

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	DOCKET TG-140560
)	
Complainant,)	
)	
v.)	
)	
WASTE CONTROL, INC., G-101,)	
)	
Respondent.)	

**SUPPLEMENTAL TESTIMONY
OF JACQUELINE G. DAVIS,
IN "PAPER-ONLY" PHASE OF GENERAL RATE CASE
FOR WASTE CONTROL, INC.
DOCKET NO. TG-140560
NOVEMBER __, 2014**

1 I. IDENTIFICATION OF WITNESS

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND ROLE AT
3 BOOTH, DAVIS & ASSOCIATES, PLLC.

4 A. My name is Jackie G. Davis. My business address and position with Booth Davis
5 remains the same as previous testimony reflects. I am testifying here at the “paper-only
6 phase” on behalf of Waste Control, Inc. (“WCI,” “Company” or “Waste Control”) in
7 my capacity as chief outside accountant for the Company in preparing and filing this
8 general rate case.

9 Q. CAN YOU PROVIDE ONE EXAMPLE TO THE COMMISSION OF TIME AND
10 COSTS THAT ULTIMATELY IMPACTED THE RATE CASE COSTS
11 INCURRED IN THIS PROCEEDING BY WASTE CONTROL?

12 A. Yes. Upon the Staff case filing on July 18, 2014, we received the first formal
13 communication of what the Staff’s position was on the entirety of the Company’s rate
14 case which had been pending since September 23, 2013. Staff’s position on the initial
15 filing under Docket number TG-131794 was on the verge of being communicated when
16 the Staff Motion to Dismiss the initial rate case was granted on March 25, 2014, three
17 days before the deadline for the Staff case filing. Thus, following the refiled case, the
18 first time the Company formally saw communicated the Staff’s position on all the
19 various proposed accounting adjustments in this general rate case filing was on July
20 18, 2014.

21 Q. AND IS THERE SOMETHING PARTICULAR ABOUT THE FILING OF THAT
22 STAFF CASE THAT CAUSED THE COMPANY TO INCUR SUBSTANTIAL
ADDITIONAL EXPENSE FOR ITS REBUTTAL CASE FILING?

23 A. Yes, particularly on matters surrounding the City of Kalama operations.

24 Q. CAN YOU ELABORATE ON THE CHRONOLOGY AND WHAT COSTS
25 WERE ENTAILED IN ADDRESSING THAT FOCAL ADJUSTMENT
PROPOSED BY THE STAFF?

1 A. Yes I can and it's a fairly complicated chronology. When the Company originally filed
2 its original rate case in September 2013 in TG-131794, we adhered to the rule at WAC
3 480-07-520(4)(ii)(d), that provides that you need not separate nonregulated operations,
4 since in the nonregulated City of Kalama and all other parts of the Company's overall
5 operations, we were well under 10%. Thus, we did not separate the revenue and
6 expenses between regulated and nonregulated operations.

7 **Q. WAS THIS ALSO IN RESPONSE TO ADVICE FROM THE STAFF OF THE**
8 **COMMISSION?**

9 A. Yes. As I originally noted in my rebuttal testimony, Exhibit JD-41T, p. 31, lines 19 and
10 20, after our 2009 general rate case, we were told by the Staff it was unnecessary to
11 separate revenues and expenses in Kalama as we had done historically. Following that
12 advice, we did not carefully monitor and detail costs and expenses in Kalama as
13 separate from our overall regulated operations, largely from that time forward.

14 **Q. IN FILING THAT RATE CASE ON A COMBINED BASIS IN DOCKET**
15 **NUMBER TG-131794, WAS THAT ALSO THE CIRCUMSTANCE GOING**
16 **FORWARD?**

17 A. No. Actually during the course of discovery in that filing, the Staff auditor developed
18 data and facts and proposed a separation of the results of operations in Kalama in a pro
19 forma.

20 **Q. WHEN DID THAT OCCUR?**

21 A. Sometime approximately in November 2013.

22 **Q. WHAT WAS THE COMPANY'S RESPONSE?**

23 A. Because the proposed results of operations in Kalama only caused a variation of
24 approximately \$4,000 in reduction to our proposed revenue requirement, we did not
25 contest the Staff pro forma and accepted it as part of our rate case going forward.

Q. WHAT USE DID YOU MAKE OF THAT SEPARATION FROM THAT POINT
ON?

1 A. Well, after TG-131794 was dismissed over our objection on March 25, 2014, when we
2 refiled as authorized by the Commission in that Order, on April 4, 2014, we filed our
3 successive rate case with the adjusted rate year, separating the Kalama results of
4 operations as the Staff had proposed during the audit phase in the previous case.

5 **Q. IN OTHER WORDS, WERE YOU ACCEPTING AS THE LATEST
6 RENDITION OF RESULTS OF OPERATIONS IN KALAMA, THE STAFF'S
SEPARATION OF KALAMA RESULTS?**

7 A. Yes.

8 **Q. WHAT HAPPENED AFTER THAT?**

9 A. Well in May, 2014 after a series of detailed requests to break out customers' costs in
10 discovery, and produce allocations and other separations in and for the City of Kalama,
11 we continued to respond to specific Staff data requests about Kalama continuing well
12 into June, 2014.

13 **Q. DID YOU UNDERSTAND WHERE THOSE DATA REQUESTS WERE
14 LEADING?**

15 A. No. We just believed the Staff wanted to verify some of the assumptions in the
16 separated results for Kalama which again, *they* had initially proposed.

17 **Q. WHAT HAPPENED NEXT?**

18 A. In the Staff's case filing in July, it proposed a revised separation of Kalama results
19 attributed largely to independent customer count data it had recently received from the
20 City of Kalama and which new separation caused a recommended reduction in the
21 revenue requirement to Waste Control of approximately \$168,000.

22 **Q. WHAT WAS YOUR REACTION TO THAT STAFF POSITION?**

23 A. Frankly we were astonished about such a huge swing from the previous pro forma the
24 Staff had provided for Kalama which again, we had accepted in refileing the case. We
25 were baffled in now being told by the Staff our previous route study was inadequate
and based on flawed assumptions.

1 **Q. WAS THAT A SURPRISE TO YOU?**

2 A. It was, to the extent that while we realized that our original route study had some minor
3 flaws, we had never been told that it was completely unreliable or, for instance, that the
4 interval of time over which the study was performed was insufficient.

5 **Q. WHAT WAS THE COMPANY'S RESPONSE TO THIS STAFF TESTIMONY?**

6 A. We were obviously quite concerned. In the tight time frame to file the Company
7 rebuttal case, we immediately commissioned a new route study for Kalama, hiring
8 independent contractors to accumulate the new time and motion data and derive any
9 additional results that could be contrasted with the Staff's surprising proposal.

10 **Q. WHAT WAS THE RESULT OF THAT NEW STUDY IN AUGUST, 2014 IN**
11 **KALAMA?**

12 A. The result was some recalibrated assumptions and references that actually produced
13 results very close to the allocations in the original route study, including total route
14 hours and numbers of pickups. It reaffirmed for us the original Kalama allocations
15 were considerably more reliable than those being assigned by Staff in its rebuttal case.
16 It thus provided additional, tangible statistical data to support our claim that the Staff
17 analysis deriving a \$168,000-odd reduction in the revenue requirement was materially
18 wrong.

19 **Q. DID YOU FOCUS ON THIS ISSUE IN YOUR REBUTTAL TESTIMONY?**

20 A. Absolutely we did. Both Layne Demas and I spent considerable time in our rebuttal
21 case prefiled testimony addressing and critiquing the Staff approach and advocating
22 that commingling of results remained the better approach, actually benefitting
23 ratepayers and fully consistent with the Commission rule on general rate case
24 workpaper submission.

25 **Q. DID THE STAFF IN FACT ULTIMATELY ACCEPT THAT PREMISE?**

1 A. Not at first. In fact, we spent a significant amount of time in meetings and over the
2 phone with the auditor in late August after filing our rebuttal testimony due to her
3 continued rejection of commingling Kalama. We subsequently developed and agreed
4 upon appropriate allocators for every single line item in our pro forma rebuttal
5 testimony separation of Kalama operations over a week or more of meetings, emails
6 and phone calls. Once this process was completed, the Staff abruptly informed us that
7 they would not be using our revised route study or any of the subsequent separated
8 allocations that we had spent hours developing with inputs from them since our rebuttal
9 case filing. After these considerable efforts, the Staff, in partial settlement, then
10 surprisingly accepted commingling Kalama operations so, in that sense, it would appear
11 the Staff ultimately accepted our position.

12 **Q. AND HOW DID THAT IMPACT BOOTH DAVIS'S AND WILLIAMS**
13 **KASTNER'S BILLS IN JULY AND AUGUST?**

14 A. Well, it substantially increased the amount of time and costs incurred in addressing
15 what we thought was a previously accepted approach by commingling operations, or
16 alternatively, in adopting the Staff's previous separated pro forma results of Kalama
17 which again, had an immaterial effect on our overall revenue requirement. The Staff's
18 July case filing turned this premise on its head. Working with the Company in late
19 July/early August to complete a new route study added a very significant amount of
20 accounting professional time and costs as well as overtime and contractor costs for the
21 Company, the latter of which are not being sought for rate recovery here. We
22 subsequently had to analyze the new route study data and incorporate it into our rebuttal
23 case testimony which again expends considerable focus on that issue. As noted above,
24 before the Staff ultimately accepted the commingling premise, we also sat down with
25 Staff at the Commission's offices the afternoon of August 26, 2014 and went line-by-
line through the Company's revised Kalama results of operations in its rebuttal

1 testimony to resolve allocators and subsequently supplied additional data in response to
2 more questions from the auditor about the Company's separated results of operations.
3 While it is now also very difficult to scientifically estimate the total number of hours in
4 both dockets that were allocated to these persistent questions about Kalama, that city
5 represents only about 5.5 percent of overall revenue in the case.

6 **Q. WHAT HAPPENED WITH THAT COMPANY REVISED PRO FORMA FOR**
7 **KALAMA IN YOUR REBUTTAL TESTIMONY?**

8 A. It became superfluous when the Staff finally accepted our original commingling
9 premise for Kalama results, approximately ten days after its filing in rebuttal.

10 **Q. AND IN REVIEWING YOUR TIME FROM JULY AND AUGUST, 2014, HOW**
11 **MANY HOURS OF ACCOUNTING TIME DO YOU ESTIMATE WAS SPENT**
12 **ON THE KALAMA OPERATIONS ISSUE ALONE?**

13 A. Strictly in that two-month time frame, approximately 100 hours totaling \$18,000 in
14 accounting fees which would have been wholly unnecessary if either the original TG-
15 131794 position of commingling Kalama had been accepted or alternatively, that of
16 Kalama-separated as proposed by the Staff in its Kalama pro forma of November, 2013.
17 As inferred above, total time spent on Kalama operations in both dockets since their
18 inception would have also amounted to considerably more time and expense.

19 **Q. AND HOW WOULD YOU GENERALLY CHARACTERIZE THE INTENSITY**
20 **OF THE DISCOVERY, AUDIT AND DOCUMENT PRODUCTION PHASE OF**
21 **THIS CASE VIS-À-VIS YOUR OFFICE'S TIME IN THIS CASE?**

22 A. As is reflected in the bill totals, very significant. It always seemed, due to the sheer
23 volume of information requested of the Company and the complete rejection of the
24 concept of audit sampling by the Staff in both proceedings, that there was an inordinate
25 effort by the Staff to identify data and computations in Company records which would
support the lowest possible rate adjustments for the Company. While we well
understand the Staff's concern for ratepayers and ensuring regulated rates remain
affordable, we also believe there is a concomitant obligation to establish just, fair and

1 *sufficient* rates for the regulated public service company to remain viable and we
2 unfortunately do not feel that concern received equal focus or consideration in the audit
3 process. In other words, when it came to disputes on various accounting adjustments
4 including the Company, we felt Staff would always advocate for the least amount of
5 rate recovery possible even when past audit treatment and practices for WCI general
6 rate cases contravened current Staff positions on these advocated adjustments. This, in
7 turn, begat more challenges and resultant research, document production, data requests
8 and telephone calls to attempt to counter or refute the Staff's new perspective on critical
9 adjustments like affiliated rents.

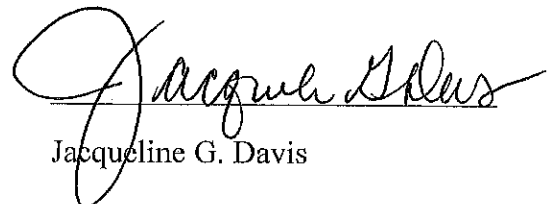
10 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY ON A
11 MISCELLANEOUS ACCOUNTING ADJUSTMENT THAT IMPACTED THE
12 COMPANY'S RATE CASE COSTS IN THIS PROCEEDING?**

13 **A.** Yes it does.
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15
16

17 II. DECLARATION

18 I hereby swear and affirm under penalty of perjury of the laws of the State of
19 Washington that the foregoing Supplemental Testimony of Jacqueline G. Davis is true and
20 correct to the best of my knowledge and belief.

21 Signed at Longview, Washington, this 5th day of November, 2014.

22
23 
24 Jacqueline G. Davis
25