer this afternoon a
18 copy of letters that have been received here by the
19 Commission. So the comments that you're making today
20 are not the only ones from the public that the
21 Commission will be hearing.

22 JUDGE HAENLE: Thank you, Mr. Manifold. I
23 introduced everybody else. My name is Alice Haenle.
24 I'm the administrative law judge assigned to the case.

25 Okay. Do you want to begin, Mr. Manifold.

(COLLOQUY)

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1 MR. MANIFOLD: Yes. The first person is
2 Captain Eigabroadt.

3 JUDGE HAENLE: Would you raise your right
4 hand.

5 Whereupon,

6 EARL E. EIGABROADT
7 having been first duly sworn, was called as a witness
8 herein and was examined and testified as follows:

9 JUDGE HAENLE: Be seated, please. Your
10 witness is sworn, Mr. Manifold.

11

12 DIRECT EXAMINATION

13 BY MR. MANIFOLD:

14 Q. Would you please state your name and
15 address for the record.

16 A. Earl E. Eigabroadt. That's E I G A B R O A
17 D T. My address is 2950 Tumbleweed Lane Southeast,
18 Port Orchard, Washington, 98366.

19 Q. And you're a Puget Power customer?

20 A. I am.

21 Q. And have you addressed comments to the
22 Commission before?

23 A. I have.

24 Q. Regarding the PRAM?

25 A. I have.

(EIGABROADT - DIRECT BY MANIFOLD)

109

1 Q. Please go ahead.

2 Not on PRAM specifically. The rate case
3 last June I testified here.

4 JUDGE HAENLE: Did you indicate, sir, you
5 are a residential customer?

6 THE WITNESS: I'm a residential customer.

7 JUDGE HAENLE: Are you speaking on your own
8 behalf or on behalf of a group?

9 THE WITNESS: On my own behalf. I have no
10 affiliation.

11 JUDGE HAENLE: Thank you. Go ahead.

12 Q. Please go ahead.

13 A. Your Honor, Madam Chairman, Commissioners,
14 Counsel, friends, rather than reiterating what has
15 been said many times by authorities far better
16 qualified than is this one very elderly layman, I
17 would again invite the Commission's attention to my
18 observations, verbal and in writing, offered before
19 proceedings conducted in this room on the 23rd of June
20 1993. Indeed, those comments may be even more
21 applicable to this case than to that in that we now
22 are addressing specifically what is known as the
23 periodic rate adjustment mechanism or PRAM.

24 However, for the possible benefit of

25 persons present who may not have ready access to that
(EIGABROADT - DIRECT BY MANIFOLD) 110

1 material, I would address as briefly as possible
2 perhaps two or three points as they may relate to the
3 aforementioned PRAM.

4 First, an essential element of the
5 mechanism and of decoupling is demand side management,
6 or DSM, under which Puget Power is being compensated
7 with incentive payments, bonuses, et cetera, for the
8 unverified -- I emphasize "unverified" -- conservation
9 acquisitions. Included with my comments of the 23rd
10 of June was a fairly lengthy list of references
11 reflecting studies by authorities of unquestioned
12 competence and unimpeachable integrity. Some of those
13 references raise serious questions as to the efficacy
14 of DSM as it is being practiced by several utilities
15 including Puget Power.

16 I will not go into detail now. The
17 evidence is cited specifically in the enclosure to my
18 comments made in June and should be readily available
19 to the Commission. I will here observe only that in
20 my lay opinion such practices act as disincentives
21 rather than incentives to sound business practice and
22 real corporate economy.

23 And just as I was preparing the draft for
24 these comments I read that a distinguished authority

25 agrees with me on this point. The authority is
(EIGABROADT - DIRECT BY MANIFOLD)

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1 Professor Doug Houston of the Department of Business
2 at the University of Kansas who participated in a
3 panel discussion at the Northwest Power Planning
4 Council meeting in Hood River this past month.

5 And secondly, during the proceedings on
6 Dockets UE-921262 and UE-920499 Counselor Adams raised
7 questions as to the propriety of the decoupling
8 process in that it shifts all investment risk from
9 Puget Power's shareholders to its customers.
10 Counselor Manifold touched on the same issue in his
11 letter of August 23.

12 I share counsels' concern. Under this
13 system the utility's investors not only are guaranteed
14 a specific rate of return on investment but are
15 insulated against such vicissitudes as reduced
16 revenues resulting from fluctuations in the weather
17 and from winter storms. I have some small experience
18 in banking and finance and it has been my observation
19 that about the only investment offering that degree of
20 security is a U.S. Treasury obligation.

21 Harsher critics have called decoupling with
22 its PRAM a license to steal. I won't go that far. I
23 will here only observe that were I a member of the
24 board of directors, or a stockholder, or both, I would

25 be all for it.

(EIGABROADT - DIRECT BY MANIFOLD)

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1 And thirdly, once again I must point out
2 that this practice of assessing all of Puget Power's
3 customers through sharply-increased rates to pay for
4 conservation measures available to only a few of them
5 is redistributive, confiscatory, and a form of
6 socialism to which I take objection on doctrinal
7 grounds. True, it is indeed possible that my
8 philosophical views are reenforced by the knowledge
9 that I am being forced to pay for energy conservation
10 measures, or ECMs as they are known, performed on the
11 residences and businesses of people undoubtedly far
12 better off financially than are the Eigabroadts. You
13 see, we live in an all-electric apartment where such
14 goodies to be paid for of course by somebody else just
15 aren't available. No, we don't like it.

16 I will close with a quotation from one of
17 the sources cited in the list of references enclosed
18 with my June 23rd comments, and it is referenced in
19 here in writing: An approach to utility conservation
20 programs that requires customers to pay the bulk of
21 the costs of conservation investments in their behalf
22 in one way or another out of the savings they realize
23 or expect to realize makes it necessary to convince
24 customers that the savings are really there -- and I

25 emphasize -- when all relevant factors are taken into
(EIGABROADT - DIRECT BY MANIFOLD) 113

1 account. This approach will lead to real energy
2 savings rather than just paper savings and will
3 relieve regulators of the very difficult task of
4 measuring actual savings, imputing customer costs,
5 dealing with free riders, and changing customer
6 behavior over time. It will also require utilities to
7 think of the evolution of the conservation programs
8 into real businesses -- and again I emphasize -- where
9 the bill for conservation services provided to Mrs.
10 Smith is sent to Mrs. Smith for payment and not
11 divided up and sent to all of her neighbors. In the
12 end we want least-cost outcomes, not nice computer
13 printouts produced by integrated least-cost planning
14 software.

15 Precisely.

16 Your Honor, I thank you. Commissioners,
17 Counsel.

18 JUDGE HAENLE: Counsel, questions? Did you
19 have questions?

20 MR. MANIFOLD: I do not have a question.

21 JUDGE HAENLE: Counsel, questions?

22 Commissioners, do you have questions?

23 COMMISSIONER CASAD: I have no questions.

24 COMMISSIONER HEMSTAD: I want to make a

25 comment. I was quite interested in your comments when
(EIGABROADT - DIRECT BY MANIFOLD) 114

1 you were here in June.

2 THE WITNESS: Yes.

3 COMMISSIONER HEMSTAD: And you'll probably
4 recall as a result of that I asked the person here
5 from the Department of Energy to comment on it. Were
6 you here for that?

7 THE WITNESS: I may have left before that,
8 sir.

9 COMMISSIONER HEMSTAD: Well, as a result,
10 you may want to read the material that was filed in
11 response really to your criticism.

12 THE WITNESS: By the Department of Energy?

13 COMMISSIONER HEMSTAD: By the state
14 Department of Energy. And the attachments to it.

15 THE WITNESS: Is it filed with the
16 Commission?

17 COMMISSIONER HEMSTAD: Yes. And I'm sure
18 you can get a copy.

19 THE WITNESS: Ms. Simmons should have it?

20 COMMISSIONER HEMSTAD: You can get a copy
21 of that. Parts of the attachments were comments about
22 the Joskow study by Amory Lovins in which he line by
23 line critiques it and basically says that it is
24 extremely inadequate in its analysis.

25 THE WITNESS: Lovins said so?

(EIGABROADT - DIRECT BY MANIFOLD)

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1 COMMISSIONER HEMSTAD: Yes.

2 THE WITNESS: Well, I will tell you I have
3 some more comments by Professor Joskow on Mr. Lovins
4 which I will make an effort to get to you, Mr.
5 Hemstad.

6 COMMISSIONER HEMSTAD: And that's fine.

7 THE WITNESS: We know Mr. Lovins well.

8 JUDGE HAENLE: Did you have a statement
9 that you brought with you, sir, that you wanted to
10 leave?

11 THE WITNESS: I don't have it with me.

12 MR. MANIFOLD: Were you reading earlier?
13 If you could leave that with the court reporter that
14 would assist her greatly.

15 THE WITNESS: (Handing.)

16 JUDGE HAENLE: Mr. Manifold.

17 MR. MANIFOLD: Edyth Hawkinson.

18 JUDGE HAENLE: Would you raise your right
19 hand, please.

20 Whereupon,

21 EDYTH HAWKINSON,
22 having been first duly sworn, was called as a witness
23 herein and was examined and testified as follows:

24

25

DIRECT EXAMINATION

(HAWKINSON - DIRECT BY MANIFOLD)

116

1 BY MR. MANIFOLD:

2 Q. Is it Mrs. Hawkinson?

3 A. Yes, it is.

4 Q. Would you please state your name and give
5 your address.

6 A. Edyth Hawkinson, 421 Bellhaven Court
7 Southeast, Tumwater, 98501.

8 Q. Are you a Puget Power customer?

9 A. Yes, I am.

10 Q. And are you speaking on your own behalf
11 today?

12 A. Yes. Well, yes, except the seniors.

13 Q. And when you say the seniors, what do you
14 mean?

15 A. Well, all the seniors that are on Social
16 Security.

17 Q. Okay. And are you part of a particular
18 organization?

19 A. No, I'm not.

20 Q. Okay. You're speaking as a representative
21 example?

22 A. Yes.

23 Q. Please go ahead.

24 A. I'm not prepared like the gentleman was

25 before me and I decided in the last few minutes to

(HAWKINSON - DIRECT BY MANIFOLD)

117

1 come. But I don't see any more raises. They say two
2 twenty two a month. What does that mean in a year?
3 And it's more than our raise will be. And they are
4 taking it before we get it. I don't see it.

5 And this is not the only one. It's your
6 tax. Everything is going up, up. You can't -- you
7 can't make it. We won't be able to make it. We're
8 going to have to sell. Then what? I don't know.

9 Your water rate has gone up, your tax
10 is going up, now your electric. Everything is going
11 up. And you can't do it. The seniors can't. If it
12 isn't the government, it's the state, the city, and
13 the county. They are all taking a chunk and it adds
14 up. You can't do it. That's about all I had to say,
15 I think.

16 JUDGE HAENLE: All right. Counsel,
17 questions?

18 MR. MANIFOLD: No.

19 JUDGE HAENLE: Other counsel?

20 MR. VAN NOSTRAND: No.

21 JUDGE HAENLE: Commissioners, questions?

22 COMMISSIONER CASAD: I have no questions.

23 JUDGE HAENLE: Thank you. You may step
24 down.

25 MR. MANIFOLD: John Wolch.

(HAWKINSON - DIRECT BY MANIFOLD)

118

1 Whereupon,

2 JOHN WOLCH,

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

4 herein and was examined and testified as follows:

5 JUDGE HAENLE: Be seated, please. Your

6 witness is sworn, Mr. Manifold.

7

8 DIRECT EXAMINATION

9 BY MR. MANIFOLD:

10 Q. Would you please state your name and spell

11 your last name.

12 A. John Wolch, W O L C H.

13 Q. And where do you live?

14 A. I live in Bellevue.

15 Q. And could you give your address.

16 A. 12526 Southeast 25th Place, 98005.

17 JUDGE HAENLE: Maybe you could turn the

18 microphone so it's pointing right towards you.

19 MR. MANIFOLD: That's what I have to do

20 too.

21 Q. You're a Puget Power customer?

22 A. Yes, I am.

23 Q. Are you speaking on behalf of any group

24 today or yourself?

25 A. Just myself.

(WOLCH - DIRECT BY MANIFOLD)

119

1 Q. Okay. Please go ahead.

2 A. I just have a couple of statements I would
3 like to make. First I would like to have a clear
4 statement either in the annual report or in the fact
5 sheet showing what is the actual cost of the
6 conservation program. I would like it to include the
7 direct outlays and the reduction in revenues. They
8 say that one of the reasons they need an increase is
9 because reduction in sales. It seems to me that the
10 conservation program is not contributing to sales. In
11 fact, it's working in the opposite direction. And I'm
12 a stockholder and I'm still opposed to the
13 conservation program.

14 The second thing, I would like to see a
15 program to encourage building generating facilities in
16 Western Washington. Another reason for a rate
17 increase is an increased cost of purchased power. I
18 would like to see more power produced in Western
19 Washington so there's a more stable base. And as I
20 had been reading the literature recently, there has
21 actually become a deficit in generating facilities in
22 Washington, particularly Western Washington.

23 That's really all I have to say.

24 JUDGE HAENLE: Questions, Mr. Manifold?

25

MR. MANIFOLD: No.

(WOLCH - DIRECT BY MANIFOLD)

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1

JUDGE HAENLE: Counsel, questions?

2

MR. VAN NOSTRAND: No.

3

JUDGE HAENLE: Commissioners, questions?

4

5

EXAMINATION

6

BY CHAIRMAN NELSON:

7

Q. Mr. Wolch, do you have any idea what kind

8

of plant you would like to see them build in Western

9

Washington?

10

A. I'm not an advocate of nuclear. I don't

11

object to nuclear, if that's what you're fishing for.

12

I would just like to see some steam plants, some

13

conventional power plants, something that produces

14

electricity, produces revenue, something that

15

increases the book value of the company.

16

JUDGE HAENLE: Commissioners, anything

17

else?

18

COMMISSIONER CASAD: I have no questions.

19

COMMISSIONER HEMSTAD: No questions.

20

JUDGE HAENLE: Thank you, sir. You may

21

step down.

22

MR. MANIFOLD: Bill Fosbre.

23

JUDGE HAENLE: Raise your right hand, sir.

24

Whereupon,

25

BILL FOSBRE,

(FOSBRE - DIRECT BY MANIFOLD)

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

3

4

DIRECT EXAMINATION

5

BY MR. MANIFOLD:

6

Q. Would you please state your name and spell
7 your last name.

8

A. My name is Bill Fosbre. 1929 Allegro
9 Drive, Olympia, Washington, 98501.

10

Q. And your last name is F O S B R E?

11

A. Correct.

12

Q. And you're a Puget Power customer?

13

A. Yes.

14

Q. And are you speaking on behalf of any group
15 today or for yourself?

16

A. Myself, and a lot of unrepresented people
17 who are afraid to come up here and speak their own
18 mind. They talk a lot about it but that's as far as
19 it gets. But they still are bothered by situations.

20

Q. Please go ahead.

21

A. First thing I would like to do, if I might,
22 is make two suggestions to the Commission. Formerly
23 you had this table back there where we were looking
24 straight ahead at the Commissioners. I think that

25 works much better. I don't like this looking onto you

(FOSBRE - DIRECT BY MANIFOLD)

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1 oblique. Just a suggestion.

2 Second thing is, it would help a lot if the

3 Commissioners would talk up a little louder because

4 when you're back in here (pointing) you can't hear

5 what's going on. Again, a suggestion.

6 First I want to say, why a rate increase

7 when profits are up? The rate of return I believe now

8 exceeds 12 percent if we include leased equipment.

9 It seems to me that first the phone company starts

10 with a rate increase, then a little later the gas

11 company comes along and they put one or two increases

12 in, and then comes Puget Power with one or two

13 requests, and then next year the cycle starts all over

14 again. This in spite of the fact that we have a

15 conservation program.

16 And I'm sure that the customers are

17 participating very much in this because they are aware

18 of what happens to our rate. But what does

19 conservation get us? Increased rates because the

20 power company is selling less power, then we end up

21 paying more. It seems like a no-win situation to me.

22 The interest rates that Puget Power or any

23 utility has to pay now are way down, just as they are

24 for us to try to save a couple dollars. We don't get

25 a return either. But it's costing them a lot less.

(FOSBRE - DIRECT BY MANIFOLD)

123

1 Inflation is also down for the power company on
2 everything they have to purchase. That should be
3 considered.

4 I notice though, however, in the journal
5 that the dividends go up, which is fine. I think
6 stockholders are entitled to a return on their
7 investment. But let's spread this cheer around for
8 everybody.

9 I think the Utilities and Transportation
10 Commission should really consider the ratepayers for a
11 change and not the company. Our rates are going up on
12 everything including, and not discussed here, our
13 water bills, sewer bills, and other bills from the
14 city and the county.

15 Someplace this has to come to a screaming
16 halt. For example, 601 and 602, which everybody is
17 aware of, came into being only because ratepayers and
18 taxpayers are getting right up to there (pointing)
19 with increases, and they're going to take some action
20 on it. This may be the forerunner of it. I don't
21 know how they're going to go. Personally I hope they
22 both pass.

23 I would like to suggest that no rate
24 increase be granted at this time based on the fact

25 that I mentioned, inflation is down, interest rates
(FOSBRE - DIRECT BY MANIFOLD)

124

1 are down, costs are down, and profits I believe are
2 up, and the rate of return is sufficient for the
3 company, particularly when we consider in with the
4 leased equipment in rates. Thank you, very much.

5 JUDGE HAENLE: Questions, Mr. Manifold?

6 MR. MANIFOLD: No.

7 JUDGE HAENLE: Counsel, questions?

8 MR. VAN NOSTRAND: No.

9 JUDGE HAENLE: Commissioners, questions?

10 COMMISSIONER CASAD: I have no questions.

11 JUDGE HAENLE: All right, thank you, sir.

12 You may step down.

13 MR. MANIFOLD: Randal South.

14 JUDGE HAENLE: Would you raise your right
15 hand, please.

16 Whereupon,

17 RANDAL SOUTH,

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

19 herein and was examined and testified as follows:

20 JUDGE HAENLE: Thank you. Mr. Manifold.

21

22 DIRECT EXAMINATION

23 BY MR. MANIFOLD:

24 Q. Please state your name and give your

25 address.

(SOUTH - DIRECT BY MANIFOLD)

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1 A. I'm Randal South. I live at 518 Williams
2 Avenue North in Renton.

3 Q. And you're a Puget Power ratepayer?

4 A. That is correct. I'm a residential
5 customer.

6 Q. And are you speaking on behalf of yourself
7 or a group?

8 A. Well, it's on behalf of myself, but we have
9 some petitions from people throughout the Renton
10 area who have signed objecting to the current proposed
11 increase for the PRAM, and they've listed some
12 suggestions as an alternative in the petition. Also I
13 have -- there are some petitions I would like to
14 mention that are requesting a different set of
15 parameters for suggestions as an alternative that are
16 not present today. I believe those people plan to
17 mail those in in the next couple of days.

18 MR. MANIFOLD: Your Honor, I would like to
19 have marked as an exhibit the petitions that Mr. South
20 has with him today, and I would also note that similar
21 petitions are already included in what's been marked
22 as Exhibit 21, but I understand these are additional
23 ones.

24 THE WITNESS: These are additional.

25

JUDGE HAENLE: Okay. You can give them to

(SOUTH - DIRECT BY MANIFOLD)

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1 me after you're done with your remarks. We would make
2 that Exhibit 22 for identification.

3 (Marked Exhibit No. 22.)

4 JUDGE HAENLE: We had been, Mr. Manifold,
5 making any materials that people brought with them to
6 the hearing an exhibit, and we can mark this as the
7 first item we have had offered. We can mark that as
8 22. And when the hearing is over if there are other
9 materials too, they would be included in the same
10 exhibit. Go ahead, sir.

11 A. We are opposed to the PRAM for a number of
12 reasons. One of the reasons, we don't feel that other
13 sectors in the economy are as strong and it seems that
14 the rate of return, the total return to Puget Power
15 shareholders, is a little bit on the excessive side.

16 Other corporations in the Puget Sound area
17 are not seeing the same rate of return that Puget
18 Power is, and I make reference to Alaska Airlines
19 which had a well-publicized loss recently, and I
20 believe Boeing's earnings are down this year compared
21 to last year, and some of the other major
22 corporations.

23 And for this reason we felt it was
24 reasonable that the total return to Puget Power

25 shareholders should be reduced to a level that is more

(SOUTH - DIRECT BY MANIFOLD)

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1 reflective of the economic conditions in the economy
2 rather than a rate increase being asked from the
3 public to accommodate the expenses Puget Power has
4 alleged they have already spent for the PRAM.

5 One of the things I noticed in the memo
6 that was sent to us ratepayers was that part of the
7 expense that Puget Power incurred was for the, they
8 say, increasing costs of power. And in earlier
9 proceedings for other rate increases they've indicated
10 that they wish to seek additional revenue for the
11 generation and production of new capacity, however, I
12 would like to remind the Commission that in the
13 earlier hearing in June there was testimony that was
14 taken I believe by a lady who suggested some
15 alternatives for cheaper power for investments that
16 Puget Power could become involved with, and those
17 investments were cheaper than some of their
18 cogeneration plants. I believe Tenaska was -- a
19 couple of them.

20 Also, too, we feel they should charge
21 hookup fees to people who have never lived here,
22 since it's presumed that some of the increased costs
23 are going to accommodate people because of growth in
24 our region, and so it would seem reasonable that a

25 hookup fee should be charged to people who have lived
(SOUTH - DIRECT BY MANIFOLD) 128

1 in the state maybe less than a year and maybe moved to
2 Puget Power service territory.

3 Also, we have an objection to the whole
4 concept of PRAM as a whole. We think it's a little
5 bit on the administrative side where they keep coming
6 every year and asking for an increase rather than
7 simply setting aside money for expenses as they come
8 up.

9 And it makes it difficult for the public to
10 accommodate -- you know, like I myself happen to be
11 here by coincidence in Olympia, but there are a lot of
12 people who would like to participate who find it
13 difficult if it's not in a region within maybe 30
14 miles from where they live or work, and so it seems
15 unreasonable with respect to unnecessarily
16 administrative.

17 And then they say that we had a warm
18 winter. That was in one of the notices that we've
19 received. But then again we get cold winters. And
20 looking at an average, ten-year average, it's -- you
21 know, this is another thing that's wrong with the
22 PRAM, is because it's based on one year rather than
23 several years, and there's always going to be seasonal
24 averages. And this is another, I think, fundamental

25 flaw with the PRAM, because plain and simply you could

(SOUTH - DIRECT BY MANIFOLD)

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1 get one winter warm, one winter cold, one winter warm,

2 and I think it's very administrative.

3 I would like to submit these two petitions.

4 I believe there's other ones that were turned in, and

5 I think there's another group of people that are going

6 to be turning in a petition with slightly different

7 parameters.

8 We are asking that their total return be

9 reduced to 8.3 percent, or at least tracked with other

10 indexes. I came across one shareholder who I think

11 casually mentioned his interest rate was 6.2, and I

12 guess that was referring to the dividend, and it

13 was referring to the equity, and I guess they have a

14 total equity over 10 percent -- is it -- for the

15 current -- so I don't think -- it's a little bit

16 excessive. It should be closer to what other

17 industries are making in the community.

18 JUDGE HAENLE: Okay. Questions, Mr.

19 Manifold?

20 MR. MANIFOLD: If you'll leave those sheets

21 with the administrative law judge. I do not have any

22 questions.

23 JUDGE HAENLE: Counsel, questions?

24 Commissioners?

25

(SOUTH - EXAMINATION BY NELSON)

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1 EXAMINATION

2 BY CHAIRMAN NELSON:

3 Q. Mr. South, I noticed on your petitions that
4 we've already received that it looks like somebody is
5 going door to door. Is that someone you?

6 A. There's a couple of us that have been out
7 there. I've done north Renton in the area where I
8 live and we've got a couple other people that are
9 helping out on Cedar.

10 Q. Are these neighbors or friends of yours?
11 Are you an organized group at this point?

12 A. I think it's just ratepayers, people who
13 live in the community. Some of us know each other;
14 some of us don't. I don't know if we're so-called
15 organized as far as a group, but we're active in local
16 politics and regional issues.

17 CHAIRMAN NELSON: Thank you.

18 JUDGE HAENLE: Commissioners?

19 MR. CASAD: We appreciate your coming down
20 today. And by way of accommodation, we do try to
21 accomodate near where they live. We did hold an
22 evening hearing in Renton.

23 THE WITNESS: Yes. I was very
24 appreciative. That was the first hearing I had ever

25 been to.

(SOUTH - EXAMINATION BY NELSON)

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1 COMMISSIONER CASAD: I wanted to make sure
2 you were aware that we do that to take advantage -- to
3 save yourself the travel time.

4 JUDGE HAENLE: Anything else of the
5 witness? All right, thank you. If you would just
6 give those to me, please.

7 THE WITNESS: (Handing.)

8 MR. MANIFOLD: Dave Kapple.

9 MR. KAPPLE: I have one page for each of
10 the commissioners. (Handing.)

11 JUDGE HAENLE: Would you raise your right
12 hand, sir.

13 Whereupon,

14 DAVE KAPPLE,
15 having been first duly sworn, was called as a witness
16 herein and was examined and testified as follows:

17 JUDGE HAENLE: Be seated, please. Your
18 witness is sworn, Mr. Manifold.

19

20 DIRECT EXAMINATION

21 BY MR. MANIFOLD:

22 Q. Would you please take a deep breath and
23 state your name and address.

24 A. My name is Dave Kapple. I'm the owner of a

25 small company called Predictive Maintenance Limited in
(KAPPLE - DIRECT BY MANIFOLD) 132

1 Lynden, Washington at 1902 Halverstick Road.

2 JUDGE HAENLE: How do you spell your last
3 name?

4 THE WITNESS: Capital K, and then apple,
5 A P P L E.

6 JUDGE HAENLE: Okay, thank you.

7 Q. And you're speaking here as the owner of
8 your business?

9 A. I'm speaking as the owner of my business
10 and the participant in quite a bit of energy
11 conservation work in the state, specifically the
12 Washington State Energy Office project that's now well
13 under way.

14 Q. Having spoken with you briefly yesterday,
15 I imagine in your comments you will address what your
16 company does, so I'll let you cover that as you go
17 forward.

18 A. My company has been involved in energy
19 conservation related to industrial reliability
20 improvement for about three years. This is a new
21 technology generically known as motor circuit analysis
22 which covers at present about four different
23 approaches. I've written a chapter for the Drive
24 Power Atlas by E-SOURCE of Rocky Mountain Institute

25 for the purpose of acquainting industry more broadly

(KAPPLE - DIRECT BY MANIFOLD)

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1 with the potential for energy conservation as well as
2 reliability improvement of this technology.

3 And without wanting to bore the Commission,
4 let me state briefly -- and there's information on the
5 field generically available afterward -- that motor
6 circuit analysis is a technique using a self-contained
7 analyzer. I brought mine along because we were
8 testing it at Nalley's from midnight to 5:00 a.m. this
9 morning as part of the Washington state project. This
10 analyzer is capable of locating faults of four basic
11 types on any motor circuit.

12 The types that are of most interest to the
13 Commission certainly would be those resistive
14 imbalances between phases that result in unnecessary
15 power wastage. And as the test device hooks up to one
16 circuit and then the next and then the next, in a
17 period of about six and a half minutes it determines
18 where the problems are on that circuit, what type of
19 problem it is, and how severe that problem is. In
20 addition, it quantifies the amount of power loss in a
21 year if this fault goes undetected.

22 Here's a quick example, 100 horse motor is
23 pretty routine in our process industry, and if there's
24 just half an ohm resistive imbalance somewhere on that

25 circuit that is undetected, which is quite likely,

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1 even at three cents a kilowatt hour that tiny little
2 fault will cost the manufacturer \$1,000 of wasted
3 power over a year if it's a three-shift operation,
4 even at just 75 percent of the motor's capacity which
5 is kind of an IEEE assumption. In short, this
6 technology has great implications for energy saving.

7 Let me address how this relates to PRAM.
8 Two years ago, with quite intriguing fanfare, you'll
9 recall John Ellis in his Desert Storm fatigues doing
10 an Operation Conservation kickoff on the 23rd of June.
11 My company became involved with Puget shortly after
12 that and promoted a look at the technology both at
13 Bellingham's Georgia-Pacific mill and then later on a
14 project the following February at Mount Baker Plywood,
15 a struggling operation in our area.

16 At that time it was certainly proven to
17 Puget's satisfaction and our own that significant
18 energy conservation was possible with this type of
19 technology. It was another technology than the one I
20 now represent, but generically it's in the ballpark.

21 What has intrigued me is -- I followed
22 Puget's conservation program and have been involved to
23 some extent -- is the disparity that you'll notice, if
24 you look at page 29 of the 1990 fact book in front of

25 you, between the costs for residential weatherization,

(KAPPLE - DIRECT BY MANIFOLD)

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1 the 1990 cost there, dollar amount, loans and grants

2 at the top of the column, 11,442,000, so forth.

3 That's to save 23,000 megawatt hours.

4 Now, if you look down further at the

5 industrial level there are only six projects that

6 year. They spent \$353,000 but they saved 13,000

7 megawatt hours, so more than half of the amount of

8 megawatt hours, and at a cost of twenty-six ninety-

9 seven per megawatt hour. That's a disparity of 18.44

10 times as much money per megawatt hour.

11 May I ask the commissioners if this is a

12 subject that's been addressed specifically in the

13 past?

14 JUDGE HAENLE: Cost of conservation is one

15 of the issues in the general case. I don't know if

16 it's been addressed particularly in the PRAM.

17 A. I understand that it applies more to the

18 general case in a sense, but I just wanted to point

19 out that I think there are some errors in the

20 fundamental philosophy of the conservation program

21 being pursued by Puget which could be eliminated if

22 they simply broadened their approach, and we would not

23 have these needs for interim measures such as PRAM.

24 JUDGE HAENLE: So your recommendation is to

25 broaden that to conservation in the industrial sector?

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1 A. Conservation -- conservation has increased
2 in the industrial sector, but it's the type of
3 conservation that Puget limits itself to performing
4 that is confusing at best to me. First let's give
5 them their due and turn the sheet over to the 1990
6 page -- excuse me -- 1992 fact book page. There
7 you'll see an increase from six projects to 122
8 projects, and an estimated annual megawatt savings of
9 33,000 megawatt hours. Now, since they had saved 13
10 two years before, it's not really impressive that
11 they've increased by 116 projects and haven't doubled
12 their savings, but the -- what's puzzling is that
13 they've eliminated the cost figures. There are no
14 dollar figures available for grants. Loans are now
15 discontinued as of '91, I believe.

16 And when I questioned this with Puget there
17 was a fair amount of, Well, who are you, and what is
18 your company, and why do you want to know these kinds
19 of things, and what are you going to do with this
20 information? I explained I was part of the WSEO study
21 and it will fit in our final report. But what is
22 frustrating is that Puget continues to say that they
23 are restricted by Schedule 83 to only doing those
24 kinds of projects which result in, quote, permanent

25 energy savings, that is, a replacement of one kind of
(KAPPLE - DIRECT BY MANIFOLD)

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1 technology with an improved type and so forth.

2 Any cursory examination of how significant
3 industry works in this state will find a lot of
4 dissatisfaction with that. You'll find the
5 cheerleaders here and there, but there have been
6 some excellent projects -- I don't mean to take that
7 away from Puget -- in the area of lighting and so
8 forth. There are some dramatic ones, but they are
9 all intensive users of scheduled maintenance downtime,
10 and that is precious to the companies trying to make a
11 profit in this market. They do not have time to wait
12 that. Ken Kennan, the executive director of
13 Industrial Customers of Northwest Utilities has
14 repeatedly identified these project-heavy approaches
15 as cumbersome, and his membership supports that.

16 However, a technology that is maintenance
17 based, that can have a benefit for the industrial user
18 first in greater reliability and drag conservation in
19 the back door, so to speak, has great promise and has
20 just been avoided. Puget has stated to me repeatedly,
21 We will not pay for maintenance-based savings because
22 it's prohibited by Schedule 83, which strikes me as a
23 very circumlocutory kind of reasoning, and I'm
24 encouraging the commissioners to take a second look at

25 that to see if we can't broaden Puget's perspective on
(KAPPLE - DIRECT BY MANIFOLD)

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1 the types of industrial conservation measures
2 thoroughly investigated.

3 When this study is finished, and the
4 findings are being written up now, for Washington
5 State Energy Office, I'm sure there will be some
6 increased information available, but let's put it
7 quickly in perspective with a final illustration.

8 I know of a mid western primary metals
9 operation, smelter, that used this type of technology
10 for three years in a row. The estimates came not from
11 the technology company but from the supervisor in
12 charge of the project at this primary metals plant.
13 Their very conservative estimate was that they have
14 sustained a one annual megawatt savings for three
15 consecutive years. In all of Puget's '92 industrial
16 accomplishment, they only came up with 3.82 annual
17 megawatts. This is a population of about 1,000 motors
18 in one plant, where ten to twelve thousand motors are
19 in service. So in this one small area -- and these
20 are not huge motors. These are motors ranging from 50
21 horsepower to 300 horsepower. In one small area this
22 one plant saved more than 25 percent of Puget's whole
23 industrial conservation last year. I don't think
24 that's good enough. And as a result they are coming

25 back for PRAM and other kinds of relief.

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1 And I think there's a better mousetrap out
2 there that Puget ought to be encouraging instead of
3 just kind of skirting around, and especially when they
4 hide behind Schedule 83 when it's Puget's staff that
5 largely is responsible for writing Schedule 83, as far
6 as I know. Am I correct in that, Commissioners, that
7 they have a major role in determining the guidelines?

8 COMMISSIONER CASAD: They prepare the
9 tariff, yes.

10 JUDGE HAENLE: Yes, Mr. Manifold?

11 Q. I think you can take silence as assent to
12 your last question. When is the study you're
13 preparing for the Energy Office going to be completed?

14 A. There's a preliminary report that's due on
15 the 9th of September that can be available through
16 WSEO. Rob Gray is the engineer in charge of this.
17 Art Conrad, the acting industrial director, would also
18 be an excellent contact person. They've done a
19 wonderful job with this. It's funded by DOE,
20 Bonneville, Pacific Power, Tacoma City Light, and I
21 believe Seattle City Light as well.

22 MR. MANIFOLD: I have no other questions.
23 I would like to ask that the material that Mr. Kapple
24 brought be included in Exhibit 22.

25 JUDGE HAENLE: Yes. He needs to provide me
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1 with the copy he borrowed.

2 THE WITNESS: I will certainly do that.

3 JUDGE HAENLE: Counsel, questions?

4 MR. MANIFOLD: I think it was -- excuse me,
5 if I may. I think it was implicit in your comments,
6 but this is a Puget Power document that this printed
7 material is from?

8 THE WITNESS: This is the fact book. I
9 think it would also be good to look into why they have
10 dropped reporting the cost of conservation, because
11 that ought to be public knowledge. It was deemed so
12 in 1990. Why not now?

13 JUDGE HAENLE: Okay. Commissioners,
14 questions?

15 COMMISSIONER CASAD: I have no questions.

16

17 EXAMINATION

18 BY CHAIRMAN NELSON:

19 Q. The study you're involved in, as I
20 understand it, is industrial process efficiency?

21 A. Yes. It's looking at electrical power
22 losses in the distribution system, that is, from where
23 the power comes in provided by the PUD or the utility
24 to the facility. From that step down, transformer to

25 all the motor circuits. We're looking at where do

(KAPPLE - EXAMINATION BY NELSON)

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1 those losses occur, how many of them are avoidable,
2 and what specific practices can we outline for
3 industry to help them eliminate those losses and
4 therefore conserve.

5 Q. And you mentioned E-SOURCE which is Amory
6 Lovins' outfit?

7 A. That's correct.

8 Q. And you've been working with that?

9 A. Yes. I've authored a chapter for that and
10 it will be coming out as an E-SOURCE update. And I'm
11 delighted to know you are familiar with E-SOURCE.

12 JUDGE HAENLE: Commissioners, anything
13 else?

14

15 EXAMINATION

16 BY COMMISSIONER HEMSTAD:

17 Q. Assume for purposes of this question the
18 accuracy of your description and the like, why would
19 the company have an incentive not to pursue the kinds
20 of direction that you're suggesting?

21 A. Mr. Hemstad, that really baffles me. I
22 think it's in Puget's interest to do this, except for
23 this possibility, that when a company gets really
24 involved in this -- and it's still new technology and

25 I can't point to any roaring success stories, but when
(KAPPLE - EXAMINATION BY HEMSTAD) 142

1 they get hooked on the benefits, as some companies in
2 the south and the east have been with greater
3 exposure, they will pay for this service to increase
4 their reliability and maintain or increase their
5 throughput. That's the benefit to them. The fact
6 that they are conserving energy especially at three
7 cents a kilowatt hour is pretty low on most people's
8 totem pole if they're honest about it here in the
9 Northwest, but the nice thing about it is it will come
10 along as a benefit that is already paid for in terms
11 of other advantages.

12 So there's nothing to be gained really for
13 Puget in doing this. They don't have a big project.
14 They don't have field engineers out there. They don't
15 have studies going on. They don't have products being
16 purchased that somehow can yield some sort of profit.
17 And I think that it needs to be looked at more
18 closely.

19 They just state categorically, We will not
20 pay for maintenance-based savings. And yet here is
21 this mid western outfit that has proved that the
22 savings are there, and yet they don't even care about
23 the savings because it's a reliability that really
24 drives their participation with this technology.

25

JUDGE HAENLE: Anything more of the

(KAPPLE - EXAMINATION BY HEMSTAD)

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1 witness? All right, thank you, sir. You may step
2 down.

3 THE WITNESS: This other information is
4 available. I do not want to look like a salesman but
5 there is information that would probably be useful, so
6 if you all request those I will make them available as
7 well.

8 JUDGE HAENLE: Sounds to me like it ought
9 to be provided to the company and public counsel
10 outside of this proceeding. There's not much we can
11 do about that in the PRAM, but it sounds to me like
12 the information needs to be provided directly to them.

13 THE WITNESS: I appreciate the
14 opportunity. Thank you.

15 JUDGE HAENLE: I need that top sheet.

16 THE WITNESS: I'll get right to it.

17 JUDGE HAENLE: Mr. Manifold?

18 MR. MANIFOLD: That's the list of people
19 who had already signed up. Is there anyone else in
20 the audience who did not sign up that came in late or
21 has changed their mind?

22 JUDGE HAENLE: Would you indicate by
23 raising your hand if there is? All right. Seeing no
24 one in addition, these two sets of the documents then,

25 Mr. Manifold, do you want them included in the record?

(KAPPLE - EXAMINATION BY HEMSTAD)

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1 MR. MANIFOLD: Yes, please.

2 JUDGE HAENLE: Any objection to their entry
3 for illustrative purposes, Mr. Van Nostrand?

4 MR. VAN NOSTRAND: No, your Honor.

5 JUDGE HAENLE: Any objection, Ms. Brown?

6 MS. BROWN: No, your Honor.

7 JUDGE HAENLE: I'll enter Exhibit 22 into
8 the record for that purpose then. Is there anything
9 else you need to discuss?

10 (Admitted Exhibit No. 22.)

11 MR. MANIFOLD: Yes, two things, one, I have
12 copies of ratepayer letters that were received by the
13 Commission which have been copied and I would like to
14 have marked as an exhibit.

15 JUDGE HAENLE: All right. Why don't you go
16 ahead and distribute those. Let's go off the record
17 to allow Mr. Manifold to distribute those.

18 (Discussion off the record.)

19 JUDGE HAENLE: Let's be back on the record.
20 During the time we were off the record Mr. Manifold
21 distributed his group of ratepayer letters which I
22 have marked for identification as Exhibit 23. Have
23 you any objection to the entry of these documents into
24 the record for illustrative purposes, Mr. Van

25 Nostrand?

(KAPPLE - EXAMINATION BY HEMSTAD)

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1 (Marked Exhibit No. 23.)

2 MR. VAN NOSTRAND: No, your Honor.

3 JUDGE HAENLE: Ms. Brown?

4 MS. BROWN: No, your Honor.

5 JUDGE HAENLE: All right. I will enter
6 Exhibit 23 then for that purpose.

7 And you also indicated, Mr. Manifold, that
8 you were still getting letters and documents from
9 ratepayers and you wanted to submit a late-filed
10 exhibit of those, is that correct?

11 (Admitted Exhibit No. 23.)

12 MR. MANIFOLD: That's correct.

13 JUDGE HAENLE: I believe we agreed while we
14 were off the record to a cutoff date of September 8.
15 That is, that you need to submit that to the
16 Commission by the close of business on September 8 and
17 anything after that isn't going to be able to get in
18 unfortunately. So I will mark that group of documents
19 which is to be provided as Exhibit 24, and I believe
20 counsel agreed that Exhibit 24 then could be entered
21 when it was received at the Commission. Is that
22 correct, Mr. Van Nostrand?

23 MR. VAN NOSTRAND: Yes, your Honor.

24 JUDGE HAENLE: And Ms. Brown?

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MS. BROWN: Yes.

(KAPPLE - EXAMINATION BY HEMSTAD)

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(Designated Exhibit No. 24 to be late-filed
exhibit marked and admitted.)

JUDGE HAENLE: Remember you need to send
copies to other counsel as well, Mr. Manifold.

Now, is there anything else we need to
discuss this afternoon? All right. Then the hearing
will be in recess until oral argument on September 14.
Thank you.

(Adjourned at 2:30 p.m.)

