

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

3 In Re the Petition of)
4 CASCADE NATURAL GAS) DOCKET NO. UG-950326
CORPORATION) VOLUME 2
5) Pages 32 - 139
for an Order Determining the)
6 Ratemaking Treatment of)
Certain Special Contracts)
7 -----)
8 WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,) DOCKET NO. UG-951415
9)
Complainant,)
10)
11 vs.)
12 CASCADE NATURAL GAS)
CORPORATION,)
13)
Respondent.)
14 -----)

15 A hearing in the above matters was held on
16 May 7, 1996, at 9:35 a.m. at 1300 South Evergreen Park
17 Drive Southwest before Chairman SHARON L. NELSON,
18 Commissioners RICHARD HEMSTAD, WILLIAM R. GILLIS and
19 Administrative Law Judge TERRENCE STAPLETON.

20
21 The parties were present as follows:

22 CASCADE NATURAL GAS CORPORATION, by JOHN L.
23 WEST, Attorney at Law, 4400 Two Union Square, 601
Union Street, Seattle, Washington 98101.

24 Cheryl Macdonald, CSR
25 Court Reporter

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES (Cont.)

ROBERT CEDARBAUM and ANN RENDAHL, Assistant Attorneys General, 1400 South Evergreen Park Drive Southwest, Olympia, Washington 98504.

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

NORTHWEST INDUSTRIAL GAS USERS, by PAULA E. PYRON, Attorney at Law, Suite 1100, One Main Place, 101 Southwest Main Street, Portland, Oregon 97204.

00034

1

I N D E X

2	WITNESSES:	D	C	RD	RC	EXAM
	STOLTZ	41	48	92	93	
3						
	SCHWARTZ	95	96	106		
4						
	DICKEY	108	110			
5	EXHIBITS:	MARKED		ADMITTED		
	T-1	41		47		
6	C-2	41		47		
	3	41		47		
7	C-4	41		47		
	C-5	41		47		
8	C-6	41		47		
	7	41		47		
9	8	41		47		
	T-9	41		47		
10	T-10	41		47		
	11	41		47		
11	12	41		47		
	13	41		47		
12	14	41		47		
	15	41				
13	C-16	41		94		
	C-17	41		94		
14	18	41		94		
	19	41		94		
15	C-20	41		94		
	21	41		94		
16	22	41		94		
	23	41		94		
17	T-24	41		110		
	25	41		110		
18	26	41		125		
	27	41		125		
19	28	41		125		
	29	41		135		
20	30	41		135		
	31	41		135		
21	T-32	41		96		
	33	41		96		
22	34	41		96		
	35	41		96		
23	36	41		96		
	T-37	41		96		
24	38	41		96		
	39	41		107		
25	40	41		107		

00035

1

I N D E X (Cont'd.)

	EXHIBITS:	MARKED	ADMITTED
2	T-41	41	139
3	42	41	139
	T-43	41	139
4	44	41	139
	45	41	139
5	T-46	41	139
	47	41	139
6	48	41	139
	49	41	139
7	50	41	139
	51	41	139
8	52	41	139
	T-53	41	139
9	54	41	139
	55	41	139
10	56	41	139
	57	41	139

11

RECORD REQUISITIONS:

12

	1	52
13	2	55
	3	55
14	4	64
	5	80
15	6	83
	7	90
16	8	104
	9	106
17	10	111
	11	121
18	12	131

19

20

21

22

23

24

25

00036

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

2 JUDGE STAPLETON: Good morning, everyone.

3 This hearing will please come to order. The
4 Washington Utilities and Transportation Commission has
5 set for hearing at this time and place upon due and
6 proper notice to all interested parties a hearing in
7 docket No. UG-94 -- I'm sorry -- UG-951415, a general
8 rate increase filing by Cascade Natural Gas
9 Corporation. This hearing is held before the
10 commissioners, Chairman Sharon Nelson, Commissioner
11 Richard Hemstad and Commissioner William Gillis of the
12 Washington Utilities and Transportation Commission.
13 My name is Terrence Stapleton and I am assisting the
14 commissioners this morning. This hearing is being
15 held in Olympia, Washington on May 7, 1996. We will
16 begin by taking appearances of counsel at this time
17 beginning with the company. Please state for the
18 record your name and your business address and the
19 name of the client you're representing.

20 MR. WEST: Your Honor, my name is John
21 West. My address is 4400 Two Union Square, Seattle,
22 Washington. I represent Cascade Natural Gas
23 corporation. Also appearing with me for Cascade is
24 Lance Bass.

25 JUDGE STAPLETON: Commission staff.

00037

1 MR. CEDARBAUM: Robert Cedarbaum, Ann
2 Rendahl, assistant attorneys general for the
3 Commission staff. Our business address is the
4 Heritage Plaza Building, 1400 South Evergreen Park
5 Drive Southwest in Olympia. Zip code is 98504.

6 JUDGE STAPLETON: For public counsel.

7 MR. MANIFOLD: Robert F. Manifold,
8 assistant attorney general appearing as public
9 counsel. My address is 900 Fourth Avenue, Suite 2000,
10 Seattle, Washington 98164.

11 JUDGE STAPLETON: And Ms. Pyron.

12 MS. PYRON: Paula Pyron appearing for the
13 Northwest Industrial Gas Users. My address is Ball
14 Janik and Novack, 101 Southwest Main, Suite 1100,
15 Portland, Oregon, 97204.

16 JUDGE STAPLETON: Thank you. Let's go off
17 the record at this time to discuss procedural matters.

18 (Recess.)

19 JUDGE STAPLETON: Let's be back on the
20 record. While we were off the record we discussed
21 various procedural matters and marked testimony with
22 exhibit numbers. The following testimony has been
23 marked. The direct testimony of Jon Stoltz in docket
24 No. UG-950326 has been marked as Exhibit T-1 with the
25 exception that pages 17 and 18 of that testimony have

00038

1 been marked as Exhibit C-2. The following exhibits
2 have been attached to that testimony. JTS-1 marked
3 as Exhibit 3. JTS-1, page 4 of 4 has been marked as
4 Exhibit C-4. JTS-2 in one page has been marked as
5 Exhibit C-5. JTS-3 in one page has been marked as
6 Exhibit C-6. JTS-4 in one page has been marked as
7 Exhibit 7 and JTS-5 in one page has been marked as
8 Exhibit 8.

9 The direct testimony of Mr. Stoltz in
10 docket No. UG-951415 has been marked as Exhibit T-9.
11 Attachments to that testimony, JTS-1 has been marked
12 as Exhibit T-10. JTS-2 marked as Exhibit 11; JTS-3,
13 Exhibit 12; JTS-4, Exhibit 13; JTS-5, Exhibit 14.

14 Exhibits offered by Commission staff, the
15 first documents containing company response to staff
16 data requests No. 235, 238, 240, 242, 243 and 249, and
17 responses to public counsel data requests 11, 14 and
18 17 has been marked as Exhibit 15. Company responses
19 to staff data requests 228, 234, 236 and public
20 counsel data request 13 has been marked as Exhibit
21 C-16. Company responses to staff data requests 1, 2,
22 4 and 5 has been marked as Exhibit C-17. Document
23 titled 1995 Boise Special Contract has been marked as
24 Exhibit 18. Company responses to staff data requests
25 283, 296, 297, 298, 299, 300, 301, 302, 303, 304, 311

00039

1 and 312 has been marked as Exhibit 19. Company
2 responses to staff data requests 294, 295, 315, 317
3 and 321 has been marked as Exhibit C-20.

4 A document marked NWIGU request No. 7 has
5 been marked as Exhibit No. 21. NWIGU request No. 8
6 has been marked as Exhibit No. 22. A document marked
7 public counsel request No. 57 has been marked as
8 Exhibit No. 23.

9 The direct testimony of Lamar Dickey has
10 been marked as Exhibit T-24, and Exhibit LMD-1 has
11 been marked as Exhibit 25.

12 The Commission's third supplemental order
13 in docket No. UG-901459 has been marked as Exhibit No.
14 26. The Commission's fifth supplemental order in
15 docket Nos. UG-940034 and 940814 has been marked as
16 Exhibit 27. Commission seventh supplemental order in
17 docket No. UG-940814 has been marked as Exhibit 28.

18 Document titled Public Counsel Request No.
19 56 has been marked as Exhibit 29. Document titled
20 NWIGU Request No. 9 has been marked Exhibit 30. A
21 document titled WUTC request No. 309 has been marked
22 Exhibit 31.

23 The direct testimony of Peter Schwartz is
24 marked as Exhibit T-32. His Exhibit PAS-1 is marked
25 as Exhibit 33; PAS-2, Exhibit 34; PAS-3, Exhibit 35;

00040

1 PAS-4, Exhibit 36. Supplemental direct testimony of
2 Mr. Schwartz has been marked as Exhibit T-37, and his
3 exhibit PAS-2 has been marked as Exhibit 38. Document
4 entitled Request No. 102 has been marked as Exhibit
5 No. 39. Document titled request No. 227 has been
6 marked as Exhibit 40.

7 The direct testimony of J. D. Westling has
8 been marked as Exhibit T-41. His Exhibit JDW-1 is
9 marked as Exhibit 42. The direct testimony of
10 Katherine Barnard is marked as Exhibit T-43. Her
11 exhibit KGB-1 is Exhibit 44 and KGB-2 is Exhibit 45.

12 Mr. West, would you do the honors for me
13 one more time?

14 MR. WEST: Hauk, I'm sorry.

15 JUDGE STAPLETON: The testimony of James
16 Hauk has been marked as Exhibit T-46. His Exhibit
17 JEH-1 is Exhibit 47. JEH-2, Exhibit 48; JEH-3,
18 Exhibit 49; JEH-4, Exhibit 50; JEH-5, Exhibit 51;
19 JEH-6, Exhibit 52.

20 The direct testimony of Larry Clark marked
21 as Exhibit T-53. Exhibits LLC-1, Exhibit 54; LLC-
22 2, Exhibit 55. Document LLC-3, Exhibit 56. And the
23 agreement of the parties in this matter has been
24 marked as Exhibit 57. Let's be off the record for a
25 moment.

00041

1 (Recess.)

2 (Marked Exhibits T-1, C-2, 3, C-4, C-5,
3 C-6, 7, 8, T-9, T-10, 11 - 15, C-16, C-17, 18, 19,
4 C-20, 21 - 23, T-24, 25 - 31, T-32, 33 - 36, T-37, 38
5 - 40, T-41, 42, T-43, 44 - 52, T-53 and 54 - 57.)

6 JUDGE STAPLETON: Let's be back on the
7 record. Mr. West, call your first witness.

8 MR. WEST: Yes, Your Honor. Cascade
9 Natural Gas corporation calls Jon T. Stoltz.
10 Whereupon,

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

14 JUDGE STAPLETON: Mr. West.

15

16 DIRECT EXAMINATION

17 BY MR. WEST:

18 Q. Mr. Stoltz, please state your name and
19 business address for the record.

20 A. My name is Jon T. Stoltz. My business
21 address is 222 Fairview Avenue North, Seattle,
22 Washington 98109.

23 Q. Please state your occupation and position.

24 A. I am senior vice-president for the company
25 in charge of rates and planning.

00042

1 Q. Have you prepared testimony in this docket?

2 A. I have.

3 Q. Did you prepare testimony relating to
4 Cascade special contracts with March Point, Encogen,
5 Tonasket, Costco and Longview Fiber in docket No. UG-
6 950326 which was filed in March of 1995?

7 A. I did.

8 Q. And this is the testimony which has been
9 marked T-1 and Exhibits C-2, 3, C-4, C-5, C-6 and C-7
10 in this docket?

11 A. Yes, and also Exhibit 8.

12 Q. Did you also prepare testimony in Cascade's
13 general rate case which is docket No. UG-951415 which
14 was filed December 1995?

15 A. I did.

16 Q. And these are the document which have been
17 marked T-9 and exhibits 10, 11, 12, 13 and 14?

18 A. Yes, that's correct.

19 Q. Do you have any additions or corrections to
20 these sets of testimony and exhibits?

21 A. Yes, I do. Corrections. Exhibit T-1, page
22 31, line 21, there's an error there. The first word
23 of that line should say Tonasket rather than Costco.

24 Q. Any others?

25 A. Yes. In Exhibit T-9 -- I'm sorry, it's

00043

1 Exhibit 11. In the pagination it is typed as page 1
2 of 2. This is a single page exhibit and it should
3 have been typed 1 of 1.

4 In Exhibit 14, schedule 6, page 4, there is
5 an error on that schedule. Under the rate section
6 where it says margin the number appears there as
7 .031969. The first zero should not have been there so
8 it should read .31969.

9 Q. Mr. Stoltz, I'm sorry, I didn't follow that
10 correction. Would you repeat the reference?

11 A. We're on schedule 6, page 4, the rate
12 schedule entitled schedule No. 503.

13 JUDGE STAPLETON: Commissioners, that's
14 JTS-5 at the end of the testimony and it's schedule 6
15 of 6 schedules, page 4 of 19.

16 A. Under the rate section the number appearing
17 under margin for the first 50 therms, there's a
18 typographical error. It has a zero following the
19 decimal point. That zero should not be there so the
20 number should read 0.31969.

21 Q. Is that all the corrections now?

22 A. Yes, it is.

23 Q. If I were to ask you the same questions
24 today that appear on these exhibit, would your answers
25 as corrected be the same?

00044

1 A. Yes, they would.

2 Q. In your opinion, are the answers set forth
3 in these exhibits true and correct?

4 A. Yes, they are.

5 Q. Mr. Stoltz, would you please discuss the
6 relationship between the two sets of testimony, the
7 March 1995 testimony relating to special contracts and
8 the December 1995 testimony relating to the general
9 rate case.

10 A. The Commission ordered the company to file
11 testimony and exhibits to seek ratemaking treatment
12 for the special -- for certain special contracts, and
13 the information we filed in what has been marked as
14 T-1 through Exhibit 8 is in response to that order.
15 We understand that the Commission requested us to file
16 that because it was not certain when the company might
17 file a general rate case under which these special
18 contracts would normally be examined. In 1995 it
19 became apparent it was necessary for us to file a
20 general rate case and that's what's included in the
21 rest of the exhibits starting with Exhibit T-9. There
22 has been a motion, and I believe these two dockets
23 have been consolidated to all be considered as part of
24 a general rate case.

25 Q. Mr. Stoltz, have you prepared supplemental

00045

1 testimony relating to the Alcoa special contract which
2 was UG-951047 and certain special contracts which
3 were entered into after the date of your testimony in
4 UG-950326 was filed? Those would be the Puget Sound
5 Naval Shipyard docket No. UG-950032; Puget Power,
6 docket No. UG-950718; and Boise Cascade Company,
7 docket No. UG-951064.

8 A. I have not.

9 Q. Would you explain why you did not prepare
10 such supplemental testimony?

11 MR. CEDARBAUM: Your Honor, I will object
12 to the question. This is first of all beyond the
13 normal offering of testimony tendering a witness for
14 cross; and secondly, I think and more importantly, in
15 the notice of hearing for the pre-hearing conference
16 that we had a couple of months ago the company was
17 specifically put on notice and advised to file any
18 supplemental testimony on any other special contracts
19 it had which weren't originally included in its
20 prefiled testimony in that case. It understood that,
21 it indicated as such at the pre-hearing conference,
22 and now we're going to have an explanation as to why
23 that didn't happen. I think the company lost that
24 chance, so I would object on that basis. This is
25 completely out of the blue to anybody else in this

00046

1 hearing room but Mr. West and Mr. Stoltz.

2 JUDGE STAPLETON: Any other comment? Mr.
3 West, I'm going to allow Mr. Stoltz to describe in
4 very brief terms why the company did not respond to
5 the Commission's notice of hearing to file additional
6 testimony on those contracts, but as Mr. Cedarbaum
7 noted, this has been discussed at the pre-hearing
8 conference and the company was aware that it needed to
9 file testimony and did not and we will not go into a
10 lengthy discussion here of the company's rationale for
11 failing to file that testimony. He may answer
12 briefly, however.

13 MR. WEST: Thank you, Your Honor.

14 A. My answer is brief. We believe that the
15 information we had supplied with the complications for
16 those special contracts demonstrated the prudence of
17 our decisions to enter into those contracts.

18 MR. WEST: Your Honor, at this point I
19 would move the admission of the exhibits numbered T-1,
20 C-2, 3, C-4, C-5, C-6, C-7, 8, T-9 and Exhibits 10,
21 11, 12, 13 and 14.

22 JUDGE STAPLETON: Any objection?

23 MR. CEDARBAUM: I have no objection, Your
24 Honor. I would just note for the record that marked
25 for identification as Exhibit 57 is the parties'

00047

1 agreement with regard to rate of return and certain
2 accounting adjustments, and to the extent that Mr.
3 Stoltz's testimony may be inconsistent with the
4 agreement -- and I am not sure if it is, but to the
5 extent it is inconsistent the agreement is what would
6 control in this matter, so with that clarification I
7 have no objection.

8 I would also note for the record that Mr.
9 Stoltz's comment before about prudence of other
10 special contracts being demonstrated by those filings,
11 this case is limited to the record we've got and
12 there's nothing else from those cases that's in this
13 record, so if the company is going to attempt to
14 bootstrap those types of issues through that
15 statement, I would at least put the caveat on the
16 record that I think that would be inappropriate,
17 beyond the record in this proceeding.

18 JUDGE STAPLETON: Noted. Any other
19 objections? Those exhibits will be admitted into the
20 record.

21 (Admitted Exhibits T-1, C-2, 3, C-4, C-5,
22 C-6, C-7, 8, T-9 and 10 - 14.)

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

25 JUDGE STAPLETON: Mr. Cedarbaum.

00048

1 MR. CEDARBAUM: Thank you.

2

3 CROSS-EXAMINATION

4 BY MR. CEDARBAUM:

5 Q. Mr. Stoltz, referring you to Exhibit 19,
6 which is a number of data requests you answered that
7 were asked by staff beginning with 283. If you look
8 at your response to 283, it indicates that Cascade
9 was not able to locate the work papers used to derive
10 the \$500 dispatching charge for customers on schedule
11 681. Is that right?

12 A. Yes. That's what this response indicated.
13 We did later locate those work papers and submitted
14 them under a different data response.

15 Q. I believe that's 321, which is also --
16 which is included in Exhibit C-20; is that right?

17 A. Yes, that is correct.

18 Q. Looking at Exhibit C-20, data request 321,
19 as you indicate, you include worksheets from 1989
20 which break down the costs associated with dispatching
21 service; is that right?

22 A. Yes, that's correct.

23 Q. And your prior response to 283 in Exhibit
24 19 explain that the dispatching charge for schedule
25 681 did not appear to be out of line with costs; is

00049

1 that right?

2 A. Yes, that's correct.

3 Q. Is the same true for the 663 dispatching
4 charge?

5 A. Yes. All the dispatching charges are the
6 same. The schedules provide that the company would
7 collect a dispatching service charge one time through
8 one of the services that the transportation or the
9 noncore customers would be purchasing and one time
10 only.

11 Q. If I could have you refer once again to
12 Exhibit C-20, your response to data request 317. Do
13 you have that?

14 A. I have that.

15 Q. That response contains information about
16 customers taking service on schedule 511, which is the
17 large volume sales service; is that right?

18 A. Yes, that's correct.

19 Q. And the response also indicates that
20 approximately 12 of the 511 sales customers migrated
21 to schedule 663; is that right? That would be for the
22 period 1994 to 1995. I'm looking specifically at the
23 last page of the response. It's three pages in from
24 the end.

25 A. Yes, that's correct.

00050

1 Q. And schedule 663 is a transportation
2 service schedule; is that right?

3 A. Transportation distribution system service
4 schedule, yes.

5 Q. Would you accept subject to check that if
6 you were to sum the contracted maximum daily
7 quantities for those customers, 12 customers, that
8 this migration was a shift of 43,550 therms of daily
9 demand from the Cascade 511 sales schedule to the 663
10 transportation schedule?

11 A. I would accept that subject to check.

12 Q. When those customers migrated between those
13 two schedules, what happened to the costs associated
14 with upstream transportation resources that had been
15 used to serve those customers? In other words, how is
16 the company proposing to recover those costs?

17 A. Without examining the exact details of the
18 services that these 12 customers purchased when they
19 left the core service to become noncore, I can't
20 definitively respond to that. It's quite possible
21 that they would have purchased equivalent amounts of
22 transportation service or upstream services from the
23 company when they went to the noncore service.

24 Q. So the company has no explicit proposal on
25 the case on how to achieve that cost recovery?

00051

1 A. I am not sure there is any deficiency.

2 Q. If there was how would that be recovered?

3 A. The capacity held for the core customers
4 are not just for the current customers but for future
5 customers as well. We would have to examine our least
6 cost plan and our market forecasts and that, the
7 capacity requirement of that, to determine whether
8 that capacity would be needed in the near future. If
9 not -- if it was not needed we would attempt to
10 dispose of it somehow.

11 Q. And if it was needed it would be recovered
12 from core customers?

13 A. That would be our intent, yes.

14 Q. The company's proposal is to increase
15 distribution rates to schedule 511 sales customers; is
16 that right?

17 A. Yes, it is.

18 Q. Have you performed any comparisons of your
19 proposed 511 rates with 663 rates to determine if
20 Cascade's rate proposal would have an effect on
21 customers migrating from schedule 511 to 663?

22 A. I had not performed any at the time we
23 filed the application. I have since performed such
24 studies based upon what we filed. There would be an
25 economic incentive for 511 customers to migrate just

00052

1 to achieve lower margin or lower costs for
2 distribution system transportation. I've also looked
3 at possible solutions to that problem and I think it's
4 easily solvable.

5 Q. Has the study that you just referenced been
6 provided to staff in response to any requests in this
7 case?

8 A. It has not.

9 Q. Then as record requisition No. 1, I would
10 like you to provide that study as part A, and as part
11 B if you could describe the solutions that you just
12 referred to and discuss the pluses and minuses of each
13 solution.

14 A. I can.

15 (Record Requisition 1.)

16 MR. MANIFOLD: Excuse me, Your Honor. It's
17 been so long since I heard a record requisition I'm
18 not sure who they all go to. In the old days it used
19 to be all parties and I would so request.

20 JUDGE STAPLETON: Ms. Pyron.

21 MR. MANIFOLD: I would also request. My
22 understanding is it would be a copy to all the
23 parties?

24 THE WITNESS: It was our understanding that
25 we would serve all parties.

00053

1 Q. Has the company estimated a potential
2 impact that migration of customers from 511 to 663
3 might have on the company's ability to collect its
4 revenue requirement?

5 A. We have not, but, again, the solutions that
6 I talked about to the potential problem would keep the
7 company whole on any revenue requirements that would
8 come out of this case.

9 Q. Staying for the moment on the detail but
10 just on this response to data request 317, would you
11 be willing to accept subject to check that if we sum
12 the contracted maximum daily demand that that amount
13 would be approximately 389,230 therms per day?

14 A. I would accept that subject to check.

15 Q. Let me change the subject for a few
16 minutes. Is it correct that your noncore and special
17 contract customers are required to nominate their
18 daily volumes?

19 A. Yes.

20 Q. And that daily nomination typically doesn't
21 match their actual use; is that right?

22 A. I think it typically comes quite close to
23 their actual use. The only time that we have any
24 requirement to match their actual use with their
25 nomination is when there is curtailment on the

00054

1 pipeline or allocation on the pipeline which would
2 limit customers from overrunning or underrunning
3 their nomination.

4 Q. But the difference between what a customer
5 nominates and what they actually take on a particular
6 day is called a daily imbalance; is that right?

7 A. Yes, that's correct.

8 Q. And your customers do have daily
9 imbalances; is that right?

10 A. They do.

11 Q. Looking at Exhibit 19, and focusing on your
12 response to our data request 296, which is the second
13 one, begins four pages in from the beginning of the
14 exhibit, is it correct that you have an optional best
15 efforts daily balancing schedule, schedule 687; is
16 that right?

17 A. Yes, we do.

18 Q. According to your response there are no
19 customers that have signed up for that schedule?

20 A. That's correct.

21 Q. Just a point of clarification, in this same
22 exhibit, data request 311/312, describe the daily
23 nomination process between the company, your customers
24 and Northwest Pipeline; is that right?

25 A. Yes, that's correct.

00055

1 Q. Fine, Mr. Stoltz. Just a couple of record
2 requisitions. Record requisition No. 2 we would ask
3 you to provide the incremental cost attributable to
4 distribution load dispatch account 871 for the
5 Whitehorn special contract and Puget's Ferdonia
6 service under schedule 678. Am I making sense? Have
7 I asked for something that you know what I'm asking
8 for?

9 A. I think so. I may need the record --
10 transcript to -- before I can respond to that one.

11 Q. Just say for both this record requisition
12 and the next one, No. 3, if there's any clarification
13 that needs to be done you can certainly ask Mr.
14 Maglietti of the staff. And record requisition No. 3
15 would be to provide a list of all incremental A and G
16 costs attributable to the special contracts and
17 Puget's Ferdonia plant. Again, if you need any help
18 finding out exactly what we're looking for we will be
19 happy to provide that.

20 (Record Requisitions 2 and 3.)

21 A. With the indication of the person Frank
22 requesting, I know what the requests are now.

23 MR. CEDARBAUM: Thank you. Those are all
24 my questions.

25 JUDGE STAPLETON: Mr. Manifold.

00056

1

2

CROSS-EXAMINATION

3 BY MR. MANIFOLD:

4 Q. Good morning.

5 A. Good morning.

6 Q. I would like to first ask you some
7 questions about excess capacity. Do you believe that
8 excess capacity can exist on a local gas distribution
9 company's system?

10 A. Are you talking about distribution system
11 excess capacity or upstream capacities?

12 Q. Upstream capacities.

13 A. Certainly I think that not only can exist
14 but must exist. Generally pipeline capacity or
15 upstream capacity is a resource which is lumpy in
16 nature, which means that a company has to plan ahead
17 and to acquire enough capacity to meet not only its
18 current customers but its growth in customers and
19 customer load over a period of time.

20 Q. Is it possible that that excess capacity
21 could be larger than would actually be needed or
22 smaller than would actually be needed?

23 A. Yes, that's possible.

24 Q. And is one of the things that you try to do
25 to match that excess capacity with your anticipated

00057

1 needs?

2 A. Yes. We try not to get such a quantity of
3 excess capacity that it's unmanageable or beyond what
4 would normally be needed over a planning horizon.

5 Q. How do you know if you have obtained more
6 than is necessary over your planning horizon?

7 A. One of the ways you know is to anticipate
8 when the pipeline might be offering expansions to
9 their systems or there are other alternatives to
10 acquiring capacity. You would know whether you had
11 excess capacity if the capacity you held was longer in
12 duration than those events that might occur.

13 Q. Any other ways to determine whether or not
14 the capacity one is holding that is for future growth
15 is in excess of what would be reasonable to hold?

16 A. I'm sure there are other ways. None come
17 to mind at this moment.

18 Q. I wanted to put into the record -- I think
19 you will agree with a couple of numbers for the
20 current Cascade supply situation for Washington. Am I
21 correct that the current supply capacity that Cascade
22 has assigned to the state of Washington is 2,733,229
23 therms per day not including the available capacity
24 from the Tonasket project?

25 A. That number sounds familiar. I do not have

00058

1 it in front of me so I would have to accept that
2 subject to check.

3 Q. And would you agree subject to check that
4 the company's design day peak demand forecast for the
5 state of Washington for this year is -- I'll just read
6 it this way -- 2,059,417 therms?

7 A. Again, that sounds familiar. I would
8 accept that subject to check.

9 Q. Over the next few years you do forecast
10 load growth for the company?

11 A. We do.

12 Q. And over the next few years you forecast
13 that some of your supply resources will be expiring,
14 PGR-1 and the PGR-2?

15 A. Yes. Those were short-term supplies which
16 came with capacity and we do expect them to expire at
17 the end of the primary terms.

18 Q. So the task here is to match the expected
19 load growth with the expected supply growth or
20 shrinkage over a reasonably foreseeable time?

21 A. I believe that's correct.

22 Q. And what we're calling here excess capacity
23 or the capacity held for future growth is fully
24 recovered from current customers of the utility as
25 part of the cost that you included in this rate case?

00059

1 A. It is part of the costs that we included in
2 our PGA application or purchase gas adjustment
3 application. This filing does not have any gas costs
4 in it at all.

5 Q. And that's one of the issues that's held up
6 those trackers?

7 A. Yes. That's correct, and this whole
8 subject will be addressed in our supplemental
9 testimony which we will be filing by next Wednesday.

10 Q. I want to ask you a few questions about
11 what the company does with this excess capacity that
12 it has for future growth. I assume what it does is it
13 releases that capacity as it knows that it will not
14 need it?

15 A. Yes, that's correct.

16 Q. What does release mean exactly? Does that
17 mean you sell it to someone else?

18 A. That does mean that you sell it to someone
19 else on some temporary basis so that you have access
20 to it when you need it. To expand on your question, I
21 believe your question is what are some of the things
22 the company is doing with its excess capacity.
23 Certainly, back in 1989 when we unbundled our tariffs
24 we signed up quite a bit of our excess capacity to
25 noncore customers who are reimbursing the company 100

00060

1 percent for that capacity over varying terms of
2 contract, and those contracts initially were between
3 one year and 25 years in term, and as those contracts
4 come up for renewal, the company has the option to
5 bring that capacity back in to serve its core
6 customers if there is growth in the core market needs
7 for capacity. If there are not, then we offer to
8 evergreen the noncore customers' contract for one year
9 at a time, and each year we look at those evergreens
10 as well as the expiring term contracts and, again,
11 evaluate whether any of it is needed to serve the
12 growth that has occurred in core.

13 Q. But you used the term evergreen. Is that
14 what some might call renew?

15 A. Yes, it is. Thank you.

16 Q. And so you're saying that the capacity that
17 you release to the transportation customers, you're
18 receiving 100 percent of your costs from the
19 transportation customers for that?

20 A. Yes. However, the numbers that you quoted
21 me earlier on the capacity held for core is not
22 counting any of that capacity. All of that is not
23 part of the PGA because we're already getting 100
24 percent recovery of that through the 685 rate
25 schedules. For the capacity that -- or that is the

00061

1 difference between the capacity you quoted and our
2 current market needs we are selling on the capacity
3 release market or we are selling to our interruptible
4 noncore transportation customers as they need it. For
5 that which we sell to the interruptible noncore
6 customers we are getting 100 percent load factor rate
7 for that. For that which we sell on a bulletin board
8 we have not been successful in getting 100 percent
9 rate. It's been substantially less than that.

10 Q. When you say 100 percent load factor rate,
11 does that mean that you're getting the full costs that
12 you put into the capacity?

13 A. We're getting the full cost for each day
14 that it is used. It is not the same as a firm
15 contract where there's a contract demand and a
16 volumetric charge or a commodity charge. So, yes, for
17 each day that that capacity is used we do get the 100
18 percent load factor rate for that.

19 Q. For that particular day, and for a day when
20 it isn't then you don't?

21 A. That's correct.

22 Q. Do transporting customers buy off the
23 bulletin board as well?

24 A. Some do.

25 Q. When a transporter buys off the bulletin

00062

1 board, are they able to pay less than the full cost of
2 the capacity?

3 A. Yes. Generally that's my impression of the
4 bulletin board. I'm not the expert on that subject.
5 Ms. Witten will be filing testimony which will address
6 that more specifically.

7 Q. To the extent that the full costs are not
8 recovered from the transportation customer who buys
9 off the bulletin board, are the remaining costs then
10 passed along to core customers or sought to be passed
11 along to core customers?

12 A. The way Cascade has it set up is that we
13 have the 100 percent recovery through the PGA. Any
14 revenues we collect through sales both through the
15 bulletin board and directly through our interruptible
16 transportation customers are credited against that.

17 Q. So is your answer yes?

18 A. Would you repeat the question, please.

19 (Record read as requested.)

20 A. I think my answer would interpret to be a
21 yes.

22 Q. Do I understand correctly that Cascade is
23 prohibited from obtaining off of sales through the
24 electric bulletin board more than Cascade paid for the
25 capacity?

00063

1 A. Yes. We currently are as a FERC regulation
2 that you cannot sell capacity for more than what you
3 pay for it.

4 Q. So you either break even or lose money on
5 it?

6 A. That's correct.

7 Q. FERC doesn't make you whole for that, do
8 they?

9 A. No. We have lobbied FERC in various
10 dockets trying to reverse that. We believe that the
11 capacity secondary market, which that is referring to,
12 should dictate the price, not FERC, but we have been
13 unsuccessful to this point.

14 Q. I would like to ask you a couple of
15 questions about the Tonasket contract as a resource.
16 Is it correct that you have the ability to call
17 300,000 therms per day from Tonasket in exchange for
18 which you basically have to fill their oil tank?

19 A. We have the right to recall 500,000 therms
20 a day provided that the company has prepaid for oil
21 inventory.

22 Q. And do you make the decision to call that
23 on an annual basis or a monthly basis or how do you do
24 that?

25 A. We make it on an annual basis at this point

00064

1 in time because we are still running our optimization
2 model on trying to determine when would be the proper
3 time to buy the oil inventory. With the depressed
4 market for gas supplies and pipeline capacity that
5 exists today, it has not been economic for the company
6 to buy an oil inventory. Therefore, we have not.

7 Q. Do you pay anything to Tonasket for simply
8 reserving the capacity other than the oil inventory?

9 A. Yes, we do.

10 Q. Can you say how much?

11 A. I, again, don't have that information in
12 front of me. It is part of our PGA and is included in
13 our PGA application. Unfortunately, I didn't bring a
14 PGA with me.

15 Q. Could you provide that or reference us to
16 it either way as response to record requisition No. 4.

17 (Record Requisition 4.)

18 A. Yes, I can.

19 Q. And you're proposing to recover that in the
20 PGA?

21 A. Yes, we are.

22 Q. Are there any restrictions on your system
23 for where you could use that 500,000 therms from
24 Tonasket? In other words, does it have to be used
25 only in the Bellingham area or could it be used any

00065

1 place on the company's system?

2 A. There are no restrictions. We are able,
3 because we have facilities right there that utilize a
4 portion of the 500,000 in the Bellingham area itself
5 and that proportion is estimated by our engineering
6 department to be 200,000 therms a day.

7 Q. That's the design day load in Bellingham --
8 excuse me for interrupting.

9 A. It's the design flow on the system. It
10 wouldn't necessarily have to be on a design day. I
11 think there are several days in a normal winter that
12 that capacity would be available provided that the
13 load in the Bellingham area is at least that much.
14 The remaining 300,000 therms could be used anywhere
15 else on Cascade system that is provided upstream
16 capacity from Northwest Pipeline. However, that would
17 entail utilizing some of that excess capacity that you
18 identified earlier to transport it to those locations.

19 Q. And that excess capacity is available for
20 transporting the approximately 300,000 therms?

21 A. Yes. It would be if we had not sold it
22 on the capacity release market for a period of time,
23 which would include the period of time that we needed
24 to utilize it.

25 Q. My next subject is design day. Am I

00066

1 correct that Cascade sizes its system and obtains
2 supplies based upon a design day concept of how much
3 would be the maximum capacity that it would have to
4 deliver on a particular day?

5 A. Yes, that's correct.

6 Q. And that that design day is a hypothetical
7 load?

8 A. It is a hypothetical load based upon an
9 historic weather event.

10 Q. Has the company ever experienced its
11 current design day load estimate?

12 A. We have not experienced a day which would
13 coincidentally match the design day. We have five
14 weather service areas, four in the state of Washington
15 and one for the state of Oregon. We have in recent
16 history reached design days in certain of those
17 weather areas. We've been fortunate we did not hit or
18 maybe unfortunate we did not hit all five weather
19 areas at the same time. Therefore, we have not quite
20 seen a design day.

21 Q. And the design day is that roughly two
22 million therm number that we talked about earlier?

23 A. That would be the current design day.

24 Q. So even this past winter when we had some
25 cold spells you didn't get the design day on the whole

00067

1 system?

2 A. That's right. But in that we did have at
3 least one, and perhaps two, of the weather areas did
4 hit design. Fortunately, it wasn't a widespread
5 event. It was somewhat isolated and we only hit it in
6 two instead of all the weather areas.

7 Q. Does your design day take into account
8 customers who might cease operation if there was an
9 extremely cold day, for instance, schools or
10 businesses, or do you assume that everybody would
11 continue consuming at their normal rate even if there
12 was an extreme cold snap?

13 A. It does recognize the normal diversity in
14 our loads. Certainly all the interruptible customers
15 are taken out of the calculation and it would
16 recognize some diversity. I can't tell you whether we
17 specifically back out the loads at schools or not
18 other than the diversity that we see.

19 Q. Are you aware that in the Washington
20 Natural Gas proceeding, UG-940814, the Commission,
21 this Commission, rejected using a hypothetical design
22 day demand as a basis for cost allocation between
23 classes in cost of service study?

24 A. I understand that was the directive of the
25 Commission on certain cost allocations.

00068

1 Q. A couple of questions about previously
2 parked capacity. At the time -- is it correct that at
3 the time of the conversion of Northwest Pipeline to
4 open access Cascade had an opportunity to reduce its
5 contract demand on the pipeline?

6 A. Yes, that's correct.

7 Q. And at that time Cascade decided to hold
8 more capacity than it needed right away and proposed
9 to "park" that capacity with transportation customers
10 by releasing that capacity at the full price the
11 company paid?

12 A. Yes. And that's what I was describing
13 earlier with that parked capacity with certain
14 customers who have varying terms from one to 25 years.

15 Q. And those parked capacity costs then are
16 recovered from the transportation customers not the
17 core customers?

18 A. That's correct.

19 Q. Have any of the parking arrangements
20 expired since they were entered into and not been
21 evergreened or renewed?

22 A. There have been some that have expired, and
23 even though the company offered to renew or evergreen
24 their contract, the customer decided not to take that
25 offer.

00069

1 Q. Do you know what amount of capacity we're
2 talking about?

3 A. I don't have that figure in front of me.

4 Q. Would it be about 100,000 therms?

5 A. Approximately.

6 Q. If you're willing why don't you accept that
7 subject to check and then if it's -- well, if it's
8 different than that then provide that?

9 A. I assume you're talking the state of
10 Washington only or are you talking total system?

11 Q. Washington.

12 A. I will accept that subject to check.

13 Q. Are you familiar with Washington Water
14 Power case in front of the Commission shortly after
15 the pipeline conversion, docket No. UG-900190, which
16 means it was a 1990 case, of course? I don't expect
17 you to know these numbers offhand. If you do that's
18 fine.

19 A. I recall there was a case. I'm not sure
20 how familiar I am with it.

21 Q. Would you recall that Water Power was
22 required to absorb without core market ratepayer
23 contribution the costs associated with 280,000 therms
24 of pipeline capacity which were in excess of the then
25 current needs of its customers?

00070

1 A. I would have to accept that subject to
2 check.

3 Q. In Cascade's last contested general rate
4 case, the one in '86, is it correct that the company
5 ordered that the fixed costs of base load capacity
6 should be allocated to all schedules including
7 transporters on a throughput basis?

8 A. I believe that was the order in U86-100.

9 Q. Like to switch to meter reading and
10 billing. Cascade issues monthly bills to all of its
11 customers including residential customers?

12 A. Yes, that's correct.

13 Q. Are you aware that other utilities in the
14 area, Puget Power, Seattle City Light, Snohomish PUD,
15 among others, only bill bimonthly?

16 A. Yes, I am aware of that.

17 Q. If Cascade were to read -- well, has
18 Cascade considered reading meters and billing
19 bimonthly?

20 A. We are doing an ongoing study which would
21 try to measure the benefits and the adverse benefits
22 of such a program.

23 Q. Upsides and downsides?

24 A. Right.

25 Q. What's the status of that study?

00071

1 A. It's still ongoing. We believe that there
2 are some cost savings, some manpower efficiencies that
3 could be gained. There are also some downsides where
4 our bad debts may increase, our uncollectable problems
5 may increase, so there are things that we're factoring
6 including whether going to bimonthly meter readings
7 would be acceptable to our customers.

8 Q. When do you anticipate that study being
9 concluded?

10 A. We are doing it in conjunction with our
11 mutual gains discussions in this rate case so we
12 certainly hope to have it resolved and a program
13 offered to the parties through that side of this
14 litigation.

15 Q. Does that study also include sharing meter
16 reading and/or billing with other utilities where your
17 service territories overlap?

18 A. That is certainly one of the phases of the
19 study that we are doing. At this point it's not
20 definitive that would be included in our proposal.

21 Q. I would like to just be very clear for the
22 record. The last time we suggested this idea to a gas
23 utility it went out and got itself acquired by some
24 other electric utility. We are not suggesting that
25 join tmeter reading should be necessarily accomplished

00072

1 in that manner. I hope you understand that.

2 A. I will take that back with me.

3 Q. I assume to date you don't have any joint
4 meter reading programs with Puget or Pacific Power
5 and Light?

6 A. We do not. We have had discussions with at
7 least Puget and at this point they're not very far
8 along.

9 Q. Did they indicate to you that they would
10 only do it if you allowed yourself to be bought by
11 them?

12 A. Not to my knowledge.

13 Q. Good. Shifting now to rate design, Mr.
14 Dickey obviously is the cost of service study witness.
15 Do I take it correctly that you're the one who takes
16 his results and actually spreads rates between the
17 classes and designs rates?

18 A. Yes, that's correct.

19 Q. And in doing that you rely upon his cost of
20 service study?

21 A. Yes, I do.

22 Q. And in fact you mirrored his study to move
23 all the way to an equal result using his study?

24 A. Yes. We use levelized rates of return by
25 rate schedule.

00073

1 Q. Your proposal would increase the margin for
2 residential rates by 34 percent? Schedule 3, Exhibit
3 14.

4 A. Yes. It would shift margin by that
5 percentage. That would not be the overall impact that
6 the customers would see because a good portion of
7 their cost is the cost of gas which is not included in
8 that calculation.

9 Q. And it would be 100 percent increase in the
10 margin for schedule 570, the general interruptible
11 industrial service?

12 A. Yes.

13 Q. And would reduce rates by 43 percent for
14 schedule 663, which is the transportation customers?

15 A. Yes, that's correct.

16 Q. The stipulation that we marked as an
17 exhibit this morning would reduce to some degree the
18 company's overall increase; is that correct?

19 A. Yes. I believe that the stipulation that
20 we have entered into would adjust about a million
21 dollars off the company's original request.

22 Q. And there are other revenue items yet to be
23 resolved?

24 A. Yes, that's correct.

25 Q. What if anything do you propose doing in

00074

1 terms of rate spread and rate design at a different
2 revenue requirement?

3 A. It would be the company's intent at this
4 point in time to again attempt to levelize rates of
5 return by rate schedule based upon the reduced revenue
6 requirement.

7 Q. Like to talk specifically about your
8 residential rate design that you proposed, and that's
9 in JTS-5, which is Exhibit 14, schedule 6, page 4 of
10 19. You're proposing that the two current residential
11 schedules, 501 and 503, be consolidated into a single
12 schedule?

13 A. Yes, we are.

14 Q. And currently schedule 501 has a customer
15 charge of 1.50, which was set back in '86, and
16 schedule 503 has a disappearing minimum bill based on
17 20 therms a month?

18 A. I believe the minimum bill in 503 currently
19 is 10 therms a month rather than 20, but other than
20 that your question is correct.

21 Q. I will accept that subject to check.
22 You're requesting that the residential customers
23 charge be set at a buck and a half a month in the
24 summer for all customers and \$10 per month in the
25 winter?

00075

1 A. That was the company's proposal, yes.

2 Q. The inflection you gave to that answer
3 suggests that it is no longer the proposal but it's
4 still a proposal?

5 A. It is still our proposal, yes.

6 Q. Is the cost of services -- meters, meter
7 reading and billing -- higher in the winter than the
8 summer?

9 A. Not necessarily. We did not do a study on
10 cost by month. We looked at the costs on an annual
11 basis and looked at the best way to attempt to recover
12 some of those costs through monthly billings.

13 Q. So it's not a -- that differential between
14 summer and winter is not a cost-based proposal?

15 A. Based upon Mr. --

16 Q. Why don't you start with a yes or no if you
17 could.

18 A. It is partially cost-based. Based upon Mr.
19 Dickey's cost of service study the \$10 a month charge
20 is closer to the one-twelfth of the annual cost than
21 the dollar fifty is. The \$10 charge does not reach
22 Mr. Dickey's charge which, I believe, was \$13 a month
23 for customer service-related charges. So, it
24 approaches cost-based while the dollar fifty does not
25 move toward cost-based at all.

00076

1 Q. The winter/summer differential is not based
2 on any assessment of cost differential in the winter
3 versus summer?

4 A. No, it is not. It was based upon our --
5 the company's desire not to encourage customers to
6 have their meters turned off during the summer so we
7 kept the customer service charge low during that
8 period of time to encourage them to stay on line.

9 Q. And what's the reason for wanting them to
10 stay on the line in summer?

11 A. The company incurs costs when it has to go
12 out and turn a customer off the company. Has to boot
13 the meter, or put an insert inside the meter so gas
14 will not flow, and then the company incurs costs again
15 in the fall when the customer calls and asks to be
16 reconnected by having to go out, removing that boot,
17 clearing the line, making sure that the appliances
18 have not deteriorated and are operating properly at
19 that time, so it's cost avoidance by encouraging
20 customers to stay on.

21 Q. Are you aware of any other electric or gas
22 utilities regulated by this Commission which have
23 seasonal monthly customer charges?

24 A. I am not.

25 Q. Has the company produced as part of its

00077

1 testimony in this case an exhibit showing the monthly
2 meter service meter reading and billing costs for
3 residential customers, i.e., not including A and G
4 sales and so forth?

5 A. I do not believe that we prepared such an
6 exhibit. It's not in my exhibits anyway.

7 Q. In the '86 order for this company the
8 Commission adopted -- noted that monthly customer
9 costs were calculated at \$2.93 a month. Did you do
10 any checking to see how your current estimate of
11 monthly costs compared to that which the Commission
12 found in the last contested case, how the methodology
13 differed, if any?

14 A. We have looked at the cost of meter
15 reading, billing services, meter regs, costs of
16 operating those for our various customers, including
17 the residential customers. I do not believe that
18 review is an exhibit.

19 Q. I want to talk a little bit about the
20 customer impact of your proposal. Is it basically a
21 larger percentage increase for small users than for
22 larger customers? Talking about residential now.

23 A. Yes, it would be. For the very small users
24 it would be a larger percentage increase although the
25 dollar impact wouldn't be very large.

00078

1 Q. And your Exhibit 14, schedule 3, shows the
2 comparisons between an average winter and a high use
3 winter customer and a summer customer, schedule 3,
4 page 3?

5 A. It does show the average customer based
6 upon an average winter bill and a high winter bill.

7 Q. So am I reading this correctly that the
8 winter high use customer would have a one percent
9 increase and the summer average customer would have a
10 17 percent -- over 17 percent increase?

11 A. Yes. Now, these customers are all average
12 customers. What this looks at is the average over a
13 winter compared to the average customer's use in a
14 high winter use month and those percentages are
15 correct.

16 Q. You're also proposing a declining block
17 energy rate?

18 A. Yes, we are.

19 Q. Would the effect of the increase in the
20 customer charge to \$10 in the winter, \$10 a month, and
21 the declining block rate give the company more stable
22 revenues with less variation in weather -- with less
23 variations in revenue with weather?

24 A. Yes, that is true.

25 Q. Was that a principal consideration in

00079

1 proposing this?

2 A. That was one of the considerations.

3 Certainly it also creates smaller bills during the
4 coldest winter months for our customers, which is a
5 benefit to them, not only in having a smaller utility
6 bill but also a benefit for the rest of the ratepayers
7 because there are less bad debts resulting from a high
8 winter month.

9 Q. Does Cascade offer a monthly -- a bill
10 averaging system for its customers?

11 A. Yes, we do.

12 Q. To your knowledge, has the company computed
13 the relative impact which the rate design proposals
14 would have on the variance in its revenues, net
15 revenues, or rate of return?

16 A. I'm sorry, would you repeat that?

17 Q. Sure. We agreed, I think, that a
18 consideration, if not a principal consideration, for
19 this rate design was to level out your revenues to be
20 more predictable, and I am asking whether you've done
21 any calculations of how that would improve your
22 revenue stream or your net revenues or your rate of
23 return?

24 A. I believe I have a study on that.

25 Q. Could you provide that in response to

00080

1 record requisition No. 5.

2 (Record Requisition 5.)

3 A. Yes, I can.

4 Q. Would you agree that residential water
5 heating usage is more stable than space heating usage
6 for month to month and year to year?

7 A. Yes, I would agree to that.

8 Q. Would you also agree that in warm years
9 customers' use of some amount of space heating energy
10 is pretty dependable and there's a larger usage of it
11 that is more variable with the weather?

12 A. Certainly space heat is very dependent upon
13 weather.

14 Q. Would you agree that there's a portion of
15 the space heat usage which is relatively less weather
16 dependent?

17 A. For most customers, yes, that's true.

18 Q. Did the company compare the load factor of
19 space heat usage to that of water heat usage in
20 developing its proposed rate design?

21 A. Not specifically for the development of
22 rate design. One of the proposals was to eliminate
23 the optional residential schedule which required both
24 space heat and water heat, and to accommodate that was
25 another reason for asking for the declining blocks so

00081

1 that the declining block would recognize the water
2 heat consumption in that beyond-50-therm-a-month rate
3 block.

4 Q. How many -- do water heat users go over 50
5 therms in the summer?

6 A. No, they do not.

7 Q. It's not -- I'm puzzled as to why you
8 attribute the usage over 50 therms to water heat.

9 A. It's typically for the winter period where
10 you do have that base consumption of space heat and
11 then some increment above that quite often, depending
12 on the size of the customer itself, that consumption
13 would be in the above-50-therm block for most of the
14 winter rates.

15 Q. Are you making an assumption that the first
16 part of the consumption is space heat and water heat
17 is the incremental usage as opposed to vice versa?

18 A. No, not necessarily. We are making the
19 assumption that the customers who have both appliances
20 will have total consumptions, and what we try to do
21 with the declining blocks is to recognize the rate
22 that they were previously getting on the 503 rate
23 schedule, which was for heat and water heat customers.
24 So it's part of the cost of service consideration
25 where Mr. Dickey's study indicated that the costs to

00082

1 serve those customers who have both space heat and
2 water heat was lower than the cost to serve the
3 general service residential; to accommodate that we
4 used the rate blocks.

5 Q. Do you have any information on the load
6 factors of space heat usage versus water heat usage
7 for residential customers?

8 A. I'm sure we have some information on it.
9 I'm trying to recall any specific studies that would
10 include that and none come to mind, but I know from my
11 general knowledge that a water heater has a much
12 higher load factor than a space heat customer.

13 Q. Well, the reason I ask is because when I
14 originally asked that question you sort of qualified
15 your answer. Let me ask, if I can then, as a record
16 requisition No. 6 if you would provide any information
17 you do have on the relative load factors of
18 residential space heat and water heat usage either in
19 absolute numbers or relative to each other. Let me
20 say if that is contained in a variety of different
21 places, we just want that information. You don't
22 necessarily need to pull a truck up and deliver all of
23 those studies if that is just one part of something
24 else.

25 A. I think we can respond to that record

00083

1 requisition.

2 (Record Requisition 6.)

3 Q. Looking again, I think finally, at Exhibit
4 14, schedule 6, page 4 of 19, that's the proposed
5 residential service, and basically is what is
6 happening here the first 50 therms are going up by
7 about a dime per therm and the amounts over 50 therms
8 are going down by about a dime or 11 cents per therm?

9 A. Generally, yes, I believe that's right.

10 Q. I assume, Mr. Schwartz, since he put in
11 testimony on the reconnection charges, is the witness
12 to ask questions about that even though it's in the
13 tariffs that are accompanying your testimony?

14 A. Mr. Schwartz is sponsoring that exhibit. I
15 am certainly the company's policy witness. If you
16 have any policy questions I would be glad to respond
17 to those.

18 Q. Well, on the page that we're on right now,
19 the reconnection charge is actually on that page of
20 the schedule. But I was assuming that Mr. Schwartz
21 was really the person to ask questions about that as
22 relates to his testimony even though you're putting in
23 the schedule itself.

24 A. Yes, that's probably correct.

25 MR. MANIFOLD: No other questions.

00084

1 JUDGE STAPLETON: Ms. Pyron.

2

3 CROSS-EXAMINATION

4 BY MS. PYRON:

5 Q. Good morning, Mr. Stoltz.

6 A. Good morning.

7 Q. Mr. Stoltz, as part of Mr. Dickey's cost of
8 service study, is it correct that Cascade prepared a
9 direct assignment analysis of the mains in service for
10 transportation customers?

11 A. Yes, that is correct.

12 Q. And would you be the appropriate witness
13 for questions related to the direct assignment work
14 done by Cascade?

15 A. Yes, I would be.

16 Q. In the study, Mr. Stoltz, did Cascade
17 assign a hundred percent of the facilities used by the
18 noncore customers to them?

19 A. Yes. Our study looked at the -- all the
20 services that would be required by the noncore
21 customers to serve them including the pipeline city
22 gate, any facilities located at the city gate, the
23 mains going from the city gate to their plant
24 location, any high pressure regulators at those
25 facilities and then at the customer themselves, the

00085

1 customer regulators, metering and other equipment.
2 That analysis also included any odorizing facilities
3 that were required to odorize the gas. All of those
4 facilities were assigned to the noncore customers at
5 full cost, full net rate base.

6 Q. But, Mr. Stoltz, if you could turn to -- do
7 you have Exhibits 21 and 22 on the stand with you that
8 we premarked?

9 A. I do.

10 Q. Just for reference, Exhibit 21 is NWIGU
11 request No. 7. The first page is a listing, is it
12 not, of the XL spread sheets that are part of the
13 direct assignment study?

14 A. Yes, it is.

15 Q. And then attached is one of those
16 spreadsheets; is that correct?

17 A. Yes, that's correct.

18 Q. So, in looking at this spreadsheet, for
19 these three customers, do we know there's three
20 customers, correct, because there's three customer
21 numbers?

22 A. That's correct, three noncore customers.

23 Q. Three noncore customers from schedule 663.
24 If we look at the second page, would that show us
25 accumulated depreciation then through December of '94?

00086

1 A. I assume the second page is --

2 Q. I'm sorry, it would be page 3 of the
3 exhibit. And page -- the first page showing
4 depreciation through '93?

5 A. Yes, that's correct.

6 Q. So, when we're looking at the far left-hand
7 column, we're looking at the account numbers 376 mains
8 and then a description and that would be of the
9 various components you were just describing, sir; is
10 that correct?

11 A. Yes, that's correct.

12 Q. And what this consists of then, Mr. Stoltz,
13 is it correct to say, a tracing from Cascade's city
14 gate all the way out on a map to the plant of that
15 individual industrial transporter?

16 A. Yes, that's correct.

17 Q. And then this takes for each of those
18 pieces of plant the original cost and then the
19 accumulated depreciation arriving at a net book value
20 for these three of \$644,941, the far column on the
21 right. Is that correct, sir?

22 A. Yes, that's correct.

23 Q. So these 6 -- roughly 645,000 worth of
24 costs that are shown were assigned to the 663
25 customers, the class of customers?

00087

1 A. In essence. What we really have is the
2 number that shows on page 2 of 2, the 681,182 and
3 the 644,941 averaged together so that you have an
4 average of monthly average rate base number for the
5 assignment.

6 Q. Average. Do you have in front of you
7 Exhibit 22, Mr. Stoltz, which is NWIGU No. 8?

8 A. I do.

9 Q. When Cascade made these assignments of the
10 facilities used by the noncore customers to them, did
11 Cascade consider how much other core customers might
12 be taking load off of those same pieces of plant?

13 A. No, we did not.

14 Q. And is Exhibit 22, NWIGU No. 8, does that
15 show, again by customer number, the percentage of flow
16 that would occur of -- through those same pieces of
17 plant for the core customers?

18 A. It shows percentage for both the core and
19 the specific customer that the study is addressing on
20 each of those pages.

21 Q. And that would be -- sir, would that be for
22 an actual experience peak day?

23 A. Yes, it would be on an observed peak day.

24 Q. If you could turn to page 22 of Exhibit 22,
25 and are those the same customer numbers that we were

00088

1 looking at in Exhibit 21?

2 A. Yes, I believe they are.

3 Q. And when we're looking at the segments that
4 are labeled here, Mr. Stoltz, are those the segments
5 on the maps that -- this is a pipe -- that were traced
6 out; is that correct?

7 A. Yes. Specifically, the third line, which
8 would say A to B, would more than likely correspond to
9 the first line of Exhibit 21 identifying 10,434 feet
10 of six-inch main. The first line of Exhibit 22, which
11 is 03, would be the odorizer station. R11 would be
12 the high pressure reg and then you get to the main
13 line segments.

14 Q. M and N would be the meter and regulator?

15 A. Yes, for the individual customer.

16 Q. And then the SVC would be what, sir, at the
17 bottom of the page? On page 22 SVC would be the
18 service line?

19 A. I'm not sure what the SVC stands for. It
20 is probably the service -- some portion of the service
21 out to the -- that is directly assignable to the end
22 user. I don't know what engineering was abbreviating
23 in that case.

24 Q. If we carry those over and look at the
25 percentages of total for each of these segments, the

00089

1 only ones that are showing as in the one, two, three,
2 third column over that says percentage of total --

3 A. Yes.

4 Q. -- the only ones that are showing 100
5 percent are when we get to the meter and regulator
6 point. Is that correct, Mr. Stoltz?

7 A. Yes, that's correct.

8 Q. And then in the far right-hand column after
9 the core flow number, we're showing the percentages of
10 flow through each of these pieces of pipe that are
11 related to core flow through those pieces of pipe; is
12 that correct?

13 A. Yes, and other related facilities other
14 than just pipe.

15 Q. So roughly would you agree we're looking at
16 about 70 percent or so of the flow other than when we
17 get to the point of the meter and regulator being for
18 core customers through these pieces of pipe?

19 A. It was on the day that was picked to --
20 this observed peak day.

21 Q. As I believe what would make more sense as
22 a record requisition, Mr. Stoltz, could you provide by
23 diameter by the size of pipe for each of the
24 collective direct assignments of the mains to the 663
25 customers the length of feet and the net plant

00090

1 investment for each size of diameter of pipe that was
2 used in the direct assignment of mains?

3 A. Yes. I believe we could provide that as
4 record requisition No. 7.

5 Q. Record requisition No. 7. What I'm looking
6 for there, sir, is the main diameter by size and then
7 the length for each size and the net plant investment
8 corresponding to each size of pipe, four-inch
9 eight-inch, et cetera.

10 A. I believe I understand the request.

11 (Record Requisition 7.)

12 Q. Thank you. I had some follow-up questions
13 relating to balancing and the 687 and 688 service that
14 Cascade provides. 687, is that the optional best
15 efforts balancing service, Mr. Stoltz?

16 A. Yes, I believe that is right.

17 Q. And would that be -- that's on page 18 of
18 Exhibit 14, schedule 6 of 6, page 19?

19 A. Yes, that's correct.

20 Q. How long has this 687 optional service been
21 a part of Cascade's tariffs?

22 A. I believe it's been in effect since
23 December 1 of 1989.

24 Q. And have you ever had any customers on this
25 service?

00091

1 A. We have had no customers requesting service
2 under this schedule.

3 Q. And do you also have a current underground
4 gas storage rate schedule, schedule 688?

5 A. We do have.

6 Q. Are you proposing any changes in that
7 tariff schedule?

8 A. I do not believe that they were included in
9 what the company proposed in this case.

10 Q. How long does 688 date back to, sir?

11 A. I believe it also became effective on
12 December 1 of 1989.

13 Q. Do you have any current customers under
14 688?

15 A. We do not.

16 Q. Have you ever had any customers under 688?

17 A. We have had no customer requests and have
18 never had a customer under that schedule.

19 Q. And does the company actually have the
20 facilities available to offer 688?

21 A. Probably not. We would have to relook at
22 our current mix of storage capabilities to see whether
23 any of it was excess of current core needs. Most
24 likely we would have to attempt to acquire more if we
25 had inquiries for that type of service.

00092

1 Q. Is it correct, Mr. Stoltz, that the way
2 Cascade balances its system on a nonentitlement day on
3 the pipeline is simply by the load balancing provided
4 through the pipeline's tariffs?

5 A. Yes, that's correct.

6 MS. PYRON: I have no other questions at
7 this time. Thank you.

8 JUDGE STAPLETON: Mr. West, redirect?
9

10 REDIRECT EXAMINATION

11 BY MR. WEST:

12 Q. Mr. Stoltz, do you recall in what year was
13 the opportunity to return capacity to the pipeline
14 that related to Mr. Manifold's question?

15 A. It was in 1989.

16 Q. And does the company have any information
17 relating to the correlation between low income
18 customers and low use customers?

19 A. We do have information on our low income
20 customers, and they are homogeneous in their use; as
21 with our other customers some are low consumption,
22 some are medium consumption, some are very high
23 consumption.

24 MR. WEST: I have no other questions, Your
25 Honor.

00093

1 JUDGE STAPLETON: Commissioners, questions?

2 CHAIRMAN NELSON: No.

3 COMMISSIONER HEMSTAD: No.

4 COMMISSIONER GILLIS: No.

5 JUDGE STAPLETON: Mr. Stoltz, thank you.

6 You may step down.

7 Yes, Mr. Manifold.

8 MR. MANIFOLD: I have a very small

9 recross question or two.

10

11 RE CROSS-EXAMINATION

12 BY MR. MANIFOLD:

13 Q. Mr. Stoltz, looking at Exhibit 22, page 22,
14 I think you said that the -- that this was done on a
15 peak day?

16 A. On an observed peak day, yes.

17 Q. What would the numbers in the column
18 entitled Percentage of Total, what would those look
19 like on an average day? What would the direction of
20 movement be?

21 A. I would anticipate that the requirements of
22 core would be less and therefore the percentage would
23 shift a little more towards the noncore and a little
24 less to the core.

25 MR. MANIFOLD: Thank you.

00094

1 JUDGE STAPLETON: Any further follow-up?

2 Thank you, Mr. Stoltz, thank you very
3 much for your testimony. You may step down. Staff
4 and NWIGU, did you wish to move the admission of the
5 exhibits that you brought in under this witness?

6 MR. CEDARBAUM: Yes.

7 MS. PYRON: Yes.

8 JUDGE STAPLETON: Staff exhibits C-16, 17,
9 18, 19, C-20 and NWIGU Exhibits 21, 22 and 23 are
10 admitted.

11 (Admitted Exhibits C-16, 17 - 19, C-20 and
12 21 - 23.)

13 JUDGE STAPLETON: Okay. Shall we continue
14 at this time with the next witness?

15 Mr. West, would you please call your next
16 witness.

17 MR. WEST: Yes, Your Honor. We would like
18 to call Mr. Dickey to the stand, please.

19 (Discussion off the record.)

20 Whereupon,

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

24

25 DIRECT EXAMINATION

00095

1 BY MR. WEST:

2 Q. Mr. Schwartz, would you please state your
3 name and business address.

4 A. My name is Peter A. Schwartz. My business
5 address is 222 Fairview Avenue North, Seattle, 98109.

6 Q. Would you state your occupation and
7 position, please.

8 A. I'm director of planning and rates for
9 Cascade Natural Gas corporation.

10 Q. Have you prepared testimony in this docket?

11 A. I have.

12 Q. And I believe the testimony which you have
13 prepared has been marked Exhibit T-32, Exhibits 33,
14 34, 35, 36, Exhibit T-37 and Exhibit 38; is that
15 correct?

16 A. That's correct.

17 Q. Do you have any additions or corrections to
18 this testimony and exhibits?

19 A. I do not.

20 Q. If I were to ask you the same questions
21 today as they appear in these exhibits, would the
22 answers be the same?

23 A. They would.

24 Q. In your opinion, are the answers true and
25 correct?

00096

1 A. They are.

2 MR. WEST: Your Honor, I would like to move
3 the admission of Exhibits T-32, Exhibit 33, 34, 35,
4 36, T-37 and 38.

5 JUDGE STAPLETON: Any objection? Thank
6 you. Those exhibits are admitted.

7 (Admitted Exhibits T-32, 33 - 36, T-37 and
8 38.)

9 MR. WEST: And I tender Mr. Schwartz for
10 cross-examination.

11 JUDGE STAPLETON: Mr. Cedarbaum.

12 MR. CEDARBAUM: Ms. Rendahl is handling
13 this witness.

14 JUDGE STAPLETON: Ms. Rendahl.

15

16 CROSS-EXAMINATION

17 BY MS. RENDAHL:

18 Q. Good morning, Mr. Schwartz.

19 A. Good morning.

20 Q. Do you have in front of you what's been
21 marked as Exhibits 39 and 40?

22 A. Yes, I do.

23 Q. In reference to what's been marked as
24 Exhibit 39, you prepared this exhibit or these
25 responses to staff data request 102 and 104 before the

00097

1 company filed its direct case; is that correct?

2 A. Yes, that's correct.

3 Q. And Exhibit 39 refers to Exhibit PAS-5 and
4 PAS-5 was a work paper provided to staff in docket No.
5 UG-950688 prior to the company filing its direct case;
6 is that correct?

7 A. That's correct.

8 Q. But PAS-5 was not filed as an exhibit to
9 your prefiled testimony in docket UG-951415, correct?

10 A. That's correct.

11 Q. You assisted in preparing the company's
12 cost of service study by providing certain information
13 such as peak day demands; is that correct?

14 A. Yes.

15 Q. In your response to data request 102 in
16 Exhibit 39, this shows the company's derivation of
17 703,213 therms for the peak day calculation for
18 special contract customers, is that correct -- or 212,
19 excuse me?

20 A. That's correct.

21 Q. Your response indicates five special
22 contract customers labeled as customers one through
23 five, correct?

24 A. Yes.

25 Q. These customers were not all on the

00098

1 company's system for the full three-year period, 1992
2 to 1994, were they?

3 A. I believe that's correct subject to check.

4 Q. So, for example, looking at the bottom of
5 the first page of Exhibit 39, even if customer No. 5
6 did not take service in 1992 or 1993 but took service
7 of 485,692 therms in 1994, you took an average of the
8 three years to arrive at a peak day; is that correct?

9 A. That's correct.

10 Q. And the peak day use for that customer in
11 the company's cost of service study was 161,897 therms
12 which is the average of zero therms -- zero therms and
13 485,692 therms for each of the three years; is that
14 correct?

15 A. 485,692 figure for customer No. 5 would
16 have been the consumption on December 5, 1994 and
17 zero for the dates of the prior two years.

18 Q. And the average of that would be 161,897
19 therms, correct?

20 A. That's correct.

21 Q. And that is what is used in the company's
22 cost of service study for the peak day for that
23 customer?

24 A. That's correct.

25 Q. In reference to Exhibit 40, or what's been

00099

1 marked as Exhibit 40, on pages 3 and 4 of that
2 exhibit, referring to estimate No. 2 and No. 3, do you
3 have that in front of you?

4 A. On which exhibit, I'm sorry?

5 Q. It would be what's marked as Exhibit No.
6 40.

7 A. Yes.

8 Q. Pages 3 and 4 referring to estimate No. 2
9 and 3.

10 A. Yes.

11 Q. You indicate it will take a service
12 mechanic 30 minutes to reconnect a meter during
13 regular hours and that after hours it will take two
14 hours to perform the same task; is that correct?

15 A. The estimate is based on the fact that --

16 Q. Excuse me. Could you give me a yes or no
17 answer and then you can explain your --

18 A. The estimate of time -- the time increment
19 is correct between the two estimates and the reason
20 for that is because on an after hours call there is a
21 requirement of two hours overtime pay so actually
22 that is the expense required. It's not the actual
23 time required to perform the reconnection exercise.

24 Q. Is that in a labor agreement?

25 A. Yes, it is.

00100

1 Q. So have you or anyone at Cascade conducted
2 any studies to show that the time differential -- you
3 know the exact time for a service call after hours or
4 during regular business hours?

5 A. These are estimates of time.

6 Q. Has the company -- have you or the company
7 conducted any studies concerning the time it takes for
8 a service call for reconnection?

9 A. I'm not aware of any specific timing
10 studies of this nature.

11 Q. And the regular business hours for Cascade
12 are 8 to 5; is that correct?

13 A. That's correct.

14 Q. Do you have in front of you Exhibit No. 33,
15 your Exhibit PAS-1?

16 A. Yes, I do.

17 Q. Would you accept subject to check that the
18 B and O tax amount as shown on line 48 is \$3,970,141?

19 A. Yes, I would.

20 Q. And this amount is the revenue that's
21 collected from schedule 500, is that correct, or would
22 you accept that subject to check?

23 A. That's correct.

24 Q. Would you also accept subject to check that
25 according to your response to staff data request No.

00101

1 87 that the corresponding expense amount is
2 \$4,271,819?

3 A. Subject to check, yes, that's correct.

4 MS. RENDAHL: I have no further questions.

5 JUDGE STAPLETON: Ms. Pyron.

6 MR. MANIFOLD: Excuse me.

7 JUDGE STAPLETON: I'm sorry. Mr. Manifold,
8 why don't you go next.

9 MR. MANIFOLD: Thank you.

10

11 CROSS-EXAMINATION

12 BY MR. MANIFOLD:

13 Q. Referring back to Exhibit 40 that you were
14 just looking at on the reconnection rate of two hours
15 for after hour reconnection. That's the minimum
16 requirement. Does that person do anything else during
17 those two hours? I mean, do you employ them for two
18 hours then or just employ them for the 30 minutes and
19 pay them for the two hours or how does that work?

20 A. That would depend on the activity call-out
21 during that particular time of day. There may be
22 service calls or other related after hours calls that
23 may require the service mechanic's time so it's
24 difficult for me to answer that question specifically.

25 Q. So it's possible that the person would be

00102

1 doing something else with some of that -- even though
2 there would be cause to devote time because of the
3 reconnection and you would be paying them for the two
4 hours flat they might actually accomplish some other
5 work during that two hours in addition?

6 A. That is correct.

7 Q. Does Cascade ever disconnect on a Friday so
8 somebody would come home and find their meter off and
9 then need to use after hours reconnection or weekend
10 reconnection?

11 A. The disconnect practices follow the
12 guidelines set out in our policies, and I couldn't
13 tell you whether that is in violation of our policy or
14 not. If it's not then that would be the case.

15 Q. Are you aware that Northwest Natural Gas by
16 tariff precludes Friday shut-offs in order to avoid
17 having to reconnect somebody on the weekend?

18 A. I am now.

19 Q. The field collection charge is basically to
20 -- is paid for the person who comes out to the field
21 to collect on an account?

22 A. Sorry, which are you referring to now?

23 Q. The field collection charge for the
24 collection charge. I'm going to ask you questions
25 about the collection charge and the reconnection

00103

1 charge so try to -- I will try to keep those separate.

2 A. Which amount are you specifically referring
3 to?

4 Q. On schedule -- that was Exhibit 14 of Mr.
5 Stoltz's schedule 6 of 6, page 3 of 19. Says if the
6 company dispatches an employee to discontinue service
7 and customer pays delinquent amount to dispatched
8 employee a blank service charge may be assessed by
9 the company to cover expenses incurred. And that was
10 \$5 and you're proposing to change it to \$20. That's
11 the one I meant to talk about.

12 A. Okay.

13 Q. Are we on the same subject?

14 A. I'm getting there. Yes.

15 Q. So the company is proposing to go from \$5
16 to \$20 for this charge?

17 A. That's correct.

18 Q. I notice the language is "may be assessed
19 by the company." Does the person who goes to the
20 house have discretion whether or not to assess it? Do
21 you know?

22 A. I'm not aware of how much discretion there
23 is on that issue.

24 Q. I assume no one else here today is going to
25 be in a position to know about that. Mr. Dickey

00104

1 certainly isn't going to --

2 A. I don't believe so.

3 Q. Could you in response to a record
4 requisition tell us what degree of discretion is
5 allowed and to whom and under what circumstances?

6 (Record Requisition 8.)

7 A. Sure.

8 Q. Are you familiar with the similar charge
9 that is levied by other natural gas companies in this
10 state, the other regulated ones?

11 A. I am not aware specifically of what they
12 charge for that, no.

13 Q. So you don't know if the proposal to go to
14 \$20 is a lot higher or lower than the other companies?

15 A. No, I am not.

16 Q. Turning to reconnection. That's the charge
17 the customer has to pay once their gas has been
18 disconnected if they want to have it turned back on?

19 A. That's correct.

20 Q. And the current fee is \$12.50 during
21 business hours and you want to change that to \$25 and
22 during non-business hours you want to go from \$12.50
23 to \$90?

24 A. That's correct.

25 Q. And are you familiar with the reconnection

00105

1 charges by the other gas or electric utilities
2 regulated by this Commission?

3 A. I know they have them. I am not aware
4 specifically of what those levels are.

5 Q. You don't know how they compare to your
6 proposals?

7 A. No, I do not.

8 MR. MANIFOLD: Thank you.

9 JUDGE STAPLETON: Ms. Pyron, I guess it is
10 your turn.

11 MS. PYRON: Thank you.

12

13 CROSS-EXAMINATION

14 BY MS. PYRON:

15 Q. Good morning, Mr. Schwartz. Mr. Schwartz,
16 it's my understanding that you prepared some of the
17 input data from Mr. Dickey for his cost of service
18 study; is that correct?

19 A. That's correct.

20 Q. And that included the peak day information?

21 A. That's correct.

22 Q. And the years that were used were 1992,
23 '93, and '94; is that correct?

24 A. That is correct.

25 Q. Do you know what Cascade's actual peak day

00106

1 usage was for the 1995-1996 winter heating season
2 that we've just been through?

3 A. I don't recall what that specifically is,
4 or was.

5 Q. Could you provide that information as a
6 record requisition? I believe that would be No. 9.
7 And could you provide it for the five highest peak
8 days during this most recent winter season by class of
9 customers in the same format as the other data that
10 has been provided.

11 (Record Requisition 9.)

12 A. (Nodding head).

13 MS. PYRON: I have no other questions at
14 this time.

15 JUDGE STAPLETON: Questions, Commissioners?

16 CHAIRMAN NELSON: No.

17 COMMISSIONER HEMSTAD: No.

18 COMMISSIONER GILLIS: No.

19 JUDGE STAPLETON: Mr. West, any redirect?

20 MR. WEST: I have one question for Mr.
21 Schwartz.

22

23 REDIRECT EXAMINATION

24 BY MR. WEST:

25 Q. And this relates to a question or line of

00107

1 questioning from Ms. Rendahl relating to data request
2 No. 102. Mr. Schwartz, do you know if any costs from
3 the cost of service study were assigned based on the
4 average number that you were discussing in request No.
5 102?

6 A. My understanding is there were no costs
7 assigned based on that number.

8 MR. WEST: I have no further questions.

9 JUDGE STAPLETON: Anything else for this
10 witness?

11 MS. RENDAHL: No, Your Honor.

12 JUDGE STAPLETON: Thank you, Mr. Schwartz.
13 You may step down. What's the parties' pleasure?
14 Shall we swear in Mr. Dickey and begin or shall we
15 swear him in and go to lunch?

16 MR. CEDARBAUM: I don't have that much. I
17 can finish my cross easily by noon or by --

18 JUDGE STAPLETON: Ms. Rendahl, did you
19 intend to move 39 and 40?

20 MS. RENDAHL: Yes, I do.

21 JUDGE STAPLETON: Any objection? Exhibits
22 39 and 40 will be admitted into the record.

23 (Admitted Exhibits 39 and 40.)

24 Whereupon,

25 LAMAR DICKEY,

00108

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. WEST:

6 Q. Mr. Dickey, will you please state your name
7 and business address for the record.

8 A. My name is Lamar Maxwell Dickey. My
9 address is 9611 Trail Hill Drive, Dallas,
10 Texas 75238-1441.

11 Q. Will you please state your occupation and
12 position?

13 A. I am president of Threshold Associates,
14 Incorporated. We are a consulting engineering firm.

15 Q. And your relationship to Cascade Natural
16 Gas Corporation?

17 A. I was employed to do a cost allocation and
18 assist in the rate design in this proceeding.

19 Q. Did you prepare testimony in this docket?

20 A. Yes, I did.

21 Q. I believe your testimony has been marked
22 Exhibit T-24, and you also have prepared Exhibit 25;
23 is that correct?

24 A. That is correct.

25 Q. Do you have any additions or corrections to

00109

1 these exhibits at this time?

2 A. Just a very minor correction to T-24, page
3 23, line 7. Where it says "costw" it should be
4 C O S T S, costs. That's the only one that I am aware
5 of.

6 Q. If I were to ask you the same questions
7 today that appear on your Exhibit T-24, would your
8 answers be the same as corrected?

9 A. Yes, they would.

10 Q. Does the cost of service study which you
11 performed and which is filed in this case reflect all
12 items that have been agreed between Cascade and the
13 staff to date?

14 A. Not the one that is filed. There have been
15 subsequent agreements and these have not been
16 incorporated into this cost allocation study.

17 Q. So these differences arise from agreements
18 which took place after December 11, 1995 when the rate
19 case was filed?

20 A. That's correct.

21 Q. Can you describe those differences?

22 A. Basically we had discussed administrative
23 and general changes. We've discussed some of the
24 demand allocations and some direct assignments, and
25 those have not been incorporated. We have not reached

00110

1 a final agreement on all the other items.

2 Q. Is it your understanding that negotiations
3 continue between Cascade and staff on items which
4 might affect the cost of service study?

5 A. That is correct.

6 Q. Is it your intention to run another cost of
7 service study once negotiations on these items have
8 been concluded?

9 A. Yes, that's what I intend to do.

10 MR. WEST: Your Honor, I move the admission
11 of Exhibits T-24 and Exhibit 25.

12 JUDGE STAPLETON: Any objection?

13 Exhibits will be admitted.

14 (Admitted Exhibits T-24 and 25.)

15 MR. WEST: And I tender Mr. Dickey for
16 cross-examination.

17 JUDGE STAPLETON: Thank you, Mr. West.
18 Commission staff.

19

20 CROSS-EXAMINATION

21 BY MR. CEDARBAUM:

22 Q. Thank you, Your Honor. Good morning, Mr.
23 Dickey.

24 A. Good morning.

25 Q. Kind of a follow-up to that last line of

00111

1 questioning with Mr. West. With regard to a cost of
2 service study that you might prepare later, your cost
3 of service study does not include -- let me back up.
4 Your cost of service study as filed begins with the
5 company's proforma results of operations exhibit that
6 was filed in December; is that right?

7 A. That is correct.

8 Q. And since then staff and company and with
9 Northwest Industrial Gas Users and perhaps public
10 counsel have agreed to some other accounting
11 adjustments that are contained in an agreement that's
12 Exhibit 57; is that right?

13 A. That is correct.

14 Q. And you have not reflected that agreement
15 in your cost of service study?

16 A. I have not.

17 Q. I would ask you then as the next record
18 requisition in order which was No. 10 to rerun your
19 cost of service study reflecting Exhibit A to Exhibit
20 57.

21 (Record Requisition 10.)

22 A. All right, sir.

23 Q. Also, with regard to your cost of service
24 study as filed, is it correct that your study reflects
25 rates under the company's special contracts that were

00112

1 in effect in 1994?

2 A. That is correct.

3 Q. And is it correct, if you know, that some
4 of those contracts or perhaps all of them have
5 escalation clauses in them?

6 A. That is true.

7 Q. And your study does not reflect those
8 escalation clauses since 1994?

9 A. That is correct.

10 Q. As part of your cost of service study you
11 included a direct assignment of main costs for
12 schedule 663 customers; is that right?

13 A. Yes, I did.

14 Q. Are you aware that -- or do you know
15 whether or not there are other classes of customers
16 that are served off of those same mains that you
17 directly assigned to 663?

18 A. There are other customers served off of
19 those mains that we directly assigned to 663.

20 Q. Are you familiar with the National
21 Association of Regulatory Utility Commissioners or
22 NARUC?

23 A. Yes.

24 Q. Are you familiar their staff subcommittee
25 on gas?

00113

1 A. I know who they are.

2 Q. Have you ever reviewed the rate design
3 manuals that they publish?

4 A. Yes, I have.

5 Q. Would you accept subject to check that in
6 their 1989 manual of the NARUC staff subcommittee on
7 gas the following text appears at pages 18 and 19:
8 "Once a definition of cost is decided upon, it is then
9 necessary to assign costs to specific customer
10 classes. Generally speaking, these costs can be
11 divided into two broad categories, direct costs and
12 common costs. Direct costs are those which are
13 incurred only to provide service to a particular
14 customer class. Common costs are incurred in
15 providing service to more than one class." Would you
16 accept that recitation subject to your check?

17 A. Yes, I would.

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

20 JUDGE STAPLETON: Mr. Manifold.

21 MR. MANIFOLD: Sure.

22

23 CROSS-EXAMINATION

24 BY MR. MANIFOLD:

25 Q. Mr. Dickey, we haven't met before. My name

00114

1 is Rob Manifold. I serve as public counsel in this
2 case.

3 A. How do you do, sir.

4 Q. I understand you were Cascade's cost of
5 service witness a decade ago in their previous
6 contested case U-86-100?

7 A. Yes, I was.

8 Q. In that docket you prepared and presented a
9 cost of service study which used the peak
10 responsibility method for classification and
11 allocation of fixed gas supply costs and the minimum
12 system method for classification and allocation of
13 distribution mains; is that correct?

14 A. That's correct.

15 Q. And the Commission did not accept your
16 study in that proceeding; is that correct?

17 A. That's correct.

18 Q. They adopted the staff's methodology with
19 one change to the method used to allocate the fixed
20 gas supply costs. Is that your recollection?

21 A. Yes.

22 Q. Did you rely upon the methodology approved
23 by the Commission in that case for preparation of your
24 cost study in this docket?

25 A. No, I did not.

00115

1 Q. Have you reviewed the Commission's decision
2 regarding Washington Water Power Company in docket
3 UG-901459? That means it would be a 1990 case?

4 A. Briefly reviewed it, yes.

5 Q. In that docket, is it your understanding
6 the Commission generally reaffirmed the methodology
7 you had used in the 1986 Cascade proceeding with some
8 changes relating to classification of fixed gas supply
9 costs and administrative and general costs?

10 A. Generally.

11 Q. Did you rely upon the methodology approved
12 by the Commission in the Water Power case for doing
13 your cost of service study in this docket?

14 A. No, I did not.

15 Q. Have you reviewed the Commission's recent
16 decision in the Washington Natural Gas Company case?
17 That was a '94 case. It's UG-940814.

18 A. Yes, I did.

19 Q. And in that docket, which was revenue
20 neutral to the company, the Commission adopted some
21 significant changes to the methodologies it had
22 previously approved for Cascade and Water Power.
23 Would you agree with that?

24 A. Yes.

25 Q. Did you rely upon the methodology that the

00116

1 Commission used in Washington natural to prepare your
2 study here?

3 A. Yes, I did.

4 Q. I would like to go through some of the
5 differences and similarities starting with fixed gas
6 supply costs. Would you agree that these include the
7 baseline pipeline demand charges and base load
8 supplier reservation fees?

9 A. Sir, we did not use cost of gas in our
10 study.

11 Q. Those costs were allocated in the
12 Washington Natural Gas study, weren't they?

13 A. I think they were. I think they were.

14 Q. You're familiar with accepting subject to
15 check?

16 A. Yes.

17 Q. In the Cascade last litigated case, the 86
18 case, those costs were allocated 100 percent on the
19 basis of throughput to all classes including
20 transportation; is that correct?

21 A. In the order they were, yes.

22 Q. And in the Water Power order, they were
23 allocated 90 percent on the basis of throughput and 10
24 percent on the basis of the five day three year
25 sustained peak demand?

00117

1 A. I am not familiar enough with it to answer
2 that.

3 Q. In the Washington Natural proceeding these
4 costs were allocated based on the number of days of
5 peak, seasonal and base load demand using a method
6 allocated by the staff?

7 A. Yes.

8 Q. How did you allocate the fixed -- well, you
9 didn't allocate any fixed gas supply costs in this
10 proceeding?

11 A. That's correct.

12 Q. In the Washington Natural proceeding, the
13 Commission specifically allocated a portion of the
14 company's storage costs to transportation customers
15 for balancing purposes. Do you recall that?

16 A. Generally, yes.

17 Q. Did you allocate -- did you make a similar
18 allocation in your study here?

19 A. For storage facilities?

20 Q. Yes.

21 A. For the facility --

22 Q. For balancing of nominations and loads.

23 A. Again, we did not allocate load per se.

24 That refers to gas costs, our gas supplies.

25 Q. Next I would like to talk about

00118

1 distribution. I'm going to --

2 MR. MANIFOLD: I suspect I'm going to go
3 beyond 12. I have a number of more or less discrete
4 little areas and I would be happy to do them as I go.
5 I could probably finish them by 10 after or we can
6 stop any time you would like.

7 JUDGE STAPLETON: Ms. Pyron, do you have an
8 estimate for this witness generally?

9 MS. PYRON: I've probably got about 20
10 minutes depending on what everyone else covers.

11 JUDGE STAPLETON: Proceed, Mr. Manifold.

12 Q. Turning to distribution mains. That's a
13 very large portion of company's rate base?

14 A. That's correct.

15 Q. In the Cascade and Water Power proceedings
16 these costs were allocated 50 percent on throughput
17 and 50 percent on demand; is that correct?

18 A. To the best of my memory, that is correct.

19 Q. And in both of those cases there were no
20 customers exempted from a general allocation of mains
21 based on their specific use of only certain
22 facilities?

23 A. That's correct.

24 Q. Is that the -- is the method that was used
25 in those two cases what you used in your study?

00119

1 A. We directly assigned cost to the noncore
2 customers and allocated costs to the core customers.

3 Q. So the answer is no with that explanation
4 of what you did. So you didn't use the method that
5 had been used in the last Cascade case or the Water
6 Power case?

7 A. That is correct, we did not, so the answer
8 would be no.

9 Q. And perhaps to shortcut this, you didn't
10 use exactly the same method that the Commission
11 approved in Washington Natural either?

12 A. Not exactly. In Washington Natural they
13 specifically assigned certain facilities to their
14 noncore customers and allocated based upon an above
15 four-inch and under four-inch size 376 or distribution
16 mains to those customers, both the core and the
17 noncore. We did not do that because we directly
18 assigned a hundred percent of the costs from the
19 supply point to the noncore customer and therefore we
20 had nothing to allocate to the other customers for
21 that particular facility.

22 Q. So in this particular area, your method
23 differs from what the Commission had recently approved
24 in Washington Natural?

25 A. Slightly, yes.

00120

1 Q. Like next to look at services. In both the
2 Cascade and Water Power proceedings the Commission
3 approved studies in which the services were classified
4 as 25 percent commodity, 25 percent demand and 50
5 percent customer. Is that your recollection?

6 A. Yes.

7 Q. And you did not use that method in your
8 study?

9 A. I did not.

10 Q. In the Washington Natural Gas proceeding
11 these costs were classified as customer related and
12 allocated on a weighted customer basis using the
13 relative cost of service connections for different
14 customer classes as the weighting factor. Is that
15 your understanding?

16 A. That is correct.

17 Q. Is that the method you used in your study?

18 A. Yes, it was.

19 Q. In your study do you distinguish between
20 meter investment weighting rather than service
21 weighting?

22 A. We use the same weighting for both since
23 they would have a meter and a service.

24 Q. Are the cost of the meter and the service
25 the same?

00121

1 A. The specific costs are not the same but the
2 weighting factor is the same.

3 Q. Could you provide in response to the next
4 record requisition, which I think would be No. 11, an
5 indication of -- calculation that the weighting
6 factors are the same for both meter and service?

7 A. That can be found in my work papers but I
8 will be glad to submit it.

9 (Record Requisition 11.)

10 Q. Well, if you can direct us to where that is
11 then that's adequate as well. Like to next turn to
12 customer service and information. In Cascade and
13 Water Power proceedings the Commission approved
14 studies in which these costs were allocated 50 percent
15 on the basis of customer count and 50 percent on the
16 basis of throughput. Is that your recollection?

17 A. I'm sorry, which accounts were these again?

18 Q. Customer service and information accounts
19 907 through 916.

20 A. Yes.

21 Q. And you didn't use the Water Power/Cascade
22 precedence for your study here in this area?

23 A. No, we didn't.

24 Q. In Washington Natural these costs were
25 allocated in a Commission decision on a 100 percent

00122

1 customer basis in the company and staff studies but
2 in its order on reconsideration the Commission
3 indicated that it was not necessarily accepting this
4 approach. Is that your understanding?

5 A. That's my understanding. Let me correct my
6 previous answer.

7 Q. Certainly.

8 A. In U-86-100, the costs, as I recall it,
9 were allocated 33 percent customer, 33 percent demand
10 and 33 percent commodity, which is the method we used
11 in this case.

12 Q. What's that recollection based on? The
13 order or exhibits in that case?

14 A. On the exhibits in that case.

15 MR. MANIFOLD: May I approach the witness?

16 JUDGE STAPLETON: Mr. Manifold.

17 Q. I'm showing the witness a document which is
18 labeled WUTC Cause 86-100 schedule 1, page 7 of 9, and
19 I wonder if this is what you were referring to.
20 You're talking about the method of allocation here,
21 the company method?

22 A. Yes, which was, as you indicated, a third,
23 a third, a third.

24 Q. And then there's another column with
25 BJA which I believe is Ben Johnson recommended method?

00123

1 A. Yes.

2 Q. Which was 50 percent commodity and 50
3 percent customer?

4 A. That's correct.

5 Q. Do you know which of those the Commission
6 accepted -- excuse me. Mr. Johnson was the witness
7 for the staff, as I recall?

8 A. That's correct. As I recall it was the
9 BJA recommended method.

10 Q. Which would be the 50 percent commodity and
11 50 percent customers.

12 To clarify what you did in your study,
13 for some of these accounts, accounts 907 through 910,
14 you did on a 100 percent customer basis?

15 A. That's correct.

16 Q. And then accounts 911 through 916 you did
17 on the one third customer, one third energy and one
18 third demand?

19 A. That's correct.

20 Q. Like to turn next to the administrative and
21 general expense category. These are accounts 920
22 through 932?

23 A. Yes.

24 Q. In the Cascade case, the Commission
25 approved allocation of these on the basis of the

00124

1 subtotal of all O and M costs including the cost of
2 gas for all customer classes. Is that your
3 recollection?

4 A. That's correct.

5 Q. And that's not the method you used?

6 A. No, it is not.

7 Q. In the Water Power case the Commission
8 approved allocation of these 50 percent on the basis
9 of the subtotal of all O and M costs not including gas
10 costs and 50 percent on the basis of throughput to all
11 customers. That's not the method you used in your --

12 A. It is not.

13 Q. And Washington Natural, the Commission
14 approved the same approach as in Water Power except
15 for pensions and benefits and property insurance which
16 were allocated on the basis of labor and plant
17 respectively. With the exception of the -- is that
18 your recollection?

19 A. Yes.

20 Q. With the exception of the assignment of
21 zero administrative and general costs to the special
22 contract customers, that is the method you used in
23 your study; is that correct?

24 A. Yes, it is.

25 Q. Referring to --

00125

1 MR. MANIFOLD: Your Honor, I had marked
2 earlier as exhibits three prior Commission orders that
3 we all decided were not confidential. I would like to
4 move their admission at this time.

5 JUDGE STAPLETON: Objections?

6 Exhibits 26, 27 and 28 will be admitted
7 into the record.

8 (Admitted Exhibits 26 - 28.)

9 Q. Do you have those, Mr. Dickey?

10 A. Yes, I do.

11 Q. Would you look, please, at Exhibit 27,
12 which is the Commission's fifth supplemental order in
13 the Washington Natural Gas case?

14 A. All right.

15 Q. Do you have that?

16 A. Yes, I do.

17 Q. And at page 14 and 15 is the discussion of
18 administrative and general costs, and it appears there
19 that the Commission accepted public counsel's proposal
20 in how those would be allocated. Did you use that
21 same method in your study which the Commission
22 accepted from public counsel in that case?

23 A. In reading the order I used exactly the
24 same method. However, when we had further discussions
25 on it -- let me say operating and maintenance expenses

00126

1 generally are referred to as accounts 700 through 800.
2 Therefore, when I did my study I used FERC accounts
3 700 through 800 for the O and M expenses and that's
4 what I used to allocate 50 percent of those costs
5 excluding the accounts that you mentioned. That
6 is the generally accepted definition when you're doing
7 O and M less cost of gas.

8 Q. Is it correct that you assigned zero
9 administrative and general costs to the special
10 contract customers?

11 A. That is correct.

12 Q. Are there any other customers who were
13 assigned zero A and G costs?

14 A. Space heating residential customers were
15 assigned zero administrative and general costs.
16 That's the only other class.

17 Q. Because you didn't have gas supply and you
18 didn't have the gas supply schedule 685, 686 and 687
19 in one way or the other?

20 A. That's correct.

21 Q. So those did not did not get any A and G
22 costs?

23 A. No, they did not.

24 JUDGE STAPLETON: Ms. Pyron.

25

00127

1 CROSS-EXAMINATION

2 BY MS. PYRON:

3 Q. Good morning, Mr. Dickey.

4 A. Good morning.

5 Q. Do you have on the stand with you Exhibits
6 29, 30 and 31? That was public counsel 56 is Exhibit
7 29?

8 A. Yes.

9 Q. And is it accurate if I turn to the second
10 page which is actually the first page of the response
11 -- beginning of the tables, and in the far column that
12 says reference for change in method -- are you with
13 me, sir?

14 A. Yes, I am.

15 Q. Do these page numbers refer to the
16 Washington Natural Gas decision that's Exhibit 27?

17 A. They do.

18 Q. And by each of these, then, you've
19 referenced where you've made your allocation based on
20 that decision?

21 A. Yes.

22 Q. Do you still have the Exhibit 27 in front
23 of you too?

24 A. Yes.

25 Q. If you could turn with me to page 10 and

00128

1 11. And going back to the question of how the
2 distribution mains were allocated and your cost of
3 service study versus how they were done in the WNG
4 decision that was accepted?

5 A. Yes.

6 Q. If we could clarify first your
7 understanding of what happened with the WNG decision.
8 The mains that were under four inches in diameter,
9 those small mains serving the larger customers, were
10 they allocated specifically to those customers in the
11 WNG case?

12 A. They were directly assigned.

13 Q. Directly assigned?

14 A. Yes, ma'am.

15 Q. Which is similar to what you've done with
16 your study in the case now?

17 A. Yes, ma'am.

18 Q. And then the rest -- in the WNG case the
19 rest of the small pieces of main were allocated to the
20 other classes excluding the large customers; is that
21 correct?

22 A. That is correct.

23 Q. And when we look at the large mains in the
24 WNG class, which they used a demarcation of a four-
25 inch main, is that correct, in this one?

00129

1 A. Yes, ma'am.

2 Q. And in that one they used the peak and
3 average responsibility method to spread the mains four
4 inches and larger in diameter to all customer classes
5 large and small, all types?

6 A. With the exception of those they directly
7 assigned to the noncore customers or to the transport
8 customers. In other words, they removed those that
9 they had directly assigned to the transport customers
10 first and then they allocated all four-inch and above
11 to all customers.

12 Q. Right. Four inches and larger went to
13 everyone?

14 A. Yes, ma'am.

15 Q. Is that correct?

16 A. Yes, ma'am.

17 Q. In the WNG case?

18 A. Yes, ma'am.

19 Q. And the difference with what you've done in
20 your study is that in yours is it correct, sir, you
21 traced from the city gate down to the plant all the
22 way and assigned all of that to the noncore customer?

23 A. Yes, ma'am, specifically to the 663's, the
24 678's and the 901 rate schedules.

25 Q. So if you were to apply a methodology like

00130

1 a demarcation point of four inch size main as compared
2 to what you've done with the Cascade direct
3 assignment, have you allocated more with the Cascade
4 allocation in the direct assignment because those
5 large mains are not shared on the other customers
6 other than the noncore?

7 A. It's hard to say because even though we
8 have directly assigned all of the costs from the city
9 gate to the customer -- to those specific customers,
10 we did not allocate any of the other part of the
11 system to them. If we had done exactly what the
12 Washington Natural order did, it could have been
13 similar or there could have been more cost allocated
14 in the way we did it. It's really hard to say because
15 we did not split the four-inch-and-above mains and
16 then allocate them to all customers. It could
17 possibly be that the noncore customers would have
18 gotten a substantial amount of that allocation. It
19 could have been more or less than what we directly
20 assigned.

21 Q. Would you agree that the noncore customers'
22 mains that have been directly assigned to them also
23 serve other customers on Cascade's system?

24 A. That's correct.

25 Q. Would it be possible with the data that's

00131

1 available to potentially draw a similar line as what
2 was used in the WNG case and revise the direct
3 assignment according to the size of mains that go to
4 the customers? Is the data possible to then
5 reallocate?

6 A. We're attempting to do that.

7 Q. Do you know when the results of those
8 revisions will potentially be available?

9 A. No, I don't.

10 Q. Rather than making those a record
11 requisition at this time, I think it just makes sense
12 if we could agree that they will be provided in the
13 course of the -- we can make it a record requisition,
14 I guess, and then defer it as needed. Would that make
15 the most sense in terms of --

16 MR. STOLTZ: We are doing the study and
17 plan to submit it either way.

18 MS. PYRON: Why don't we make it a record
19 requisition then just so we have a number assigned to
20 it, and I think that would be No. 12.

21 (Record Requisition 12.)

22 Q. And that would be based on using the four-
23 inch demarcation point?

24 A. Yes, ma'am. In other words, we would still
25 directly assign to the noncore customers those

00132

1 facilities that serve them only --

2 Q. The small pieces of pipe serve them only?

3 A. Small pieces that serve them only and
4 allocate all other four-inch-and-above to all
5 customers, including the transport customers.

6 Q. But not allocate to the transporters,
7 the other small pieces of pipe like what was used in
8 the WNG decision?

9 A. Yes.

10 Q. I'm switching to another topic. In your
11 testimony on page -- I believe it's 13 -- you talk
12 about the peak day that you used for your peak and
13 average demand calculations?

14 A. Yes, ma'am.

15 Q. And Mr. Dickey, for your calculations did
16 you use the five total highest observed peak day
17 demand for '92, '93 and '94; is that correct?

18 A. I thought I did but it turned out I didn't.
19 We had the information for -- well, let me step back.
20 When we first started doing the cost allocation we
21 were using the average peak demand for '92, '93, '94.
22 That's three coincident peak demands for each rate
23 schedule. When the information became available to do
24 the five highest peak days for the '92, '93, '94 and
25 average them, Mr. Schwartz provided me with that

00133

1 information. Unfortunately, it did not go throughout
2 my spreadsheet where I calculated the demands. These
3 were corrected in data requests 306, as I recall. So
4 the original did not have the 15 day CP but 306 does
5 have.

6 Q. Do you have Exhibit 31 with you, sir?
7 That's the WT request 309?

8 A. Yes.

9 Q. And it would also include the revised
10 numbers for --

11 A. I'm sorry, 309 was the one I meant, not
12 306.

13 Q. 309 was what you were referring to?

14 A. Yes.

15 Q. And your testimony, Mr. Dickey, is this one
16 then includes the revised number?

17 A. That is correct. This one includes the 15
18 -- the average of the 15 coincident pack days for the
19 '92, '93, '94 years.

20 Q. And then this also reflects the company's
21 -- the classes' rate of return after reflecting the
22 company's proposed margin increase and margin shifts
23 after reflecting the proposals Mr. Stoltz is
24 advocating in his testimony?

25 A. That is correct.

00134

1 Q. And just as a point of clarification, you
2 have NWIGU request No. 9, which is Exhibit 30 in front
3 of you? It's on the A and G costs?

4 A. Yes.

5 Q. And does this accurately describe how you
6 allocated the A and G costs in this cost of service
7 study?

8 A. Again -- yes, this does. This accurately
9 describes how it was allocated.

10 MS. PYRON: I don't have any other
11 questions at this time. Thank you, Mr. Dickey.

12 JUDGE STAPLETON: Thank you, Ms. Pyron.
13 Commissioners, questions for the witness?

14 CHAIRMAN NELSON: No.

15 COMMISSIONER HEMSTAD: I have none.

16 COMMISSIONER GILLIS: None.

17 JUDGE STAPLETON: Any redirect, Mr. West?

18 MR. WEST: The only question I had and I
19 will address it to Mr. Dickey but perhaps Mr.
20 Cedarbaum can assist, I just wanted to clarify record
21 requisition No. 10, and that is to, as my notes show,
22 to rerun the cost of service study reflecting Exhibit
23 A to Exhibit 57: Does that reflect everything that
24 has been agreed to date. Is that the intent?

25 MR. CEDARBAUM: Right. The intent was to

00135

1 have a cost of service study for Mr. Dickey that would
2 reflect the proforma results of operations including
3 the agreed adjustment on Exhibit A to Exhibit 57.
4 Some of those are different from what the company
5 originally filed that he based his cost of service
6 study on.

7 MR. WEST: Would that also include the
8 corrections that were made in 309 that Mr. Dickey just
9 testified to?

10 MR. CEDARBAUM: I was actually going to ask
11 to make sure that happens, so the peak day calculation
12 that he indicated was incorrect -- incorrectly
13 described testimony will be correctly done as shown in
14 data request 309, whichever exhibit it was?

15 THE WITNESS: Yes.

16 MR. WEST: No other questions, Your Honor.

17 JUDGE STAPLETON: Thank you. Mr. Dickey,
18 thank you for your testimony. You may step down.

19 MS. PYRON: I would offer Exhibits 29, 30
20 and 31, Your Honor.

21 JUDGE STAPLETON: I'm sorry, are there any
22 objections to those exhibits?

23 29, 30 and 31 will be admitted into the
24 record.

25 (Admitted Exhibits 29, 30 and 31.)

00136

1 (Recess.)

2 JUDGE STAPLETON: Let's be back on the
3 record. While we were off the record we discussed
4 procedural matters. Mr. Cedarbaum, you have addressed
5 the record regarding some additional supplemental
6 testimony that is to be filed.

7 MR. CEDARBAUM: Yes, Your Honor. In
8 Exhibit 57, which is the agreement amongst the
9 parties, in paragraph 5, there's a reference to one of
10 the outstanding issues being purchased gas costs
11 including purchased gas capacity costs. The parties
12 have agreed that the company should be given the
13 opportunity to file supplemental testimony on that
14 issue since it wasn't covered directly in its direct
15 case, and we have agreed that that testimony will be
16 filed with the Commission and served in hand on that
17 day of May 22.

18 JUDGE STAPLETON: Thank you. The parties
19 have agreed to a five business day turn around, is
20 that correct, for discovery on the supplemental
21 testimony?

22 MR. WEST: That's correct.

23 JUDGE STAPLETON: Up until June 12 and any
24 continuing discovery thereafter will revert to a seven
25 business day schedule.

00137

1 MR. CEDARBAUM: I believe the date June 12

2 --

3 JUDGE STAPLETON: I'm sorry, that has
4 shifted to June 19.

5 MR. CEDARBAUM: That's right.

6 JUDGE STAPLETON: While we're talking
7 schedule, then, the schedule has been revised so that
8 prefiling of staff, public counsel and Northwest
9 Industrial Gas Users will be due on June 19th.
10 Company rebuttal and cross answering rebuttal of all
11 parties will be due on July 19th and a hearing for
12 cross-examination of staff, public counsel, gas users,
13 direct and all rebuttal testimony will be August 27th
14 through the 30th and briefs are now due on September
15 30th.

16 I will remind the company that they need to
17 file annotated pages 17 and 18 to Exhibit C-2 with the
18 record center. As far as record requisitions they
19 will be served on all parties. They will not be
20 served on the administrative law judge or the
21 commissioners. Copy will be filed under this docket
22 number with the secretary. The parties will let the
23 administrative law judge know their preferred
24 disposition of the joint petition to modify protective
25 order which was distributed prior to the start of

00138

1 today's proceedings. The Commission makes a bench
2 request, bench request No. 1, for the work papers
3 supporting the cost study of Mr. Dickey that was in
4 his prefiled testimony.

5 Is there anything else that needs to be
6 addressed?

7 MR. CEDARBAUM: Just two comments. With
8 regard to the joint petition that you reference, my
9 understanding is that's not been filed with
10 Commission. It was just distributed informally
11 amongst the parties for us to consider. We're not
12 asking for Commission action on it yet. And secondly,
13 I think we have -- I could be wrong but I think we
14 need to offer to have entered into the record the
15 testimony and exhibits of witnesses who were not
16 cross-examined today.

17 JUDGE STAPLETON: Okay. Anything else?
18 Mr. West, would you like to move that testimony at
19 this time then?

20 MR. WEST: Yes, Your Honor, I so move and
21 also move the admission of Exhibit 57, the agreement
22 into the record as well.

23 JUDGE STAPLETON: Objections?

24 MR. CEDARBAUM: No objection, but just a
25 similar comment I had with Mr. Stoltz that to the

00139

1 extent that the company's direct case is inconsistent
2 with the agreement in 57, the agreement would control.

3 MR. WEST: That's understood.

4 JUDGE STAPLETON: Parties understanding.

5 MR. MANIFOLD: Yes.

6 JUDGE STAPLETON: Thank you. All right.

7 Anything else to come before us at this time? We'll
8 stand adjourned until August 27th.

9 (Admitted Exhibits T-41, 42, T-43, 44, 45,
10 T-46, 47 - 52, T-53, 54 - 57.)

11 (Hearing adjourned at 1:00 p.m.)

12

13

14

15

16

17

18

19

20

21

22

23

24

25