

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

3 PETITION OF PUGET SOUND POWER &)
LIGHT COMPANY FOR AN ORDER) DOCKET NO. UE-920433
4 REGARDING THE ACCOUNTING) VOLUME XXVII
TREATMENT OF RESIDENTIAL) (Pages 4646 - 4857)
5 EXCHANGE BENEFITS)

-----) GENERAL RATE CASE
6 WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
7 Complainant,)

vs.) DOCKET NO. UE-920499
8 PUGET SOUND POWER & LIGHT)
COMPANY,)
9 Respondent.)

-----))
10 WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
11 Complainant,)

vs.) DOCKET NO. UE-921262
12 PUGET SOUND POWER & LIGHT)
COMPANY,)
13 Respondent.)

-----)

14
15 A hearing in the above matter was held on
16 July 22, 1993, at 9:00 a.m., at 1400 South Evergreen
17 Park Drive S.W., Olympia, Washington, before Chairman
18 SHARON NELSON, Commissioners RICHARD CASAD and RICHARD
19 HEMSTAD, and Administrative Law Judge ALICE HAENLE.

20 The parties were present as follows:

21 PUGET SOUND POWER & LIGHT COMPANY, by STEVEN
22 C. MARSHALL and JAMES M. VAN NOSTRAND, Attorneys at
Law, 411 108th Avenue N.E., Suite 1800, Bellevue,
Washington 98004-5584.

23 WASHINGTON UTILITIES AND TRANSPORTATION
24 COMMISSION by DONALD T. TROTTER and SALLY G. BROWN,
Assistant Attorneys General, 1400 South Evergreen Park
25 Drive S.W., Olympia, Washington 98104-0128.

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2

WICFUR by Peter J. RICHARDSON, Attorney at
Law, 702 West Idaho, Boise, Idaho 83702.

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4

FEDERAL EXECUTIVE AGENCIES by NORMAN FURUTA,
900 Commodore Drive, Building 107, San Bruno,
California 94131.

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6

The PUBLIC by CHARLES F. ADAMS, Assistant
Attorney General, 900 Fourth Avenue, Suite 2000,
Seattle, Washington 98164.

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BPA by BARRY BENNETT, Attorney at Law, 905
N.E. 11th, Portland, Oregon 97208.

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I N D E X

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3 WITNESS: DIRECT CROSS REDIRECT RECROSS EXAM

4 J. RICHARD LAUCKHART

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12 JOHN H. STORY

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(COLLOQUY)

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

2 JUDGE HAENLE: Let's be on the record. The
3 hearing will come to order.

4 This is the 27th day of hearing in the
5 consolidated Puget cases. We're continuing with
6 Company rebuttal in the general portion of the case.

7 This is taking place on July 22, 1993, at
8 Olympia. Appearances are the same as they have been
9 all week with Mr. Richardson for WICFUR and Mr. Furuta
10 for the Federal executive agencies as those
11 representing the intervenors.

12 Anything of a procedural nature before we
13 continue with Mr. Lauckhart?

14

15 J. RICHARD LAUCKHART,

16 witness herein, having been previously
17 duly sworn, resumed the stand and testified
18 further as follows:

19

20 C R O S S - E X A M I N A T I O N

21 (Continued)

22 BY MR. TROTTER:

23 Q. Would you turn to Page 15 of Exhibit T-938.

24 On Lines 3 through 15 you refer to certain special runs

25 on the further database regarding coal units and

J. R. LAUCKHART - Cross by Trotter

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1 comparing the Company's coal units on others on the
2 basis of age, size, and other factors; right?

3 A. Yes.

4 Q. Is this the GADS, G-A-D-S, database we have
5 been talking about?

6 A. Yes.

7 MR. TROTTER: I would like that marked as
8 response to Staff Data Request 2661.

9 JUDGE HAENLE: The multi-page document with
10 that caption at the top will be marked as Exhibit 951
11 for identification.

12 (Marked Exhibit 951)

13 BY MR. TROTTER:

14 Q. Do you recognize Exhibit 951 as the
15 documents regarding the runs that you referred to on
16 Page 15 of your testimony?

17 A. Yes.

18 Q. When I discussed with you this --

19 A. I might point out that the page numbers were
20 not put on by us.

21 Q. I was just going to say the circled numbers
22 in the bottom were supplied by us. And if I refer to a
23 page number, would you agree that we could refer to
24 those?

25 A. Yes.

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1 Q. Turn to Page 8 of the exhibit. Under the
2 heading a couple inches down, design data selection
3 criteria, this shows that the table is founded on
4 statistics on generator capacity of 600 through 789
5 mva; is that right?

6 A. Yes.

7 Q. This table is actually continued over to
8 Page 9?

9 A. Yes.

10 Q. Directly below the selection criteria shows
11 the number of units which fit these criteria, then the
12 period for which the data was analyzed, and the number
13 of observations; is that correct?

14 A. Yes.

15 Q. And every unit reported information for
16 every year. The number of observations which in this
17 analysis is 733 would simply be the number of units
18 times the number of years used in the analysis;
19 correct?

20 A. I believe that's correct.

21 Q. And Puget's Colstrip 3 and 4 and Centralia 1
22 and 2 resources would fit within these characteristics;
23 is that right?

24 A. Yes.

25 Q. Four lines up from the bottom, you see the

J. R. LAUCKHART - Cross by Trotter

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1 equivalent availability factor. And under the second
2 column entitled "mean" is the figure 79.14.

3 Do you see that?

4 A. Yes.

5 Q. This would be the average equivalent
6 availability factor for the 933 observations in the
7 analysis; is that right?

8 A. Yes.

9 Q. Was it this figure or the figure based on
10 the same selection criteria in the analysis period that
11 you used as the equivalent availability factor for
12 Colstrip 3 and 4 and Centralia 1 and 2?

13 A. It was close to this figure. We actually
14 used a few more years, the database that was used as
15 backup. Our actual number was 79.2, which is close to
16 this number.

17 Q. On the same line, right-hand column,
18 standard deviation, would you agree that the standard
19 deviation is the measure of the availability of the
20 equivalent availability factor among units in the
21 sample and years with a higher figure meaning greater
22 variability and lower figure meaning less variability?

23 A. I would agree with that. It shows the
24 minimum and maximum on Table 2, also.

25 Q. Turn to Page 6. This table was produced for
J. R. LAUCKHART - Cross by Trotter 4656

1 coal fired plants from 300 to 399 MVA?

2 A. Yes.

3 Q. And Colstrip 1 and 2 fit these design
4 criteria?

5 A. Yes.

6 Q. And the mean equivalent availability factor
7 here is 77.33. How does that compare with the factor
8 used in your calculation of net power supply?

9 A. We used 76.6.

10 Q. And is that comparable to the figure on this
11 page?

12 A. It's fairly close, yes.

13 Q. Is this figure based on a more current
14 version of the GADS database, the 77.33?

15 A. There are a couple differences here. This
16 didn't pick up quite as many years as we used in our
17 proposal for the standard. Plus there is a difference
18 when you identify coal whether the plant was originally
19 designed to burn coal or not. Those two elements were
20 the reasons why these numbers come out to be 77.33 and
21 our earlier numbers came out to be 76.6.

22 Q. Didn't you use the same time period in
23 developing your 76.6?

24 A. No.

25 Q. This sheet shows the period analyzed as 1986
J. R. LAUCKHART - Cross by Trotter 4657

1 to 1991. What period did you use for your figure?

2 A. I believe we used 1984 to 1991. And the
3 reason for that was the published data that we had was
4 '84 to '91. When we got the GADS database to make the
5 special runs, they only provided us the data for '86 to
6 '91.

7 Q. Centralia 1 and 2 went in service in 1982;
8 is that right?

9 A. Approximately.

10 Q. And Colstrip 1 and 2 went into service in
11 1975 and '76, respectively?

12 A. That's about right.

13 Q. Colstrip 3 and 4 in-service dates were 1984
14 and 1987 respectively?

15 A. Turn to Page 10. Is it correct that the
16 selection criteria here are coal fuel and an in-service
17 date of between 1971 and 1973?

18 A. Yes.

19 Q. Centralia 1 and 2 would be part of the units
20 represented on this table; is that right?

21 A. Yes.

22 Q. I would just like to point out for the
23 record one minor discrepancy. If we would return to
24 Pages 14 and 15 of the exhibit.

25

Mr. Lauckhart, do you recognize Page 15 as

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1 being the first page of the table and Page 14 being the
2 second page of that table?

3 A. I believe that's correct.

4 Q. Rather than belabor the record going through
5 additional pages, would you accept subject to check
6 that Colstrip 1 and 2 data is reflected on, among other
7 pages, Pages 6, 12, and 20?

8 A. 6, 12, and 20 are reflective of Colstrip 1
9 and 2. Some of the other runs could also be reflective
10 of Colstrip 1 and 2.

11 Q. And Colstrip 3 and 4, Pages 8, 15, 18, and
12 23?

13 A. Yes. And, again, some of the other runs
14 could have been reflective.

15 Q. And Centralia 1 and 2, Pages 8, 10?

16 A. 16, and 21?

17 A. Yes. Same response.

18 Q. And by those pages, those would be the first
19 of the two pages that have the table?

20 A. Yes.

21 Q. Mr. Lauckhart, to calculate the amount of
22 energy available from each of Puget's coal resources,
23 you multiply the monthly equivalent availability factor
24 by the unit capacity and then by Puget's percentage

25 share of that unit capacity; is that right?

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1 A. Yes.

2 Q. If you use the equivalent availability
3 factor reported by utilities to NERC in your
4 computation, would it be appropriate to use the
5 capacity of units also recorded to NERC since capacity
6 rating was part of the computation of the units'
7 equivalent availability factor?

8 A. That would be one reasonable way to do it,
9 yes.

10 Q. For Centralia 1 and 2 you used total
11 capacity of each unit of 640 megawatts; is that right?

12 A. Yes.

13 Q. Would you agree subject to check that the
14 capacity of these units reported by Pacificorp for GADS
15 to the database was 655 for both summer and winter?

16 A. I would want to check. Where would I check
17 that?

18 Q. With NERC.

19 A. NERC will not give you the individual data.

20 Q. Did you consult with other owners of these
21 plants to determine whether they were reporting the
22 same capacity for these units as Puget?

23 A. We attempted to do that, yes.

24 Q. And did Pacificorp report the same capacity

25 per unit as Puget?

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1 A. Pacificorp was reluctant to tell us what
2 they were giving to GADS.

3 Q. I'll ask you to accept that subject to
4 check. And if you cannot check it, then I assume
5 you'll report that you can't accept it.

6 MR. VAN NOSTRAND: Your Honor, I don't
7 believe he can accept it subject to check. He has
8 already indicated there is not a way for him to check
9 that.

10 MR. TROTTER: We have apparently obtained
11 the information. And I'm not sure of its source. If
12 we could provide that to you and you think it's
13 reliable, I assume you can check it.

14 Again, your Honor, if it's uncheckable, they
15 will respond if they can't accept it and the number
16 will not be able to be relied on on the record.

17 JUDGE HAENLE: Give it a try, please.

18 BY MR. TROTTER:

19 Q. You used for Colstrip 1 and 2 and Colstrip
20 3, 4 a total capacity of 330 and 730 megawatts
21 respectively?

22 A. Yes.

23 Q. Would you accept subject to check that the
24 total capacity reported by Montana Power to NERC is 314

25 megawatts for Colstrip 1, 316 megawatts for Colstrip 2,

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1 and 720 megawatts for each of the Colstrip 3 and 4
2 units?

3 A. Yes. I did check that [STPHEURBGS] read
4 this carefully. I'm not with it yet [STPHEURBGS].

5 Q. Turning to another subject, you're accepting
6 the Staff's line loss recommendation of 6.1 percent; is
7 that right?

8 A. Yes.

9 Q. On Page 16 to 18 you discussed the Colstrip
10 1 and 2 coal price; is that right?

11 A. Yes.

12 Q. And the contract price is \$7.45 a ton, but
13 Puget has been paying \$5.51 per ton since last
14 September; is that right?

15 A. Yes. And we're about to agree to pay them
16 retroactively back up to the \$7.45 with a further
17 agreement that after the result of the arbitration
18 finalizes that price that we will true that up with
19 interest.

20 Q. Currently under the PRAM the Company is
21 recovering \$7.45 a ton?

22 A. No. Currently under the PRAM, if you
23 recall, that coal price was one of the items that we
24 don't true up under the PRAM. And the coal prices that

25 we have been using for the last three years for rate

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1 recovery purposes are quite a bit lower than the actual
2 amounts we have been paying.

3 Q. What is the Colstrip 1 and 2 coal price
4 reflected in the PRAM?

5 A. I would have to go back and check. But it
6 was the number that was established in the last general
7 rate case.

8 Q. You do agree that under current procedures
9 in the SDM the coal prices are determined based on the
10 last general rate case?

11 A. Those were the rules they set up for the
12 first three-year experiment.

13 That other recovery that we're receiving on
14 the coal prices was one of our concerns with the
15 Staff's movement in the last case to try to claim that
16 actuals in some things should be used on the basic
17 premise that the total cost of the actuals was closer
18 than what we had estimated. They didn't include these
19 coal prices in that conclusion.

20 So, when they made that change to the
21 process on the assumption that you got things closer to
22 actual, they didn't take into account these coal price
23 under-recoveries.

24 Q. PRAM gives an incentive to Puget not to

25 negotiate a lower price until after the rate case

J. R. LAUCKHART - Cross by Trotter

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1 because it can keep the difference. Isn't that right?

2 A. I don't think so. I think in this case
3 we're trying to establish what the proper rate would
4 be.

5 Q. But if the rate that is established in the
6 rate case was set at a certain figure and Puget
7 negotiates a lower price after the rate case, under the
8 current rule it would keep the difference?

9 A. Under the current rule there would be no
10 true-up. Recall, we proposed in this case to adopt a
11 price lower than the contract currently provides for.
12 We would have an incentive, of course, to get that
13 price even below that. But we have no guarantee that
14 we can even get it that low.

15 Q. And your current proposal, which you
16 identify on Page 18, is to simply make an exception to
17 the general rule and true-up in the next PRAM to
18 whatever you negotiate?

19 A. Well, we propose putting a price in here, a
20 dollar less than what the current contract provides
21 for. We have said if that provides too much
22 discomfort, a way to fix that would be to true this up
23 to actual.

24 Q. So, the Company's proposal is still set the

25 price at a dollar below the contract rate, but the

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1 alternative proposal is set it at that level and then

2 true it up in the PRAM?

3 A. Yes.

4 Q. On Page 17 you were asked a question whether

5 Staff's position on this issue has compromised the

6 Company's chances in arbitration. And your response is

7 that it may have.

8 Now, are you saying that the Commission has

9 turned over to any person any document that Puget

10 marked confidential in this proceeding?

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

12 Q. And Puget, if it was concerned about its

13 competitive position, could have marked documents

14 confidential, couldn't it?

15 A. I don't know the answer to that.

16 Q. Do you know whether Puget could have gotten

17 a protective order in this case for these items?

18 A. I'm not all that knowledgeable about

19 protective orders.

20 Q. And do you know whether Puget could have

21 requested a closed hearing on this issue?

22 A. I don't know.

23 Q. On Page 18 you discuss the planned capacity

24 purchase agreement. And on Page 19 you indicate that

25 the analysis of loads and resources on Exhibit 528

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1 indicates that additional resources are necessary
2 should another Arctic event occur this winter.

3 Do you see that?

4 A. Yes.

5 MR. TROTTER: I would like to have marked
6 for identification Company's response to data request
7 2616.

8 JUDGE HAENLE: The multi-page document
9 entitled WUTC Staff rebuttal data request 2616 will be
10 marked as 952.

11 (Marked Exhibit 952)

12 BY MR. TROTTER:

13 Q. Do you recognize Exhibit 952 as your
14 response to data request asking you to update your
15 Exhibit 528 to reflect Puget's revised sales and load
16 forecast?

17 A. Yes.

18 Q. Turn to the third page of the exhibit. On
19 Line 2 you show programmatic conservation; is that
20 right?

21 A. Yes.

22 Q. And the peak contribution from that source
23 does not change from the 1992 to 1997 period? And then
24 on the next page it stays the same through the year

25 2002; is that right?

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1 A. Yes. But you recall my original testimony
2 described that we did not factor in the new
3 conservation.

4 Q. The Company, of course, will be adding
5 additional conservation over that period, will it not?

6 A. That's the current plan.

7 Q. Would it be fair to say that, assuming such
8 conservation is implemented, that the peak needs shown
9 by this exhibit would be overstated?

10 A. Yes.

11 Q. And one of the reasons why Puget changed its
12 load forecast is that it believes that conservation
13 savings are higher than expected at the top?

14 A. Yes. They are higher than they were in the
15 original forecast.

16 Q. And, therefore, shouldn't actual and
17 expected conservation savings be included in your
18 assessment of peak needs?

19 A. Going back to my original testimony in this
20 case, we described why we didn't include it on this
21 table. And the reason was because those decisions are
22 made year to year, on a year-to-year basis. If there
23 was some reason to do that, then we wouldn't have those
24 contributions to our load.

25

We currently plan to do it. And we're just

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1 recognizing that this table does not include that in
2 there.

3 Q. You have previously testified, have you not,
4 that this table represents a point forecast? And it
5 should be emphasized that there is a large degree of
6 uncertainty associated with forecasts of this type?

7 A. Yes.

8 MR. TROTTER: Your Honor, I would move for
9 the admission of Exhibits 951 and 952.

10 JUDGE HAENLE: Any objection, Mr. Van
11 Nostrand.

12 MR. VAN NOSTRAND: No objection, your Honor.

13 JUDGE HAENLE: Mr. Adams?

14 MR. ADAMS: No, your Honor.

15 JUDGE HAENLE: Mr. Furuta?

16 MR. FURUTA: No, objection.

17 JUDGE HAENLE: Mr. Bennett?

18 MR. BENNETT: No objection, your Honor.

19 JUDGE HAENLE: Exhibits 951 and 952 will be
20 entered into the record.

21 (Received Exhibits 951 and 952)

22 BY MR. TROTTER:

23 Q. Turn to Page 23 of your testimony where you
24 begin a discussion of prudence of new resources. And

25 on the bottom of Page 23 you refer to the last general

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1 rate case and the analysis of the cost of WNP-3 and its
2 comparison to the cost of a new coal plant.

3 Do you see that?

4 A. Yes.

5 Q. Cost wasn't the only criteria applied in
6 that case, was it?

7 A. The only criteria for what?

8 Q. In the evaluation of WNP-3 prudence?

9 A. I don't know if there were other criteria.
10 It certainly was the major discussed criterion.

11 Q. You don't recall any other criteria that
12 were used?

13 A. I just don't recall if there was discussion
14 about the other ones. But there was a lot of
15 discussion about cost.

16 Q. Puget didn't do this coal plant analysis
17 when determining whether or not to enter into the
18 projects at issue in this case, did it?

19 A. We did a very similar analysis.

20 Q. That was in the IRP?

21 A. No.

22 Q. Let me ask you this: If such an analysis
23 was done, was it produced in response to data requests
24 asking for support for the decisions for these

25 projects?

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1 A. Yes. It was produced in a response to Data
2 Request 1141.

3 Q. You reference it there in 1141?

4 A. Yes. Just to be clear on this: You know,
5 the new world is to forecast your alternative cost
6 through avoided costs. And when we made these
7 decisions, our avoided cost was based on a coal plant.

8 So, this analysis we did in 1141. And what
9 we did when we made these decisions to compare the cost
10 of these contracts to our avoided costs was the same
11 thing as comparing them to a coal plant.

12 So, I'm a little confused why you think
13 there is some difference here.

14 Q. Well, I was -- you're saying that there is a
15 reference to coal plant in your response to Data
16 Request 1141 because it's implicit in the avoided cost
17 calculation; is that right?

18 A. I guess that's true.

19 Q. There is nothing in Exhibit 1141 that talks
20 directly to coal plants?

21 A. That may be true.

22 Q. Okay. And on Page 24 of your testimony, you
23 state what you basically have just described: that
24 when you made your decisions on the new resources, the

25 Company had an estimate of the best alternative

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4670

1 resources available as identified in its avoided cost
2 calculation; is that right?

3 A. Yes.

4 Q. And when Puget calculated its long-term
5 avoided costs, it was based on the Company's projected
6 cost to build a combined cycle combustion turbine; is
7 that right?

8 A. Not at that time.

9 Q. You're saying that the 1989 calculation of
10 avoided cost did not take into account the long-term
11 avoided cost of a combined cycle combustion turbine?

12 A. No. It used a coal plant. It was after
13 that that we changed to combined cycle combustion
14 turbine.

15 Q. The 1991 computation used the combined
16 cycle?

17 A. I believe it was about that time frame we
18 changed, yes.

19 Q. DSM is not used in the Company's calculation
20 of avoided cost, is it?

21 A. No.

22 Q. And conservation is considered to be Puget's
23 least-cost resource?

24 A. Yes. But our assessment is it's not a

25 magnitude large enough to meet all of our needs. So

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1 true avoided costs would be something else.

2 Q. In the RFP you did not evaluate demand side
3 bids under the same criteria as supply side bids; is
4 that right?

5 A. I think we do. We do our best to put them
6 on a par when we do that evaluation.

7 Q. But the specific criteria may be different?

8 A. By the fact that the nature of the resource
9 is different. But the same thing happens on supply
10 side. We have different types of resources. We would
11 look at them somehow differently.

12 Q. Now, the Sumas March Point 1 and 2, ENCOGEN
13 and Tonasket contracts were all signed between February
14 '89 and March '91; is that right?

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

16 Q. In any event, it was prior to the 1991 RFP?

17 A. Would you restate the question, please?

18 Q. Yes. Sumas, March Point 1 and 2, ENCOGEN
19 and Tonasket all signed the contract between February
20 '89 and March '91 which was a time prior to the '91
21 RFP?

22 A. Prior to the 1991 RFP? That's correct.

23 Q. Was one of the reasons for signing these
24 contracts that they were viewed as lost opportunities

25 regarding large-capacity co-gen?

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1 A. No.

2 Q. And these projects amount to approximately
3 600 megawatts of non-utility generation; is that right?

4 A. Approximately.

5 Q. And Puget's 1989 RFP called for 100
6 megawatts of long-term power supply from conservation
7 and generation resources, and its 1991 RFP was for 100
8 to 200 average megawatts; is that right?

9 A. I don't know what you mean by "called for."
10 But those were the numbers we put in the solicitation.

11 Q. Puget currently has a request before the
12 Commission for a waiver from the rule that would
13 require it to do an RFP in 1993 in order to synchronize
14 the bid with the Company's IRP and because of the
15 Company's reduced need for resources; is that right?

16 A. Yes.

17 Q. Would you agree that the 600 approximate
18 average megawatts of the large capacity cogeneration
19 contracts has reduced Puget's ability to consider new
20 low-cost projects?

21 A. No.

22 Q. Puget's avoided costs have been declining
23 since '89 through the present; is that right?

24 A. Yes. Primarily because gas prices are

25 coming down.

J. R. LAUCKHART - Cross by Trotter

4673

1 Q. In response to the Company's 1991 RFP, did
2 Puget get cogeneration bids that were comparable but
3 lower priced than March Point, Tonasket, or ENCOGEN?

4 A. I don't know. It's hard to compare because
5 they were for different time frames.

6 Q. Puget has not done that comparison?

7 A. No.

8 Q. Turn to your Exhibit 943, which I hope is
9 JRL-20

10 A. Yes?

11 Q. And here you show your new supply resources,
12 the contract rate, percent of avoided cost, and the
13 levelized avoided cost; is that right?

14 A. Yes.

15 Q. Is it true that Puget's Tonasket contract is
16 about 20 percent higher than Puget's current avoided
17 cost?

18 A. (Reading.) That surprises me. I don't know
19 that that's true.

20 Q. The avoided cost that you show in the second
21 and third column of figures are the 1989 avoided costs?

22 A. Those were the avoided costs at the times we
23 entered into the agreements.

24 Q. And the levelized avoided costs in 1989 was

25 68 mils; is that right?

J. R. LAUCKHART - Cross by Trotter

4674

1 A. Could you point me to what you're looking at
2 there?

3 Q. I'm not going through anything on this
4 sheet. But, rather, the Company's avoided cost
5 calculation in 1989.

6 A. Avoided cost calculation is very specific to
7 the number of years, when it starts, when it ends, the
8 seasonality, a few of those things.

9 So, I don't know where that number comes
10 from that you're talking about.

11 Q. Just a minute. We may be able to point you
12 to a document.

13 (Discussion held off the record.)

14 BY MR. TROTTER:

15 Q. Would you accept that the 1989 avoided costs
16 for 1991 through 2010 was 68 mils?

17 A. For what kind of a resource are you talking
18 about here?

19 Q. 56 percent load factor?

20 A. I could check that. I don't know that right
21 here.

22 Q. And would you accept that the same figure in
23 the 1993 avoided cost over the next twenty-year period
24 was 41 mils?

25 A. Which twenty-year period would that be?

J. R. LAUCKHART - Cross by Trotter

4675

1 Q. 1993 to 2012.

2 A. What was the number you gave me?

3 Q. 41 mils. Same load factor.

4 A. That sounds a little low. But it may be
5 because we have identified no need for firm resources
6 for a longer period of time. Once you have added these
7 other resources, of course, that lowers your need for
8 firm. So that higher priced additional power gets
9 shoved further out into the future. It sounds low, but
10 I can check it.

11 Q. Thank you. The March Point, Tonasket, and
12 ENCOGEN contracts, assuming the numbers you have
13 accepted subject to check are correct, are higher than
14 Puget's current long-term avoided costs on the
15 twenty-year levelized basis; is that correct?

16 A. Well, I already said I'm not very
17 comfortable with the number you have asked me to check.
18 I would think they are higher than 41. It almost sound
19 like somebody left off part of the avoided costs when
20 they computed the 41.

21 Q. This includes the variable cost. And you
22 are going to check it?

23 A. I'll check it.

24 Q. Let's move on to your testimony on Page 3,

25 regarding secondary sales and secondary purchase

J. R. LAUCKHART - Cross by Trotter

4676

1 prices.

2 You indicate that you are accepting Mr.

3 Moast's adjustment to reflect the difference in

4 purchase and sales prices in the secondary market?

5 A. Yes.

6 Q. Now, Mr. Moast recommended a secondary sales

7 factor of 107.4 percent and a secondary purchase factor

8 of 87 percent; is that right, that was shown on his

9 Exhibit 782, Page 6?

10 A. Percent of what? I guess I'm a little

11 confused there.

12 Q. That was his -- the melded secondary rate,

13 the factor he developed.

14 A. So, that would be taking the purchase price

15 and sales price, averaging them, and then use 107

16 percent for the sales and 87 for the purchase?

17 Q. Yes.

18 A. I guess I don't know that for sure. We

19 assumed that his numbers came up with a 2.2 million

20 difference between them.

21 Q. So, you did not supply -- apply 107.4

22 percent to your secondary sales outputs from the model?

23 A. No. We took a 2.2 million difference and

24 used that on the inputs to the model.

25 Q. And that's not what Mr. Moast recommended,

J. R. LAUCKHART - Cross by Trotter

4677

1 was it?

2 A. Well, we thought it was.

3 Q. Didn't Mr. Moast apply his factors to the
4 output from the model, not the inputs?

5 A. I don't know if he did that or not. But
6 what we have to do in these models is put input data
7 in. The output is a result of the model run.

8 MR. TROTTER: Your Honor, I would like to
9 have marked for identification Company's response to
10 data request 2610.

11 JUDGE HAENLE: The multi-page document as
12 described will be marked as Exhibit 953 for
13 identification.

14 (Marked Exhibit 953)

15 BY MR. TROTTER:

16 Q. Do you recognize Exhibit 953 as the backup
17 for the Company's calculations for the secondary
18 purchase and sales rates?

19 A. Yes.

20 Q. Could you show us how you applied that 2.2
21 million differential on this exhibit?

22 A. Yes. On the second page of the exhibit,
23 there is a number -- there are two years here. So, you
24 could just take the first block of numbers, which is

25 for 1993/94. And the sales rates are on the four

J. R. LAUCKHART - Cross by Trotter

4678

1 bottom lines of that.

2 So, for example, if you take July of 1993,
3 the sales rates that we input into the model are 19.7
4 mils for that month. The purchase rates that we input
5 are above that show up to be 17.5 mils.

6 So, you know, this is a model where you
7 can't get an output, take a factor on it, use that
8 number, and stick it as input because somebody said you
9 should use these rates. You do and you get a different
10 output. It's sort of a circular calculation at that
11 point.

12 JUDGE HAENLE: Was that July 1993?

13 MR. TROTTER: Yes. I believe what he was
14 talking about is, if you look at 1993, the last four
15 lines show 19.7 for July and the -- those are sales --
16 and the 17.5 on the second line for purchases, and the
17 difference is 2.2 mils.

18 COMMISSIONER CASAD: It's the last page.

19 All right. Okay.

20 MR. TROTTER: It's possible a page got
21 transposed.

22 COMMISSIONER CASAD: I'm with you. Thank
23 you.

24 BY MR. TROTTER:

25 Q. In your initial filing did you assume the

J. R. LAUCKHART - Cross by Trotter

4679

1 same secondary sales and purchase prices?

2 A. Yes.

3 Q. And as this sheet shows, you used this as
4 the input to the PCS; is that right?

5 A. Yes.

6 Q. Isn't it true that since 1988 there have
7 been only two months where secondary sales prices have
8 been less than secondary purchase prices?

9 A. You could make that calculation from some
10 data we provided. It's a little bit of apples and
11 oranges because wheeling charges, whether you're
12 selling or purchasing, get charged to either the seller
13 or purchaser, and that confuses that a little bit.

14 But in most months we would hope that our
15 purchases are less than our sales.

16 Q. Turn to your Exhibit 939. And this is your
17 simple dispatch model. I refer you to Lines 14 and 15.
18 And here you show the 2.2-cent differential, the --

19 A. 2.2 mils, I believe.

20 Q. I'm sorry. You're right.

21 -- with secondary sales being higher than
22 secondary purchases?

23 A. Yes. In some of the months --

24 Q. Could you explain then why January,

25 February, and March show higher secondary purchases

J. R. LAUCKHART - Cross by Trotter

4680

1 than secondary sales?

2 A. Yes. The reason for that is because, as you
3 recall, in this simple dispatch model, we have decided
4 that the way we will compute the secondary purchase
5 rates will be to weighted average the purchases that
6 this model makes and the runs of the gas-fired
7 combustion turbines since our combustion turbines are
8 run with an eye to the secondary market. So, we would
9 run those combustion turbines if they were cheaper than
10 the secondary market. Or if there was no secondary
11 market available.

12 So, if you go back to the exhibit that was
13 just handed out -- and I forget what the identification
14 number on that was --

15 JUDGE HAENLE: 953 for identification?

16 THE WITNESS: 953 and go to the page
17 following the one you were stepping me through. You
18 see that the model actually ran some oil to meet loads
19 in January through June. Not much in May and June.

20 But in the forty years it ran some oil, we
21 weighted the cost of that oil in with the purchase in
22 determining what this model averaged for purchased
23 power costs.

24 So, if you go to the very bottom line there

25 without stepping through the calculation here, you can

J. R. LAUCKHART - Cross by Trotter 4681

1 see the weighted average for January was 27.79. That's
2 weighting the purchases of 1.3 average megawatts at a
3 price of \$21,900 with oil run of 7.5 average megawatts
4 at an oil cost of \$156,000.

5 Q. Now, didn't Mr. Moast apply his secondary
6 price spread factors to the outputs of the PCS model?

7 A. He may have done that. We were under the
8 assumption he wanted the inputs to demonstrate that our
9 purchase prices were usually lower than our sales
10 prices.

11 Q. But instead of applying it to the outputs,
12 you applied it to the inputs; is that right?

13 A. Yes. And as I described before, it becomes
14 circular to try to provide it to the outputs and then
15 stick it back in as an input number and then provide it
16 to the output again. It changes.

17 Q. Mr. Moast did not recommend that it be rerun
18 through the model again, did he?

19 A. Well, this is a little confusing to me here.
20 I thought his recommendation was based on the fact that
21 our secondary purchases as shown on the data we
22 provided to him ran about 2.2 mils lower than our
23 secondary sales.

24 That would be an input to a model.

25 So then we were accepting his proposal.

 J. R. LAUCKHART - Cross by Trotter

4682

1 That's what we thought his proposal was.

2 If his proposal was something different,
3 then I'm confused about it. I'm sorry.

4 Q. And if his proposal is different than you
5 have interpreted, I take it you're not accepting that?

6 A. Well, I don't even understand it.

7 MR. TROTTER: Did I move Exhibit 953?

8 JUDGE HAENLE: You did not.

9 MR. TROTTER: I would so move.

10 JUDGE HAENLE: Any objection, Mr. Van
11 Nostrand?

12 MR. VAN NOSTRAND: No.

13 JUDGE HAENLE: Mr. Adams?

14 MR. ADAMS: No.

15 JUDGE HAENLE: Mr. Furuta, any objection?

16 MR. FURUTA: No.

17 JUDGE HAENLE: Mr. Bennett?

18 MR. BENNETT: No objection, your Honor.

19 JUDGE HAENLE: Exhibit 953 will be entered
20 into the record.

21 (Received Exhibit 953)

22 BY MR. TROTTER:

23 Q. Turn to Page 34 of your testimony. Here
24 you're discussing the sales to Nintendo issue. And on

25 Page 34, Lines 17 through 19, you indicate that in your

J. R. LAUCKHART - Cross by Trotter

4683

1 belief it is difficult to see how Mr. Elgin can claim
2 not to know why the Company decided to serve Nintendo,
3 and you cite to a transcript.

4 Do you see that?

5 A. Yes.

6 Q. Didn't he also state that he didn't
7 understand why Puget decided to serve? Do you recall
8 that testimony?

9 A. Generally I believe he said that, yes.

10 Q. Would you turn to Exhibit 945, which you
11 referred to at that point in your testimony.

12 A. Yes?

13 Q. And this is the data request that Puget
14 provided?

15 A. Yes.

16 Q. And Puget has shown on the first page of
17 this exhibit objected to the extent it required
18 production of information subject to attorney/client
19 privilege?

20 A. Yes. But despite that objection, they
21 provided quite a bit of information here.

22 Q. But it apparently did not provide all of it,
23 did it?

24 A. There was an extensive litigation, as you

25 know.

J. R. LAUCKHART - Cross by Trotter

4684

1 JUDGE HAENLE: The answer is yes or no?

2 THE WITNESS: What was the question again?

3 BY MR. TROTTER:

4 Q. The question was that information that was
5 subject to the attorney/client privilege was not
6 provided, was it?

7 A. I believe the answer to that is yes.

8 JUDGE HAENLE: Yes, it was not provided?

9 THE WITNESS: Yes, the information that was
10 subject to the attorney/client privilege was not
11 provided.

12 JUDGE HAENLE: Thank you. Excellent.

13 BY MR. TROTTER:

14 Q. Did Puget consider Tanner's ability to serve
15 in its decision making with regard to deciding whether
16 or not to serve Nintendo when it did?

17 A. Only indirectly. From the fact that
18 Nintendo was so concerned to us, they expressed their
19 concern to us, that they didn't believe Tanner could
20 provide them adequate service that they really wanted
21 our service.

22 Q. Tanner took the opposite position, did it
23 not?

24 A. Took which position?

25 Q. That it could serve reliably?

J. R. LAUCKHART - Cross by Trotter

4685

1 A. That's debatable. I think what Tanner said
2 is they could serve.

3 Q. Did you review any consultant reports that
4 were presented to the court on the issue of
5 reliability?

6 A. Yes, I did.

7 Q. You would agree there were reports on both
8 sides of that issue provided by Tanner and Nintendo
9 respectively?

10 A. There was a lot of testimony on that issue.
11 In my mind it was -- and I had not been involved in
12 that consideration until that trial. And in my mind it
13 was quite clear from that trial that Tanner would not
14 be able to reliably serve Nintendo.

15 Q. Clearly Tanner and Nintendo were on opposite
16 sides of that issue?

17 A. It's not clear in my mind where Tanner was
18 on that. Like I said, Tanner said they could serve.
19 There was some question about the reliability even in
20 their own people's minds.

21 Q. On Page 35 of your testimony, you cite the
22 Commission's declaratory order, and you indicate that
23 the Commission clearly said that no commission law
24 prohibits such service.

25 Do you see that?

J. R. LAUCKHART - Cross by Trotter

4686

1 A. Yes.

2 Q. Did you find anything in that order where
3 the Commission said that the law required that service?

4 A. I don't recall anything that said that.

5 Q. One of the purposes of decoupling is to
6 remove the incentives to sell additional kwh. Isn't
7 that correct?

8 A. We think the purpose of decoupling is to
9 remove regulatory barriers that tend to discourage
10 pursuit of energy efficiency. We think that's the
11 purpose.

12 Q. Have you read Mr. Sonstelie's testimony on
13 that point regarding incentive to sell additional kwh?

14 A. In this case are you talking about?

15 Q. Yes.

16 A. I have read his testimony. I haven't
17 reviewed it much lately.

18 Q. Were you here for his cross-examination?

19 A. Yes, I was.

20 Q. Did you hear him state that a purpose of the
21 PRAM experiment and decoupling was to remove an
22 incentive for the Company to sell additional kwh?

23 A. He might have. And I believe it does do
24 that. In fact, with decoupling, of course, adding

25 Nintendo as a customer does not give the Company much

J. R. LAUCKHART - Cross by Trotter 4687

1 additional revenue. I can't recall the exact number,
2 but \$600 a customer or something.

3 Obviously the Company didn't do this for the
4 sole purpose of making a big profit. The reason the
5 Company served this was because we were asked to. We
6 felt we had an obligation. Likewise, we felt we had a
7 right to. Nintendo very much wanted us to. And it
8 seemed to make sense from a large standpoint for all
9 people involved.

10 Nintendo is a very important load to this
11 region -- not a load, but an employment company to this
12 region. It brings a lot of economic benefit to the
13 region. And it seems that even if we didn't have an
14 obligation to do it, if we had a right to do it, it
15 made sense to do it.

16 There has been so much misunderstanding
17 around this whole issue of Nintendo.

18 Q. Excuse me, Mr. Lauckhart. When you say make
19 sense to do it, you mean that it was worth Puget
20 gaining the \$600 plus per customer to do it?

21 A. No.

22 MR. TROTTER: Nothing further. Thank you.

23 JUDGE HAENLE: All right. Do you have
24 questions, Mr. Richardson?

25 MR. RICHARDSON: Just a couple, your Honor.

J. R. LAUCKHART - Cross by Trotter

4688

1

2 C R O S S - E X A M I N A T I O N

3 BY MR. RICHARDSON:

4 Q. Good morning, Mr. Lauckhart.

5 A. Good morning.

6 Q. Would you refer to Page 32 of your rebuttal
7 testimony.

8 A. Yes.

9 Q. And at that page beginning on Line 11, you
10 contrast PGE's decoupling proposal with Puget's; is
11 that correct?

12 A. Yes.

13 MR. RICHARDSON: Your Honor, I would like to
14 have marked for identification WICFUR's response to
15 Puget's Request No. 4313.

16 JUDGE HAENLE: Multi-page document with that
17 caption will be marked as Exhibit 954 for
18 identification.

19 (Marked Exhibit 954)

20 BY MR. RICHARDSON:

21 Q. Mr. Lauckhart, do you recognize this
22 document?

23 A. Yes.

24 Q. Is this the PGE decoupling proposal that you

25 reference in your rebuttal testimony?

WITNESS: J. R. LAUCKHART - Cross by Richardson 4689

1 A. (Reading.) This is one document that
2 attempts to describe it, I believe.

3 Q. Did you rely in part upon this document in
4 your analysis of the differences between PGE's
5 decoupling proposal and Puget's?

6 A. In part.

7 MR. RICHARDSON: Your Honor, I would like to
8 move the admission of Exhibit No. 954.

9 JUDGE HAENLE: Any objection, Mr. Van
10 Nostrand?

11 MR. VAN NOSTRAND: No, your Honor.

12 JUDGE HAENLE: Mr. Trotter?

13 MR. TROTTER: No.

14 JUDGE HAENLE: Mr. Adams?

15 MR. ADAMS: No.

16 JUDGE HAENLE: Mr. Furuta?

17 MR. FURUTA: No.

18 JUDGE HAENLE: Exhibit 954 will be entered
19 into the record.

20 (Received Exhibit 954)

21 BY MR. RICHARDSON:

22 Q. Mr. Lauckhart, if you would please turn to
23 Page 8 of your rebuttal testimony. At Line 20 of that
24 page you state that "We stand by the results of the

25 Study. Actual data collected over the last four years

WITNESS: J. R. LAUCKHART - Cross by Richardson 4690

1 indicates that the computer model clearly overstates
2 amounts of hydrogeneration from a given quantity of
3 water."

4 Is that your testimony?

5 A. I think the word was overestimates. Other
6 than that, yes.

7 MR. RICHARDSON: Your Honor, I would like to
8 have marked for identification WUTC Staff Data Request
9 No. 2656. And accompanying that is Request No. 1506,
10 which is the first data request from WICFUR, response
11 by the Company, and also accompanying it is WUTC Staff
12 Request No. 2450 with the Company's response.

13 JUDGE HAENLE: You wanted them all marked
14 separately?

15 MR. RICHARDSON: I would like them marked
16 separately if I could. Or if it was the pleasure of
17 the chair I could have them marked as one document.

18 JUDGE HAENLE: Separately is fine. I just
19 need to get enough copies.

20 MR. VAN NOSTRAND: If I could note for the
21 record, the response to 1506 is already included in the
22 record as Exhibit 801.

23 MR. RICHARDSON: Without wanting to unduly
24 burden the record, I'll ask that 1506 not be marked.

25 JUDGE HAENLE: I'll give you back the
WITNESS: J. R. LAUCKHART - Cross by Richardson 4691
1 copies.

2 JUDGE HAENLE: I'll mark the response to
3 Staff Rebuttal Data Request 2656 as 955 for
4 identification. And the response to Staff Request 2450
5 as 956 for identification.

6 THE WITNESS: 1506 was --

7 MR. RICHARDSON: 1506 was not marked because
8 it is already in the record as Exhibit No. -- it's
9 already in the record.

10 MR. VAN NOSTRAND: That's 864, your Honor.
11 It was an excerpt put in through Schoenbeck as 801.
12 The full study is 864. But it is in the record.

13 JUDGE HAENLE: Thank you.

14 MR. RICHARDSON: So, we have 2656 will be
15 marked as 955?

16 JUDGE HAENLE: Yes.

17 MR. RICHARDSON: 2450 marked as 956?

18 JUDGE HAENLE: Yes.

19 MR. RICHARDSON: Thank you, your Honor.

20 (Marked Exhibits 955 and 956)

21 BY MR. RICHARDSON:

22 Q. Mr. Lauckhart, do you recognize as Exhibit
23 955 that which is WUTC Staff Data Request No. 2656?

24 A. Yes.

25 Q. And your response to the inquiry regarding
WITNESS: J. R. LAUCKHART - Cross by Richardson 4692
1 the computer model overestimates of hydrogeneration is
2 reference to Exhibit No. -- what has been marked as
3 Exhibit 864 and 956; is that correct?

4 A. Yes.

5 Q. And does Exhibit No. 955, noting that the
6 references to the other two exhibits, does that
7 complete your response to Data Request No. 2656?

8 A. That is the response.

9 Q. Is that still your complete response?

10 A. Yes.

11 MR. RICHARDSON: I would move the admission
12 of Exhibits 955 and 956.

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

15 MR. VAN NOSTRAND: No, your Honor.

16 JUDGE HAENLE: Any objection, Mr. Trotter?

17 MR. TROTTER: No. But the first sentence of
18 955 for the JRL-17 should be JRL-15.

19 JUDGE HAENLE: I'll change that on the
20 official copy if that's all right with everybody.

21 MR. RICHARDSON: That's correct, your Honor.
22 That's actually a reference to Mr. Lauckhart's rebuttal
23 testimony, which is Exhibit 938.

24 JUDGE HAENLE: Any objection to the entry of

25 the documents, Mr. Adams?

WITNESS: J. R. LAUCKHART - Cross by Richardson 4693

1 MR. ADAMS: No, your Honor.

2 JUDGE HAENLE: Any objection, Mr. Furuta?

3 MR. FURUTA: No.

4 JUDGE HAENLE: 955 and 956 will be entered
5 into the record.

6 (Received Exhibits 955 and 956)

7 BY MR. RICHARDSON:

8 Q. Mr. Lauckhart, would you please turn to Page
9 19 and over to 20, beginning on the bottom of Page 19
10 at Line 22. In that answer you state that the Company
11 is studying the advisability of securing more permanent
12 peaking resources and that until the study is completed
13 we have a demonstrated need that must be met. And it
14 makes sense to secure this low-cost peaking capability
15 if it is available.

16 Do you see that, Mr. Lauckhart?

17 A. Yes.

18 MR. RICHARDSON: Your Honor, I would like to
19 have marked for identification purposes WUTC Staff
20 Request No. 2618.

21 JUDGE HAENLE: The multi-page document with
22 that caption will be marked as Exhibit 957 for
23 identification.

24 (Marked Exhibit 957)

25 MR. RICHARDSON: Thank you, your Honor.

WITNESS: J. R. LAUCKHART - Cross by Richardson 4694

1 BY MR. RICHARDSON:

2 Q. Mr. Lauckhart, do you recognize this as your
3 response to the Staff's inquiry regarding the specific
4 capacity options that Puget is contemplating?

5 A. We had a supplemental response to this
6 request, also.

7 Q. Do you recall the number that the
8 supplemental response was?

9 A. It was supplemental response to Request No.
10 2618.

11 MR. RICHARDSON: Your Honor, I would like
12 to, in order to make as complete a record as possible,
13 I would like to include the supplemental response as
14 part of this. I do not have a copy of this at this
15 point.

16 JUDGE HAENLE: Can the Company see if it has
17 a copy and provide it to --

18 MR. VAN NOSTRAND: We'll have copies made
19 and include it as part of the submittal.

20 MR. RICHARDSON: This has been marked 957?

21 JUDGE HAENLE: That's correct.

22 BY MR. RICHARDSON:

23 Q. Mr. Lauckhart, acknowledging that there is a
24 supplemental response to this and if the supplemental

25 response were attached, would that supplemental

WITNESS: J. R. LAUCKHART - Cross by Richardson 4695

1 response in addition to this response complete your
2 answer to Request No. 2618?

3 A. Yes.

4 MR. RICHARDSON: Your Honor, I would move
5 admission of Exhibit No. 957 with the notation that
6 we will include the supplemental response to it at the
7 break.

8 JUDGE HAENLE: I think I would like to have
9 the other parties be able to see it before I rule on
10 it. Why don't we reserve ruling on that.

11 MR. RICHARDSON: Thank you, your Honor.

12 BY MR. RICHARDSON:

13 Q. Would you please turn to Page 38 of your
14 prepared rebuttal testimony. Beginning on Line 16 you
15 respond to a question regarding the impacts of various
16 parties' positions on the Company's power supply
17 expenses. And you reference your Exhibit No. 947 in
18 which you update your power supply expenses to account
19 for the other parties' positions on several issues; is
20 that correct?

21 A. Yes. Not all, but several positions.

22 MR. RICHARDSON: Your Honor, I would like to
23 have marked as the next exhibit in line Public Counsel
24 Data Request No. 3526 and the Company's response to

25 that request.

WITNESS: J. R. LAUCKHART - Cross by Richardson 4696

1 JUDGE HAENLE: Thank you.

2 The one-page document as described will
3 be marked as Exhibit 958 for identification.

4 (Marked Exhibit 958)

5 BY MR. RICHARDSON:

6 Q. Mr. Lauckhart, do you recall being requested
7 to expand your analysis on your Exhibit No. 947 by the
8 Public Counsel in its Data Request No. 3526 to expand
9 your analysis to include the identified issues on that
10 data request?

11 A. Yes.

12 Q. Is your response to that data request still
13 accurate?

14 A. Yes.

15 MR. RICHARDSON: Your Honor, I would move
16 the admission of Exhibit 958.

17 JUDGE HAENLE: Any objection, Mr. Van
18 Nostrand.

19 MR. VAN NOSTRAND: No.

20 JUDGE HAENLE: Mr. Trotter?

21 MR. TROTTER: No.

22 JUDGE HAENLE: Mr. Adams?

23 MR. ADAMS: No.

24 JUDGE HAENLE: Any objection, Mr. Furuta?

25 MR. FURUTA: No objection.

WITNESS: J. R. LAUCKHART - Cross by Richardson 4697

1 JUDGE HAENLE: Exhibit 958 will be entered
2 into the record.

3 (Received Exhibit 958)

4 MR. RICHARDSON: With the reservation of
5 Exhibit No. 957, your Honor, that concludes my
6 questioning.

7 JUDGE HAENLE: Do you have questions, Mr.
8 Furuta?

9 MR. FURUTA: No, I do not, your Honor.

10 JUDGE HAENLE: Why don't we break at this
11 time, take our fifteen-minute morning recess. When we
12 get back, if you can see if you can have that document,
13 Mr. Richardson. If it's not possible to do it during
14 the break, perhaps you could do it during lunch.

15 MR. RICHARDSON: I think that's possible,
16 your Honor.

17 JUDGE HAENLE: Let's be back at 25 minutes
18 to.

19 (Recess.)

20 JUDGE HAENLE: We're back on the record
21 after our morning recess. Before we went back on the
22 record, Mr. Richardson distributed a multi-page
23 document. At the top it says Supplemental Response to
24 Data Request No. 2618. Add this to the end of what I

25 have already marked as 957 for identification.

WITNESS: J. R. LAUCKHART - Cross by Richardson 4698

1 This is the update that you described, Mr.
2 Lauckhart?

3 THE WITNESS: Yes.

4 JUDGE HAENLE: And then with the addition of
5 this document, with both of those documents, I assume
6 you want to move the entry, Mr. Richardson?.

7 MR. RICHARDSON: I do, your Honor.

8 JUDGE HAENLE: Any objection, Mr. Van
9 Nostrand.

10 MR. VAN NOSTRAND: No.

11 JUDGE HAENLE: Mr. Trotter?

12 MR. TROTTER: No.

13 JUDGE HAENLE: Mr. Adams?

14 MR. ADAMS: No.

15 JUDGE HAENLE: Mr. Furuta?

16 MR. FURUTA: No objection.

17 JUDGE HAENLE: All right. 957 will be
18 entered into the record.

19 (Received Exhibit 957)

20 Mr. Adams, I believe you're next.

21

22 C R O S S - E X A M I N A T I O N

23 BY MR. ADAMS:

24 Q. Good morning, Mr. Lauckhart.

25 A. Good morning, Mr. Adams.

WITNESS: J. R. LAUCKHART - Cross by Adams 4699

1 Q. I want to start off with a few questions on
2 hydro normalization.

3 At Page 4 of your testimony, starting on
4 Line 23, you refer to the Commission's sixth
5 supplemental order in the Company's last general rate
6 case.

7 In that order the Commission asked Puget and
8 the other electric utilities to evaluate the best
9 method for determining normal hydro; right?

10 A. Yes.

11 Q. Would you accept that order was dated March
12 30, 1990?

13 Q. Yes.

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

15 Q. Did Puget and the other utilities hold any
16 meetings pursuant to this order before the start of
17 this current rate case?

18 A. No.

19 Q. Am I correct that the first meeting was held
20 on January 13, 1993? Would you accept that subject to
21 check?

22 A. I will. I'll accept that subject to check.

23 Q. And the Company's power supply costs were
24 based on a fifty-year average in your original filing

25 of this case; is that right?

WITNESS: J. R. LAUCKHART - Cross by Adams 4700

1 A. Yes.

2 Q. And you have maintained that same fifty-year
3 average in your rebuttal testimony; correct?

4 A. Yes.

5 Q. Now, the fifty-year period that you propose
6 to use to define normal hydro ends with the 1977/78
7 water year; correct?

8 A. Yes.

9 Q. Is it correct that the fifty-year hydro
10 record is based on stream flows that have been modified
11 to reflect irrigation and flood control conditions that
12 existed in 1980?

13 A. 1980, yes.

14 Q. And you have testified that the more recent
15 data are not yet available; correct?

16 A. It's not available in a form that we can use
17 yet.

18 Q. Do you have any updated information about
19 when the next ten years of data will be available?

20 A. I understand it will be available later this
21 year.

22 Q. That's pretty much the same time frame that
23 has been referred to earlier is that right are; is that
24 right?

25 A. Yes.

WITNESS: J. R. LAUCKHART - Cross by Adams 4701

1 Q. Regarding the availability of data, would
2 you agree that the natural stream flows is available
3 through 1992?

4 A. Yes. Even beyond that. Probably all the
5 way up through June of this year.

6 Q. And would you agree, would you not, that the
7 witnesses Norwood, Lozovoy, and Blackmon used this data
8 set in their direct testimony?

9 A. I don't recall specifically.

10 Q. Would you accept that subject to check?

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

12 Q. Can you explain why you did not use the
13 stream flow data from the period from 1978 through 1992
14 to calculate the amount of hydro available for Puget
15 under those water conditions?

16 A. With respect to our pro forma power costs in
17 this case?

18 Q. Yes.

19 A. Yes. The problem we're dealing with there
20 is that Puget has never attempted to staff up to run
21 the regulator that's used to provide megawatts out of
22 our plants based on historical flows. We could staff
23 up to do that.

24 We could -- we would not only need to staff

25 up to run that regulator, understand it and run it, but

WITNESS: J. R. LAUCKHART - Cross by Adams 4702

1 we would need to staff up so that we could take the raw
2 data on the natural flows and convert it into a form
3 that would be usable in that regulator.

4 We just do not have the staff at this time
5 to do all that. So, that's why we haven't done it.

6 Q. What needs to be converted?

7 A. Typically they would take all the depletion
8 levels to the current year's data. So, you would have
9 to go back to all the way to 1928 flows, for example,
10 and adjust those numbers for current levels of
11 irrigation, domestic water supply, et cetera.

12 Q. I want to move to discussion of your hydro
13 realization adjustment.

14 MR. ADAMS: Your Honor, I would like to have
15 marked as the next exhibits in line two documents, the
16 first entitled Public Counsel Data Request 3508, and
17 the second one is a Revised Response to Request 3508.

18 JUDGE HAENLE: You wanted them marked
19 separately?

20 MR. ADAMS: I would like them marked
21 separately.

22 JUDGE HAENLE: All right.

23 You have handed me two documents. The
24 first is entitled Public Counsel Data Request No. 3508.

25 This will be marked as 959 for identification.

WITNESS: J. R. LAUCKHART - Cross by Adams 4703

1 The second is entitled Public Counsel data
2 request revised response by Mr. Lauckhart to Request
3 No. 3508. This will be marked as 960 for
4 identification.

5 (Marked Exhibits 959 and 960)

6 BY MR. ADAMS:

7 Q. Mr. Lauckhart, perhaps counsel can correct
8 me if I'm wrong on this, but I believe Exhibit 804 and
9 the first study that was the basis for the 6.1 percent
10 value that you refer to in your testimony is already in
11 the record?

12 MR. VAN NOSTRAND: 864.

13 MR. ADAMS: I'm sorry. 864.

14 BY MR. ADAMS:

15 Q. Do you recognize what have been marked as
16 Identifications 959 and 960 as being runs made pursuant
17 -- at least the Company states -- pursuant to your
18 rebuttal testimony?

19 A. Yes. Those were runs that we made
20 essentially at the request of Mr. Blackmon.

21 Q. And am I correct that the results shown in
22 what's been marked for identification as 960 were the
23 corrections that you made to your testimony at the
24 time your rebuttal testimony was entered?

25 A. Are you talking about yesterday morning?

WITNESS: J. R. LAUCKHART - Cross by Adams 4704

1 Q. Yes.

2 A. Yes. The revised response was the basis for
3 my correction I made yesterday morning.

4 MR. ADAMS: Your Honor, I would move the
5 admission of Exhibits 959 and 960.

6 JUDGE HAENLE: Any objection, Mr. Van
7 Nostrand?

8 MR. VAN NOSTRAND: No objection, your Honor.
9 I would like to note 959 is somewhat incomplete. There
10 is a portion generation data, NRF, generation data,
11 actual fitted tables that were included in response to
12 3508 which are not included in 959.

13 MR. ADAMS: I disagree. I don't believe
14 that we did receive that information.

15 THE WITNESS: I could clarify that probably.

16 The original response went out without it,
17 and then we faxed that to Mr. Blackmon.

18 MR. ADAMS: But you did not fax it to our
19 office? Just to Mr. Blackmon? Is that correct?

20 THE WITNESS: I don't know.

21 JUDGE HAENLE: Any objection to the
22 document, Mr. Trotter?

23 MR. TROTTER: No.

24 JUDGE HAENLE: Objection, Mr. Adams?

25 MR. ADAMS: It's my proposal.

WITNESS: J. R. LAUCKHART - Cross by Adams 4705

1 JUDGE HAENLE: Sorry.

2 JUDGE HAENLE: Mr. Furuta, any objection?

3 MR. FURUTA: No, your Honor.

4 JUDGE HAENLE: Mr. Richardson?.

5 MR. RICHARDSON: No objection, your Honor.

6 JUDGE HAENLE: Exhibits 959 and 960 will be
7 entered into the record.

8 (Received Exhibits 959 and 960)

9 MR. ADAMS: We would be most happy to add
10 those pages if the Company would like those added. We
11 did not intend to put in an incomplete exhibit.

12 THE WITNESS: I think the response really
13 isn't complete without them.

14 MR. VAN NOSTRAND: We can have those copies
15 made and added onto this exhibit after lunch.

16 JUDGE HAENLE: That would be fine if you
17 would do that at lunch.

18 BY MR. ADAMS:

19 Q. Now, Mr. Lauckhart, am I correct that after
20 receiving Exhibit 959 Mr. Blackmon called you
21 concerning his difficulty in replicating some of the
22 numbers, and in response to that you looked at the
23 numbers or someone on your Staff did and there was
24 apparently some error?

25 A. Yes. He identified that we had made an

WITNESS: J. R. LAUCKHART - Cross by Adams 4706

1 error.

2 Q. What was the nature of the error?

3 A. Well, we were running some regressions here,
4 and Mr. Blackmon was checking our regression analysis
5 and couldn't duplicate our numbers.

6 We went back to figure out why that was and
7 concluded somehow our regressions had been done in
8 error.

9 Q. But as far as you know they have been
10 corrected in what is now Exhibit 960?

11 A. Yes.

12 Q. Also, looking at the first page of the
13 response to Exhibit 959 -- that is, not the cover
14 sheet, but the response itself -- there is handwritten
15 on the top "Study done at Mr. Blackmon's request.

16 That was written on by the Company; not by
17 Public Counsel?

18 A. That's right.

19 Q. In general, do these studies attempt to
20 estimate the relationship between stream flow and power
21 generation using multiple regression analysis?

22 A. Yes.

23 Q. Do these studies use this estimated flow
24 generation and relationship to recalculate the amount

25 of generation that would result under historical stream

WITNESS: J. R. LAUCKHART - Cross by Adams 4707

1 flow conditions?

2 A. Well, they were actually used to help us
3 understand why we were having some of our large hydro
4 deferrals and to try to better understand how well the
5 computer model, the regulator, was able to forecast
6 correctly generation at these hydro projects based on a
7 given amount of water.

8 Q. I'm going to now again ask that question:
9 Do these studies use that estimated flow generation
10 relationship to recalculate the amount of generation
11 that would result under historical stream flow
12 conditions?

13 A. Well, the correct answer to that is no.
14 These studies are just simply used to determine the
15 percentage difference between actuals and regulated
16 values. We then used that percentage as an adjustment
17 to our production costing model to come up with a new
18 cost.

19 Q. In the original study, the one that found
20 6.1 percent reduction, did you use the regression
21 analysis results to adjust the hydrogeneration values
22 over the entire range of possible values? Or did you
23 limit the adjustment to the range of the data that was
24 used to calculate the new flow generation relationship?

25 A. We attempted to adjust at least 90 percent

 WITNESS: J. R. LAUCKHART - Cross by Adams 4708

1 of the points.

2 Q. So, are you saying that you cannot answer
3 that question with a yes or no answer? Do you want me
4 to repeat the question?

5 A. Yes, would you repeat the question?

6 Q. In your original study, the one that found
7 the 6.1 percent reduction, did you use the regression
8 analysis results to adjust the hydrogeneration values
9 over the entire range of possible values? Or did you
10 limit the adjustment to the range of the data that was
11 used to calculate the new flow generation relationship?

12 A. We limited the adjustment because we were
13 able to cover 90 percent of the data points that way.

14 Q. You did limit it to the data that was
15 defined or limited by the 47 data points, did you not?

16 A. Yes.

17 Q. Now, in your revised study -- that is
18 referring you now to Exhibit 959 -- you reestimated the
19 flow generation --

20 JUDGE HAENLE: I think 960 is the revised.

21 MR. ADAMS: I'm referring to the first
22 revision. Perhaps I shouldn't call it a revision.
23 Let's call it the first response to the request of Mr.
24 Blackmon.

25 BY MR. ADAMS:

WITNESS: J. R. LAUCKHART - Cross by Adams 4709

1 Q. There you reestimated the flow generation
2 relationship using 46 data points instead of 47; is
3 that correct?

4 A. Yes.

5 Q. Does this mean that the range of stream
6 flows in the revised study is smaller than in the
7 original study?

8 A. What do you mean by range of stream flows?

9 Q. It is the range between the smallest stream
10 flow included in the regression analysis and the
11 largest?

12 A. In the regression analysis portion, when you
13 dropped off the one higher point, that narrowed the
14 range of points that we did use.

15 Q. In Exhibit 959?

16 A. When you used the new estimate of the flow
17 generation relationship to adjust historical stream
18 flow data, did you limit the adjustment to the range of
19 stream flows defined by the 46 data points? Or did you
20 apply it over a wider range?

21 A. We did it wider than the points. We stuck
22 with our 90 percent of the points standard that we had
23 used before.

24 Q. Is the 90 percent of points a factor that

25 you have used referred to in your original study?

WITNESS: J. R. LAUCKHART - Cross by Adams 4710

1 A. Yes.

2 MR. ADAMS: Your Honor, I would like to have
3 marked a one-page document which would be Exhibit 961?

4 JUDGE HAENLE: Yes, sir.

5 JUDGE HAENLE: You have given me a one-page
6 document entitled memorandum and dated April 20, 1993.
7 I will mark this as Exhibit 961 for identification.

8 (Marked Exhibit 961)

9 BY MR. ADAMS:

10 Q. Looking at what's been marked for
11 identification 961, Mr. Lauckhart, is this the memo
12 that or the request that Mr. Blackmon sent to you
13 in which then you responded to by running what have
14 been identified as 959 and 960?

15 A. I was recalling a verbal request. I didn't
16 even recall that we had gotten a request in writing.

17 Q. Is this document, which is Exhibit 961,
18 consistent with your understanding of the verbal
19 request?

20 A. Not with respect to this last issue we were
21 talking about.

22 Q. When you say "this last issue," what issue
23 is that?

24 A. The range of the points that Mr. Blackmon

25 wanted the regression done over.

WITNESS: J. R. LAUCKHART - Cross by Adams 4711

1 Q. Could you tell us where this document went
2 if it was not delivered to you? You say you have never
3 seen this document before?

4 A. I might have seen it. That was back in
5 April. We didn't do the study until quite a bit later.
6 I didn't recall that the document had come in at the
7 time we were able to do the study. I was recalling the
8 phone conversation.

9 Q. But you're not suggesting that this was not
10 delivered to you and that you have seen it in the past?

11 A. No, I'm not.

12 MR. ADAMS: Your Honor, I would move the
13 admission of Exhibit 961.

14 JUDGE HAENLE: Any objection, Mr. Van
15 Nostrand?

16 MR. VAN NOSTRAND: No, your Honor.

17 JUDGE HAENLE: Mr. Trotter?

18 MR. TROTTER: No.

19 JUDGE HAENLE: Mr. Furuta?

20 MR. FURUTA: No.

21 MR. RICHARDSON: No objection, your Honor.

22 JUDGE HAENLE: Exhibit 961 will be entered
23 into the record.

24 (Received Exhibit 961)

25 BY MR. ADAMS:

WITNESS: J. R. LAUCKHART - Cross by Adams 4712

1 Q. Mr. Lauckhart do you recall in Mr.
2 Blackmon's testimony he identified two problems with
3 the original hydro realization study? One was the
4 problem that there was a single outlying observation,
5 and the second problem was that the error or residual
6 terms did not appear to be randomly distributed. Do
7 you recall those?

8 A. Very generally I recall that.

9 Q. Would you agree that both Exhibits 959 and
10 960 do not address the second concern of Mr. Blackmon?
11 That was the one about the error terms.

12 A. I don't know. I'm not sure I fully
13 understand that term.

14 Q. Now, I want to change to another area. This
15 is your -- pardon me. Let's continue on.

16 Can you tell me whether Puget has
17 incorporated its proposed hydro adjustment into its
18 integrated resource plans?

19 A. I think we had a data request from you on
20 that. And if I recall, the answer was the studies done
21 in the integrated resource plan are fairly crude with
22 respect to power costs. It's a different model we use.
23 It would not reflect plus or minus 4 percent number on
24 a hydro. Its accuracy is not within that kind of

25 accuracy.

WITNESS: J. R. LAUCKHART - Cross by Adams 4713

1 Those are, you know, general ballpark
2 analyses that are done there.

3 The other part of that answer was that some
4 of the integrated resource plan information comes
5 directly from PNUCC's data. And to that extent the 4
6 percent adjustment would not have been included.

7 Q. Basically it was not included in either; is
8 that correct? Either your integrated resource plan or
9 the information that becomes part of the regional data?

10 A. No. My answer was both had to do with the
11 integrated resource plan. I was pointing out on the
12 second point the integrated resource plan includes some
13 data from PNUCC's NRF. So the extent it included that
14 and PNUCC does not use that realization factor at this
15 point, that wouldn't have been included in the
16 integrated resource plan.

17 As far as the other goes, you couldn't tell
18 me if it was in there or not.

19 JUDGE HAENLE: Tell me about NRF.

20 THE WITNESS: NRF is a short -- it's the
21 letters we use to describe the Northwest Regional
22 Forecast.

23 JUDGE HAENLE: Thank you. Acronym?

24 THE WITNESS: Thank you.

25 BY MR. ADAMS:

WITNESS: J. R. LAUCKHART - Cross by Adams 4714

1 Q. Your integrated resource plan, how accurate
2 do you get in forecasting your hydro? To the nearest
3 100 megawatts? Thousand megawatts?

4 A. We use two models there. None of them are
5 like this production costing model we use for rate
6 purposes. One is what we call the WUTC I, or WUTC
7 model, that has a single number for hydro in a year.
8 It doesn't have like we have here fourteen months per
9 year and fifty water conditions per year. It just has
10 a single number.

11 We have an additional model that is used
12 called -- I think we call it a macro model. And it
13 has a similar analysis.

14 JUDGE HAENLE: Spell that, please?

15 THE WITNESS: M-A-C-R-O, macro.

16 JUDGE HAENLE: Thank you.

17 BY MR. ADAMS:

18 Q. Similar to what?

19 A. A single number per year.

20 Q. At what level is that single number?

21 A. It's like an average water for a year.

22 Q. So, it's a specific number in the hundreds?

23 In other words, can you give us the current number?

24 A. It's around 1,000 megawatts per year.

25 Q. Is it correct that your hydro realization

WITNESS: J. R. LAUCKHART - Cross by Adams 4715

1 study alleges that the regional hydro model overstates
2 Puget's generation by 50 average megawatts?

3 A. I believe in 960 the number is -- I don't
4 remember what it was in the other one. I don't have
5 that here -- it's 41 megawatts in this study that
6 was part of 960.

7 Q. That's at the 4.9 percent number?

8 A. Yes.

9 Q. Obviously if you were at the 6.9 percent --

10 A. I think it was 6.1 percent.

11 Q. -- it would be higher?

12 A. Yes.

13 Q. Would you accept that 50 average megawatts
14 is about the number?

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

16 Q. You're saying 50 average megawatts is not
17 enough energy to detect?

18 A. What I'm saying is the results of those
19 studies, the dollar difference between that model run
20 for a year and our production costing model, the one
21 that we use for rates purposes, is probably going to be
22 different than the effect of 40 or 50 megawatts just by
23 the nature of the roughness of the models.

24 Q. What about Puget's reporting of its

25 resources to the Pacific Northwest Utilities

WITNESS: J. R. LAUCKHART - Cross by Adams 4716

1 Coordinating Committee, PNUCC? Has Puget reduced the
2 amounts it reports in the PNUCC --

3 A. We do not give them the hydro data. They
4 use the same regulator that we're using here. And it
5 has that same problem. So, we don't provide that data
6 to them. They take natural flow data, adjust it, run
7 it through a regulator, and tell us what that number
8 is. And that's what's raised this whole issue is in
9 our mind how accurate is that number?

10 Q. It's that number that you're disagreeing
11 with?

12 A. Yes.

13 Q. So, you have not provided them corrected
14 data; is that right?

15 A. I'm not sure what you mean by "provided them
16 corrected data."

17 Q. Have you attempted to correct what you see
18 as the problem and you identify in your testimony, have
19 you attempted to correct it at the PNUCC level?

20 A. We have talked to them about that.

21 Q. Have any recommendations been made at this
22 point?

23 A. The next go-around on in will begin late
24 this year. We would anticipate that they will be

25 responsive to our request to correct this then.

WITNESS: J. R. LAUCKHART - Cross by Adams 4717

1 Q. Am I correct that in response to our request
2 as to whether any written documents you have
3 communicated in any written documents to other
4 utilities your concern about the accuracy of the
5 hydrogeneration model that you and these other
6 utilities use? You indicate that there were no written
7 communications or correspondence?

8 A. Yes. But there have been some discussions.

9 Q. Has Puget presented or discussed this issue
10 with any of its collaborative groups?

11 A. It might have come up a little bit in our
12 discussion on the 40 versus 50. But it wasn't a
13 central part of that discussion.

14 Q. Has Puget formally incorporated this
15 adjustment into the operation and dispatch of its
16 system?

17 A. That's a funny question. Obviously on our
18 dispatch of our system we can only use actuals. And so
19 we are using actuals. It is hard to use what a
20 computer model says if that generation doesn't exist.

21 Q. Let me give you an example: During the fall
22 months of each year, does the Company operate to a
23 lower rule curve than the one specified in the Pacific
24 Northwest Coordination Agreement because it believes

25 that the total output of the hydro product has been

WITNESS: J. R. LAUCKHART - Cross by Adams 4718

1 overstated?

2 A. You might have that backwards. We have to
3 operate to the rule curves that are established under
4 the coordination agreement. And that's the ones that
5 we operate to.

6 We have the right to draft down that far.
7 Generally we don't draft all the way down to the rule
8 curve unless it's a loading situation that would be
9 uneconomic to save that water under.

10 Q. Referring you to Page 9, Line 4, of your
11 testimony, where you indicate you could find no reason
12 to eliminate that one data point, do you see that
13 reference?

14 A. Yes.

15 Q. Could you please describe the statistical
16 tests that were performed to reach this conclusion.

17 A. There was no statistical request. We looked
18 at the data for the month and tried to figure out if
19 there was any reason why we should throw that point,
20 which was a real number for kilowatt hours generated in
21 that month, and flowed in that month, and see why we
22 should throw that out in trying to determine whether
23 the model was accurately representing flow versus
24 generation relationships.

25 Q. Now, I want to move now to your testimony

WITNESS: J. R. LAUCKHART - Cross by Adams 4719

1 dealing with hydro true-ups. I would like to turn now
2 to your idea to limit the PRAM rate swings that are
3 caused by the hydro adjustment which is discussed at
4 Page 9 of your rebuttal testimony and your Exhibit 942.

5 Can you first off clarify what you're
6 proposing that the Commission do with this idea?

7 A. We have gotten the impression that some of
8 the swings in the PRAM mechanism are larger than the
9 Commission is comfortable with and that they would be
10 interested -- the impression we get is they would be
11 interested in ideas that we could suggest that might
12 limit those swings.

13 And we have come up with this idea. And we
14 believe if the Commission figures its something that
15 merits further exploration and possible implementation,
16 that they should ask the parties to get together and
17 try to flesh it out a little bit more.

18 Q. The proposal, as you make the proposal now,
19 would you agree it's not in a state that could be
20 directly implemented?

21 A. That's probably the case. My original
22 thinking here was to put it in in a manner that could
23 be, but we recognized that there were -- there would be
24 some people who hadn't had much chance to get familiar

25 with it, didn't have the time that we had to discuss it

WITNESS: J. R. LAUCKHART - Cross by Adams 4720

1 and kick it around and why it might make sense.

2 That's why we felt that the parties in total
3 probably were not prepared to adopt it at this time and
4 that a better way to handle it would be if the
5 Commission liked the idea that it get all the parties
6 together to flesh it out.

7 Q. Before you filed this in your rebuttal
8 testimony, which parties in this case have you
9 discussed this proposal with?

10 A. It was discussed somewhat in our
11 collaborative group that was talking about the number
12 of water years and how to incorporate things into
13 rates.

14 If you noted in my Exhibit No. 941, under
15 the theory section of this -- and, of course, this is
16 the result of our collaborative effort on how to
17 incorporate hydro into rates -- the very first point
18 there it says if true-ups are done, then the approach
19 used in stating hydro availability is less of an issue.

20 The issue, then, is variability of rates.
21 We talked with that group somewhat about how we could
22 both do true-ups and try to eliminate variability of
23 rates. And this idea came up to some extent with that
24 group.

25 Q. Isn't it fair to say that it was relatively
WITNESS: J. R. LAUCKHART - Cross by Adams 4721

1 briefly discussed?

2 A. Yes. Some of the parties didn't want to
3 take that effort that far at that time.

4 Q. Mr. Lauckhart, I wanted to change over to a
5 brief discussion on coal availability. And I would
6 like to refer you now to your testimony on that subject
7 at approximately Line 18 of Page 13 where you say the
8 Staff and Public Counsel want to capture the actual
9 performance of the coal plants in PRAMs 1 and 2.

10 Do you see that?

11 A. Yes.

12 Q. I wanted to make clear your understanding of
13 Staff and Public Counsel's proposals.

14 Do you understand that Mr. Winterfeld and
15 Mr. Blackmon are not proposing to go back to the PRAM 1
16 and PRAM 2 periods and true up power costs based on the
17 actual performance of the coal plants?

18 A. I understand they don't intend to do this
19 retroactively. That's correct.

20 Q. The actual output of the plants in those
21 periods was higher than the projected amounts; correct?

22 A. Yes.

23 Q. And as a result of the additional coal plant
24 output, Puget avoided several million dollars of power

25 costs; correct?

WITNESS: J. R. LAUCKHART - Cross by Adams 4722

1 A. Puget benefited by several million dollars
2 because of that, yes. So I don't know what you mean by
3 avoided power costs. But we benefited.

4 Q. Because of a reduction in power costs, was
5 it not? What benefit are we talking about?

6 A. Net of secondary sales, there was a
7 reduction of what we call net variable power costs.

8 Q. Those savings accrued to the Company, not
9 customers; correct?

10 A. Yes. We booked them in those PRAM periods.

11 Q. Is it correct that when you say that Staff
12 and Public Counsel want to, and I quote, "capture
13 actual performance in PRAMs 1 and 2," you mean they
14 want to reflect this historical experience in
15 projecting the future availability of the coal plants?

16 A. Yes. And what I'm saying is that they want
17 to increase the standard that we have to meet so high
18 that we won't be able to meet it in the future.

19 Q. Would you agree that neither Mr. Blackmon
20 nor Mr. Winterfeld propose to base the availability
21 factor solely on the experience of the last two years?

22 A. No. Mr. Winterfeld used five years. And
23 Mr. Blackmon used seven years. I will say at least in
24 Mr. Blackmon's proposal he reached back and got some

25 years where we had problems to reflect those in. And

WITNESS: J. R. LAUCKHART - Cross by Adams 4723

1 in our mind that was a more fair approach than just
2 taking the best years.

3 Q. I want to ask you a few more questions about
4 specific coal plants.

5 The plants as I understand it that are in
6 question are Centralia 1 and 2 and Colstrip 1 through
7 4; is that correct?

8 A. Yes.

9 Q. And am I correct that Pacific Power and
10 Light operates Centralia?

11 A. Yes.

12 Q. Am I correct that Puget has a 7 percent
13 ownership interest in that plants? And I believe you
14 have something like 4 percent purchased from Grays
15 Harbor, as well?

16 A. Yes.

17 Q. What is Puget's role as a minority owner in
18 the management and operation of the plants?

19 A. There is an ownership committee that we sit
20 on that takes certain actions specified under the
21 agreement.

22 Q. How often do those meetings occur?

23 A. Well, routinely once a month. They meet
24 more often if there is a particular subject that comes

25 up.

WITNESS: J. R. LAUCKHART - Cross by Adams 4724

1 We also have routine phone conversations on
2 the plant and some of the decisions about operations
3 and maintenance.

4 Q. Is PP&L reimbursed for its expenses in
5 operating the plant?

6 A. They charge the owners a pro rata share of
7 their expenses of operating the plant.

8 Q. And do they get a management fee, as well?

9 A. I don't believe they get a management fee.

10 Q. If the units operate better or worse than
11 expected, does PP&L receive any bonus or penalty as
12 project operator?

13 A. I don't believe so at the current time.

14 Q. Now, referring to the Colstrip Units,
15 Montana Power Company is the operator of that plant, is
16 it not?

17 A. Those four units, yes.

18 Q. And, again, as with Centralia, Puget is a
19 minority owner of these units; right?

20 A. Colstrip 1 and 2, we're a 50 percent owner.
21 I would not call that a minority. Colstrip 3 and 4
22 we're a 25 percent owner.

23 Q. Again, is the management and operation of
24 the plant similar again to the way Centralia is run?

25 A. Yes.

 WITNESS: J. R. LAUCKHART - Cross by Adams 4725

1 Q. Again, is Montana Power rewarded or
2 penalized if the units operate better or worse than
3 expected?

4 A. I don't believe so at this time.

5 Q. Let's move to temperature normalization of
6 the PRAM. I refer you to your testimony at Pages 32
7 and 33 where you discuss the use of a temperature
8 adjustment of the PRAM.

9 First, I would like to clarify your
10 understanding of the modification of PRAM that has been
11 proposed by Doctor Blackmon.

12 Is it your understanding that under Doctor
13 Blackmon's proposal both actual revenues and actual
14 power supply expenses would be adjusted to account for
15 the effect of abnormal weather?

16 A. I was a little bit confused about his
17 specific recommendation. I think generally that's my
18 understanding. It wasn't clear to me how he would have
19 that done under our existing mechanism.

20 Q. In the situation that you hypothesize in
21 your testimony where temperatures are unusually cold
22 and Puget's loads are high as a result, is it your
23 understanding that under Doctor Blackmon's proposal the
24 additional revenues resulting from the cold weather

25 would not be returned to customers?

WITNESS: J. R. LAUCKHART - Cross by Adams 4726

1 A. I wasn't, like I said, I wasn't sure exactly
2 what his proposal was and how it would work. This is
3 another area that I suggested that it could be
4 something that we could discuss. If it's done right,
5 the Company objects strenuously.

6 JUDGE HAENLE: I'm sorry. I didn't
7 understand your last response. Are you saying --
8 you're suggesting that the Company would go along with
9 it if it were done correctly?

10 THE WITNESS: I said I don't think we would
11 object to it strenuously.

12 JUDGE HAENLE: Thank you. I must have heard
13 it backwards. I apologize.

14 BY MR. ADAMS:

15 Q. Is there a difference between those two?

16 A. It leaves a little room to do some further
17 thinking.

18 Q. When you say at Page 32 that a temperature
19 normalized PRAM can work if it is done in a consistent
20 manner, do you mean there should be consistent
21 treatment of the temperature on both revenues and
22 costs?

23 A. That's probably a good way to characterize
24 it.

25 Q. When you say at Page 33, Line 3, that

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1 elimination of the use of actual loads in the SDM is
2 not consistent with the current Puget decoupling
3 mechanism, do you mean that it would be inconsistent to
4 use temperature normalized loads to calculate power
5 supply expense without also adjusting revenues for the
6 effect of temperature?

7 A. Yes.

8 MR. ADAMS: Your Honor, I would like to have
9 marked -- together we have two single-page exhibits.
10 The first is entitled Public Counsel Request 3520. And
11 the second is Public Counsel Request 3516.

12 JUDGE HAENLE: Okay. The one-page document
13 Public Counsel Data Request 3520 will be marked as 962,
14 and Request No. 3516 will be marked as 963.

15 (Marked Exhibits 962 and 963)

16 BY MR. ADAMS:

17 Q. Have you had an opportunity to review what
18 have been marked for identification as 962 and 963?

19 A. Yes.

20 Q. Are they true and correct to the best of
21 your knowledge?

22 A. Yes.

23 MR. ADAMS: Your Honor, I would move the
24 admission of Exhibits 962 and 963.

25 JUDGE HAENLE: Any objection, Mr. Van

WITNESS: J. R. LAUCKHART - Cross by Adams 4728

1 Nostrand?

2 MR. VAN NOSTRAND: No objection.

3 JUDGE HAENLE: Mr. Trotter?

4 MR. TROTTER: No objection.

5 JUDGE HAENLE: Mr. Furuta?

6 MR. FURUTA: No objection, your Honor.

7 JUDGE HAENLE: Mr. Richardson?.

8 MR. RICHARDSON: No objection, your Honor.

9 JUDGE HAENLE: Exhibits 962 and 963 will be
10 entered into the record.

11 (Received Exhibits 962 and 963)

12 BY MR. ADAMS:

13 Q. Mr. Lauckhart I would like to refer you to
14 Page 28 of your rebuttal testimony. At this page you
15 describe the information you shared with Staff on new
16 purchased power contracts; is that right?

17 A. Yes.

18 Q. At Line 7 it says that you conducted
19 detailed briefing sessions with Commission Staff; is
20 that correct?

21 A. Yes.

22 Q. And am I correct that what has been admitted
23 as Exhibit 963 is your response to Public Counsel's
24 request for any document used in those briefings?

25 A. Yes.

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1 MR. ADAMS: Thank you, your Honor. That's
2 all I have for the witness.

3 JUDGE HAENLE: Commissioners, have you
4 questions of the witness?

5 CHAIRMAN NELSON: Pass.

6 COMMISSIONER CASAD: I have no questions.

7 COMMISSIONER HEMSTAD: I have no questions.

8 JUDGE HAENLE: How confusing.

9 Any redirect?

10 MR. VAN NOSTRAND: I have a few questions,
11 your Honor.

12 JUDGE HAENLE: Anyone else have questions?
13 You may step down.

14 MR. VAN NOSTRAND: Said I had some.

15 JUDGE HAENLE: sorry.

16

17 R E D I R E C T E X A M I N A T I O N

18 BY MR. VAN NOSTRAND:

19 Q. Mr. Lauckhart, do you recall a number of
20 questions from Mr. Trotter regarding your hydro
21 realization adjustment?

22 A. Yes.

23 Q. And specifically the difference between the
24 hydrogenation suggested by the NRF model and the

25 actual hydrogeneration as set forth in your study?

WITNESS: J. R. LAUCKHART - Van Nostrand Redirect 4730

1 A. Yes.

2 Q. And you also recall a number of questions
3 from Mr. Adams regarding the range of values which your
4 study proposes to adjust?

5 A. Yes.

6 Q. Have you prepared an exhibit which
7 illustrates the issues discussed with Mr. Adams and Mr.
8 Trotter?

9 A. Yes.

10 MR. VAN NOSTRAND: I would like to
11 distribute an exhibit, your Honor.

12 JUDGE HAENLE: You have handed me a one-page
13 document. The caption of the graphic is Rock Island
14 Conversion of Water Flows to Power. I'll mark this as
15 964 for identification.

16 (Marked Exhibit 964)

17 BY MR. VAN NOSTRAND:

18 Q. Mr. Lauckhart, do you have before you what's
19 been marked for identification as Exhibit 964?

20 A. Yes, I do.

21 Q. What does this exhibit show?

22 A. This exhibit shows the difference between
23 the conversion factors between water flows and power
24 for Northwest Regional Forecast data and what those

25 values are for actual data.

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1 There are actually two curves representing
2 actual, one that included a point for the month of June
3 of 1990 and one which did not include the point of
4 June of 1990.

5 What this shows, for example, if the flows
6 in the river -- we're talking about the Columbia River
7 in the Mid-Columbia area -- are 100,000 cubic feet per
8 second, then during that point in time -- this may just
9 be ten seconds -- you can go up and hit one or the
10 other of these curves and determine how much Rock
11 Island will be generating at that point in time. In
12 this case it would be approximately 230 megawatts.

13 The majority of the points of the flows on
14 the river, even though this curve goes all the way up
15 to 700,000 cubic feet per second, those flows don't
16 really occur.

17 The top line is data that's in the computer
18 model. And those high-flow months are never used by
19 the model.

20 90 percent of the points, the flows average
21 for the month, are in the range between 50 cubic feet
22 per second and 200 cubic feet per second.

23 If you followed the biological opinion in
24 the salmon, et al., you probably have heard of Target

25 200. Target 200 is a level of flow that the biological

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1 people were interested in at The Dalles. That would be

2 200,000 cubic feet per second. That would correspond

3 to this 200 number here except for one difference.

4 Those 200 cubic feet per second are below the Snake

5 River. So, -- and these are above the Snake River.

6 So, in order to get 200 cubic feet per

7 second at The Dalles, if the Snake was running 50,000

8 cubic feet per second, you would need to put 150,000

9 average out where Rock Island is.

10 That just gives you a flavor for the amount

11 of flow we're talking about here. When we're at 200

12 cubic feet per second on this chart, you're putting a

13 lot of water down the river. You could maintain The

14 Dalles flow with the upper Columbia alone with that

15 kind of water.

16 What we tried to do was compare actual flows

17 and kilowatts on a chart with that which would be

18 represented in the computer model with the same flows.

19 And you can see that the computer model clearly

20 overstates the generation.

21 And then I just wanted to add one caution on

22 this: The recent requirement, the spill water for

23 fish, which means if you have water at a dam, somebody

24 is concerned, if there are fish there and you run all

25 the water through the turbines, you're going to kill

WITNESS: J. R. LAUCKHART - Van Nostrand Redirect 4733

1 some of the fish. So, there is a requirement to spill
2 some of that water over the spillway so you can't
3 generate with it.

4 Our data on the actual line only has flows
5 that go through the turbine. The data on the NRF line
6 does not recognize the spill for fish. The NRF does
7 make an attempt to adjust for that in a different
8 manner, and we took that into account when we computed
9 our 6.1 percent number.

10 So, that's sort of a long description of
11 this. But it's simply demonstrating the relationship
12 between computer water versus power relationships and
13 actual water versus power relationships.

14 What we were trying to do here is reflect in
15 our power costs in this case the realities as opposed
16 to the computer automatic assumptions.

17 Q. What's the significance of the June 1990
18 date?

19 A. That is the date that Mr. Blackmon asked us
20 to eliminate. And when we threw that out and used that
21 other curve, that's what changed the 6.1 percent number
22 in our original study to a 4.8 percent number that we
23 attempted to do what he asked us to do, but apparently
24 didn't do it completely.

25 Q. And that 4.8 and the 6.1 numbers, how does
WITNESS: J. R. LAUCKHART - Van Nostrand Redirect 4734

1 that compare with the proposed number you're using for
2 purposes of your hydro realization adjustment?

3 A. For our numbers in this case, we used 4
4 percent. So, we were a little conservative on that.

5 Q. Mr. Adams asked you some questions regarding
6 the range which you would propose to adjust using your
7 study. And does this exhibit show the range which the
8 hydro realization study proposes to adjust?

9 A. Yes. We have since adjusted in the range
10 where the actual curve is shown.

11 Q. So, those points to the right would not be
12 adjusted by your proposed hydro realization adjustment?

13 A. That's correct. There aren't very many
14 flows out there even in the fifty years of history.
15 But to the extent there were, we used the old curve.

16 MR. VAN NOSTRAND: Your Honor, I move the
17 admission of 964.

18 JUDGE HAENLE: Any objection, Mr. Trotter?

19 MR. TROTTER: I would like your ruling to be
20 reserved until we have had a chance to cross the
21 witness on the exhibit.

22 JUDGE HAENLE: That's fine.

23 BY MR. VAN NOSTRAND:

24 Q. Mr. Lauckhart, do you recall a number of

25 questions from Mr. Trotter regarding coal prices under

WITNESS: J. R. LAUCKHART - Van Nostrand Redirect 4735

1 the PRAM and whether these coal prices were trued up?

2 A. Yes.

3 Q. I believe you indicated that under the
4 procedures set up for the PRAM that coal prices would
5 not be trued up from what was set in the last general
6 rate case?

7 A. Yes. The three years between general rate
8 cases the agreement was not to true up coal prices.

9 Q. What do you mean by agreement not to true up
10 coal prices?

11 A. Well, way back when when we started this and
12 we were talking about how the simple dispatch model
13 would work, we sat down with the parties and went
14 through line by line the power cost items and
15 identified which ones would be as a group we would
16 agree to live with the estimates and not true up and
17 which ones we would take the estimates going in and
18 then true them up later on.

19 Q. And how do the actuals compare with the
20 estimates in the case of coal prices?

21 A. In the coal price arena, actuals have been
22 coming in about \$3 million per year above the levels
23 that were allowed for rates.

24 Q. And so what is the cost to the Company

25 because coal prices were not trued up?

WITNESS: J. R. LAUCKHART - Van Nostrand Redirect 4736

1 A. About \$3 million a year.

2 Q. In the PRAM proceeding there were certain
3 adjustments proposed to true up power costs to actual.
4 Do you recall that?

5 A. Yes.

6 Q. Were coal prices included in the proposed
7 true-ups in the PRAM 2 proceeding?

8 A. No.

9 Q. Was that issue examined at all in that
10 proceeding?

11 A. I don't believe so. We didn't raise that
12 issue because of the agreement that we wouldn't bring
13 that up. And nobody else suggested we true those up.

14 Q. Were there other issues in that proceeding
15 where prices that were not going to be trued up --
16 there were proposals to true up those prices in that
17 proceeding?

18 A. Yes, there were. Even though we had prior
19 agreed to certain of the items not to true them up,
20 there were a few where our actual costs were lower than
21 the estimate we had made, and Staff said despite that
22 early agreement they felt it should be trued up.

23 Q. Which issues were those?

24 A. They had to do with capacity purchases and

25 the NR contract with Bonneville.

WITNESS: J. R. LAUCKHART - Van Nostrand Redirect 4737

1 Q. When those cost items were trued up to
2 actuals, were coal prices left at the estimated levels?

3 A. Yes.

4 Q. Your proposal with respect to the coal price
5 issue in this proceeding is to true up the estimate
6 included in this case, true that up to actuals in the
7 next PRAM proceeding?

8 A. Well, you recall, there are three coal
9 plants we're dealing with. Centralia 1 and 2, we are
10 proposing to keep the old method in place. Whereas you
11 estimate it and live with that.

12 Colstrip 3 and 4, the same thing.

13 Colstrip 1 and 2 where we have a great
14 uncertainty of what that price is going to be because
15 of the arbitration, we have suggested that that could
16 be trued up.

17 Q. Would that true-up relate back to more or
18 less offset the under recoveries on this cost item in
19 the previous PRAM proceedings?

20 A. No. That would only be going forward.

21 Q. If we can look for a moment at Exhibit 952,
22 which was your revised load/resource forecast. That's
23 one of the adjustments that's on Exhibit 952 to adjust
24 the Company's load forecast; is that correct?

25 A. Yes. This request was to change our

 WITNESS: J. R. LAUCKHART - Van Nostrand Redirect 4738

1 load/resource table based on the new load forecast.

2 Q. And how do the actual results compare with
3 the previous load forecast and the revised load
4 forecast?

5 A. Well, there are two ways to compare the new
6 load forecast, which was used in our rebuttal case,
7 with the forecast that was used in our initial case.

8 One is with respect to number of customers
9 the Company has. And through June of this year the
10 actual number of customers is almost identical to that
11 number used in the revised forecast. It's down about
12 3,000 customers from the initial forecast. So, on an
13 actual basis, it looks like the new forecast is doing
14 much better than the original forecast.

15 As far as power sales go, the actual power
16 sales temperature adjusted are coming in even lower
17 than the revised forecast. So, the revised forecast
18 lowered the power consumption estimates from the
19 original forecasts, and actuals are even lower than
20 that at this point.

21 Q. One final area: Your testimony discusses a
22 number of adjustments to power costs in addition to the
23 costs associated with new resources that are proposed
24 to be included in rates in this case.

25 Could you give a short summary of those

 WITNESS: J. R. LAUCKHART - Van Nostrand Redirect 4739

1 changes in power costs included in your testimony?

2 MR. TROTTER: Your Honor, is this proper
3 redirect? I thought there was an exhibit on that
4 subject.

5 JUDGE HAENLE: Mr. Van Nostrand?

6 MR. VAN NOSTRAND: There has been discussion
7 of a number of Mr. Lauckhart's proposals, both coal
8 price and coal equivalent availability factors, the
9 hydro adjustments, the capacity purchase agreement. I
10 think it would be helpful if the witness could describe
11 what the revenue impact associated with these various
12 adjustments is.

13 JUDGE HAENLE: Would that be different
14 information than is included in the exhibit?

15 MR. VAN NOSTRAND: I believe it would be.

16 JUDGE HAENLE: If it's in addition to what
17 is included in the exhibit, I will allow it. But I
18 don't see any point in repeating what's in the exhibit.
19 I'll overrule the objection if it is different
20 information, Mr. Trotter.

21 THE WITNESS: Just briefly: The reasons our
22 power costs are up have not only to do with the new
23 contracts, but, in addition to those, existing contract
24 prices are increasing our revenue requirement by about

25 \$11 million price increases under existing contracts:

WITNESS: J. R. LAUCKHART - Van Nostrand Redirect 4740

1 The costs of Mid-Columbia power is up about
2 \$7 million.

3 Wheeling increases because of Bonneville
4 rate increases, et cetera, are up about \$9 million.

5 We talked about coal prices are up about \$3
6 million.

7 And then on the T and D side we have made
8 significant additional investments in T and D over the
9 last three years, and that's about \$12 million impact
10 on our revenue requirement.

11 BY MR. VAN NOSTRAND:

12 Q. And the other items that are affected are
13 pretty much set forth in your Exhibit 947, the hydro
14 realization adjustment, the 40 versus 50 years?

15 A. Yes.

16 MR. VAN NOSTRAND: I have no further
17 questions, your Honor.

18 JUDGE HAENLE: All right. Mr. Trotter, do
19 you have additional questions?

20 MR. TROTTER: Yes.

21

22 R E C R O S S - E X A M I N A T I O N

23 BY MR. TROTTER:

24 Q. Mr. Lauckhart, with respect to Exhibit 964,

25 could you tell us, is this data taken from your

WITNESS: J. R. LAUCKHART - Recross by Trotter 4741

1 four-year study that has been discussed?

2 A. Yes.

3 Q. And so all of your answers with respect to
4 the nature of that data would apply to the
5 interpretation of this graph?

6 A. Yes.

7 Q. With respect to your summary table, which I
8 believe is Exhibit 947, which production factor did you
9 assume in computing those revenue differences? The one
10 generated by your revised forecast or the original
11 forecast?

12 A. This is all with respect to the revised
13 forecast.

14 Q. So, those numbers would be different if the
15 original production factor were used?

16 A. They would probably be somewhat different.
17 I don't know if they would be significantly different.

18 Q. Would you turn to your Exhibit 952, the
19 revised load/resource forecast. And on the last page
20 of the exhibit in the fourth column you show load
21 before conservation average megawatts.

22 Would you explain how that data relates to
23 the data shown on the third page of the exhibit on Line
24 1.

25 A. You're asking me how the data on Page 3 is
 WITNESS: J. R. LAUCKHART - Recross by Trotter 4742

1 used on Page 1 and 2?

2 Q. Well, the load before conservation on the
3 last page of the exhibit is in average megawatts; is
4 that correct? And you show a figure of 2,337?

5 A. Yes.

6 Q. Would you just explain how that relates to
7 the figure on Page 3 of the exhibit for the 1992/1993
8 period, which is shown on Line 1 as 2500 average
9 megawatts.

10 A. All we were using the load for on the third
11 page was to get a growth factor. This page was only
12 used for purposes of developing the peak.

13 I expect that the -- hmm -- the peak numbers
14 on the far right-hand column, 4930 you can see
15 pencilled in there.

16 Q. On the last page?

17 A. On the last page.

18 Q. Yes.

19 A. It shows up as a peak number for 1992 on
20 Line 3 of this load/resource table, 4930.

21 Similarly the 5039 for the next year shows
22 up there.

23 Q. We're asking about the -- not the peak, but
24 the average energy column. We're trying to reconcile

25 the 2337 shown on the last page with the 2500 or the

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1 2341 shown on the third page, Lines 1 and 3,

2 respectively.

3 A. This page was only provided for purposes of
4 peak. I can't explain right off the top of my head the
5 difference between these energy numbers on the third
6 page and the energy numbers on this table.

7 Q. Now, with respect to the adjustments made in
8 PRAM 2, isn't it true that there were some adjustments
9 made in that case for costs that had not been
10 projected?

11 A. Maybe you could refresh my memory on that.

12 Q. The San Diego Gas and Electric purchase
13 capacity? That had not been projected?

14 A. I believe it had been projected, yes.

15 Q. You believe it had been?

16 A. It had been projected. We had a capacity
17 purchase which was identified as Douglas capacity,
18 which was very similar in this case. We didn't know if
19 we were going to be buying from Douglas or someone
20 else, but we felt we had a need for additional
21 capacity.

22 That line item was an item was identified
23 would be trued up. We replaced -- we didn't do a
24 capacity agreement with Douglas. We did an agreement

25 with San Diego instead.

WITNESS: J. R. LAUCKHART - Recross by Trotter 4744

1 Q. So, the San Diego Gas and Electric purchased
2 capacity contract was not an item on the PRAM 1 SDM,
3 but the Douglas County was. But one was done and one
4 wasn't. Is that the gist of it?

5 A. The estimate going into the PRAM was that we
6 would do a capacity purchase. We had identified it as
7 Douglas, similar in this case, but ended up being the
8 San Diego purchase.

9 MR. TROTTER: Those are all my questions.
10 Thank you.

11 JUDGE HAENLE: Anything more of the witness,
12 Mr. Richardson?.

13 MR. RICHARDSON: No, your Honor.

14 JUDGE HAENLE: Mr. Furuta?

15 MR. FURUTA: No, your Honor.

16 JUDGE HAENLE: Mr. Adams?

17 MR. ADAMS: Yes. I have a few, your Honor.

18

19 R E C R O S S - E X A M I N A T I O N

20 BY MR. ADAMS:

21 Q. Turning to what's been identified as Exhibit
22 964, could you please add labels for us to those
23 various lines as to the exhibit numbers.

24 JUDGE HAENLE: Which page are you on?

25 MR. ADAMS: I'm on -- it's a one-page

WITNESS: J. R. LAUCKHART - Recross by Adams 4745

1 exhibit, Exhibit 964.

2 BY MR. ADAMS:

3 Q. There are three lines depicted on that
4 graph.

5 A. The NRF line could come from Exhibit 960 or
6 959 or 8464. They are all the same.

7 The actual line would come from 864.

8 The actual less 6/90 line would come from
9 960.

10 Q. Would I be correct that the date 6/90, I
11 think that's the notorious 47th data point?

12 A. Yes.

13 Q. That could have been any time of the year?
14 It turned out to be 6/90, but it could have been July
15 or September, could it not?

16 A. No. That was a specific data point of
17 actual that were used in the study that resulted from
18 the month of June of 1990. It's the actual flow in
19 that month and the actual generation in that month.

20 Q. I understand that. But it was strictly
21 happenstance that that 47th data point fell on 6/90, is
22 it not?

23 A. Are you asking whether the fact that it was
24 No. 47 it could have been No. 45 that is on 6/90?

25 Q. There is no assignment of the 47th data

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1 point to June of 1990, is there?

2 A. Well, I guess the term 47th data point has
3 become a term of art in this particular hearing.

4 It was a data point that Mr. Blackmon was
5 particularly concerned about. We called it the 47th.
6 I'm not quite sure where that number came from. But I
7 think it was the June '90 information that he was
8 concerned about.

9 Q. Do the lines with the open box and the
10 diamond shaped boxes fit the actual data points from
11 the four-year period?

12 A. They depict a curve that was regressed from
13 the actual data points.

14 Q. The actual data points would be scattered on
15 this picture on this graph?

16 A. Yes.

17 Q. They are calculated through a computer
18 model, are they not?

19 A. The regression curve?

20 Q. Yes.

21 A. Yes.

22 MR. ADAMS: Your Honor, those are all the
23 questions I have at the moment. I wonder if we might
24 have the opportunity over the noon hour just to see if

25 we have any other questions, particularly on this one

WITNESS: J. R. LAUCKHART - Recross by Adams 4747

1 exhibit is the only one I have any possible additional
2 questions. And we could let you know right at the
3 beginning of the afternoon whether it was necessary to
4 ask Mr. Lauckhart any additional questions.

5 JUDGE HAENLE: Will Mr. Lauckhart be here
6 anyway?

7 MR. VAN NOSTRAND: Yes, we can make him
8 available.

9 JUDGE HAENLE: All right. Because there is
10 a new exhibit, I think that would be appropriate.

11 Does anyone know of any additional questions
12 he or she has at this point?

13 MR. ADAMS: My questions would be strictly
14 limited to this exhibit.

15 JUDGE HAENLE: Have you seen enough of it to
16 know whether you have an objection to its entry?

17 MR. ADAMS: That's part of the reason why I
18 want to wait until after the lunch break.

19 JUDGE HAENLE: Let's break for lunch and be
20 back at 1:30.

21 (At 11:55 a.m. the above hearing was
22 recessed until 1:30 p.m. of the same day)

23

24

1 1:30 P.M.

2 --oo0oo--

3

4 JUDGE HAENLE: Let's be back on the record
5 after our lunch recess. This time it was the real
6 thing.

7 We have with us this afternoon Mr. Bennett
8 also from BPA. I had identified Mr. Bennett those
9 entering appearances this morning.

10 We also have had distributed the additional
11 pieces of Exhibit 959. That was entered, but it was
12 identified afterward that there were some additional
13 pages that have been added now.

14 Be sure that your copy includes those
15 additional pages. I have added those pages to the
16 Commissioners' copies and to the official copy.

17 Did I understand that there were additional
18 questions, Mr. Adams?

19 MR. ADAMS: Yes, your Honor.

20 I should indicate right at the beginning
21 that we have no objection to Exhibit 964. That ruling
22 was still outstanding, wasn't it?

23 JUDGE HAENLE: Perhaps I could do that
24 before you finish your questions.

25 JUDGE HAENLE: I'm reading right off the
WITNESS: J. R. LAUCKHART - Recross by Adams 4750
1 Rock Island project.
2 MR. ADAMS: We have another copy. If I
3 might approach the witness --
4 MR. VAN NOSTRAND: We can give the witness a
5 copy. 864?
6 JUDGE HAENLE: Yes.
7 Whose testimony was that in conjunction
8 with? Do you remember?
9 MR. VAN NOSTRAND: It was offered through
10 Mr. Winterfeld.
11 BY MR. ADAMS:
12 Q. This is the page, the Rock Island.
13 (Discussion held off the record.)
14 JUDGE HAENLE: Go ahead.
15 BY MR. ADAMS:
16 Q. Mr. Lauckhart, just looking first at 964, am
17 I correct that the line --
18 A. Is this 864?
19 Q. This time I'm starting with 964, which is
20 the one-page graph, but I'm going to refer you to 864.
21 A. Okay.
22 Q. The line labeled "Actual," which as I
23 understand the representation you identified is from
24 Exhibit 864, is drawn using all 47 basis points; is

25 that correct?

WITNESS: J. R. LAUCKHART - Recross by Adams 4751

1 A. Yes.

2 Q. And the line that you have labeled as
3 representative of Exhibit 960, the diamond shape, is
4 using 46 data points; is that correct?

5 A. Yes.

6 Q. Am I correct that the lowest flow, water
7 flow in terms of thousand cubic feet per second,
8 represented by I guess it's data point one is 64,800
9 cubic feet?

10 A. Yes.

11 Q. And the highest being No. 46 is represented
12 by 168 -- hold on a second -- excuse me -- 138,800?

13 A. Yes. And that 138,800 is a higher flow that
14 has been reduced for fish spill.

15 Q. So, in looking at the graph shown on Exhibit
16 964, the only, if you will, data points marked on here
17 with boxes or diamonds, the two to the left, the first
18 two, starting at 0 and going up, are not reflected in
19 those data points; is that correct?

20 A. Are you saying we don't have any points
21 between those two that are in the actual data.

22 Q. Your first data point starts at 64,800?

23 A. Yes.

24 Q. You just indicated the highest data point of

25 the 46 is 138.8. So that all of the data points you

WITNESS: J. R. LAUCKHART - Recross by Adams 4752

1 have used are within that range, are they not?

2 A. Except I would add that the 138.8 probably
3 should be increased for comparison to the other line by
4 the fish spill.

5 Q. Are the furthest right two points shown on
6 actual and actual less 6/90 beyond the data points
7 which you have used?

8 A. Yes. They were created from the creating of
9 the curve through the other data points.

10 Q. And speaking of the creating of the curve,
11 if you accurately graphed all of the curve reflected as
12 actual at 0, that curve would start at a minus 798
13 megawatts. Isn't that correct? Excuse me. 77.98
14 megawatts? That's your A?

15 A. Right. And 0, of course, isn't a meaningful
16 number here.

17 MR. ADAMS: Thank you. That's all we have.

18 JUDGE HAENLE: Anything more of the witness?

19 MR. TROTTER: I just have a couple more.

20 JUDGE HAENLE: Go ahead.

21

22 FURTHER RECROSS - EXAMINATION

23 BY MR. TROTTER:

24 Q. Rock Island was the project in your

25 four-year study that had the most deviation; is that

WITNESS: J. R. LAUCKHART - Recross by Trotter 4753

1 right?

2 A. Yes.

3 Q. It appears according to Exhibit 964 that
4 deviations vary with flow; is that right?

5 A. Well, that's true to an extent. But as I
6 keep saying, you can't really make that comparison from
7 this chart because of the spilling adjustment that's
8 necessary.

9 Q. Has Puget done any analysis to determine why
10 Rock Island showed the most deviation, your analysis of
11 planned outages, reservoir, or spill?

12 A. We have done a little bit of looking at
13 that. It's the dam with the most recent units built on
14 it. And there are a number of things -- associated
15 with that. One would be that the test sample used for
16 the data probably could have been done a little more
17 perfectly matching the efficiencies for that test data.

18 Of course, what we're showing here is what
19 you can do with optimized test data versus actual data.

20 We don't have a complete explanation of why
21 Rock Island is further off than the other ones.

22 Q. You haven't studied Rock Island in a manner
23 consistent with this for any other period?

24 A. Outside of the four-year period?

25 Q. Correct.

WITNESS: J. R. LAUCKHART - Recross by Trotter 4754

1 A. No.

2 MR. TROTTER: Nothing further.

3 JUDGE HAENLE: Anything more of the witness?

4 MR. ADAMS: One additional question if I
5 might ask.

6 JUDGE HAENLE: Let's make this the last one.

7 MR. ADAMS: This is the last one.

8

9 FURTHER RECROSS - EXAMINATION
10 BY MR. ADAMS:

11 Q. Looking at your NRF line shown on Exhibit
12 964, is fish spill included in that line?

13 A. No.

14 JUDGE HAENLE: Anyone else.

15 All right, thank you, sir. You may step
16 down. Let's go off the record and change witnesses.

17 (Discussion held off the record.)

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

19 During the time we were off the record, Mr.
20 Story assumed the stand.

21 I'll remind you, sir, that you were sworn
22 earlier in the hearing and remain under oath.

23 J. A. STORY,

24 witness herein, having been previously

25 duly sworn, was examined and testified

 WITNESS: J. R. LAUCKHART - Recross by Adams 4755

1 further as follows:

2 JUDGE HAENLE: Also while we were off the
3 record I marked a number of documents for
4 identification as follows. Marked as Exhibit T-965 is
5 a 69-page document JAS-8. 966 for identification,
6 JAS-9. 967 for identification in three pages, JAS-10.
7 968 for identification, JAS-11. 969 for identification
8 in one page, JAS-12. 970 for identification in one
9 page, JAS-13. And 971 for identification in one page,
10 JAS-14.

11 Mr. Van Nostrand has also distributed a
12 one-page errata sheet. Please be sure that you have a
13 copy of that.

14 (Marked Exhibits T-965 and 966 thru 971)

15 JUDGE HAENLE: Go ahead, Mr. Van Nostrand.

16

17 D I R E C T E X A M I N A T I O N

18 BY MR. VAN NOSTRAND:

19 Q. Mr. Story, do you have before you what's
20 been marked for identification as Exhibit T-965?

21 A. Yes, I do.

22 Q. You recognize that document is as your
23 prefiled testimony in rebuttal testimony in this case?

24 A. Yes.

25 Q. Do you have any corrections or additions

WITNESS: J. A. STORY - Direct by Van Nostrand 4756

1 other than the corrections in the errata sheet that was
2 distributed?

3 A. No, I don't.

4 Q. If I asked you the questions set forth in
5 T-965 today, would you give those answers?

6 A. Yes.

7 Q. You also have before you Exhibits 966
8 through 971?

9 A. Yes, I do.

10 Q. Were these exhibits prepared under your
11 direction and supervision?

12 A. Yes, they were.

13 Q. Do you have any additions or corrections to
14 make to these exhibits?

15 A. An exhibit was put in on Mr. Knutsen that
16 had two corrections, 1085 Sixth Supplemental, and it
17 had two corrections, Page 2.12 and 2.29, and they
18 should be incorporated. That's Exhibit 966.

19 Q. Does that complete the corrections to your
20 Exhibits 966 through 971?

21 A. Yes, it does.

22 JUDGE HAENLE: Tell me specifically what I
23 need to do with the official copy of 966.

24 THE WITNESS: There is on Page 2.12, that's

25 the SFAS 106, the amortization was inadvertently left

WITNESS: J. A. STORY - Direct by Van Nostrand 4757

1 out of the interest calculation. And Staff, I
2 understand, is going to be putting 1085 Sixth
3 Supplemental in as an exhibit. That shows the
4 correction to this page.

5 Then 2.29, the signs on Line 4 are
6 backwards. That should be a credit of 338,000 and it
7 just carries forward through the rest of the revenue
8 calculation.

9 JUDGE HAENLE: Will there be a corrected
10 page offered for that one?

11 THE WITNESS: There was in 1085 supplemental
12 to 6, Sixth Supplemental.

13 JUDGE HAENLE: Thank you.

14 BY MR. VAN NOSTRAND:

15 Q. As corrected, are Exhibits 966 through 971
16 true and correct to the best of your knowledge?

17 A. Yes.

18 MR. VAN NOSTRAND: Your Honor, I move the
19 admission of Exhibit T-965 and Exhibits 966 through
20 971?

21 JUDGE HAENLE: Any objection, Miss Brown?

22 MS. BROWN: No.

23 JUDGE HAENLE: Mr. Adams?

24 MR. ADAMS: No.

25 JUDGE HAENLE: Mr. Bennett?
WITNESS: J. A. STORY - Direct by Van Nostrand 4758

1 MR. BENNETT: No.
2 JUDGE HAENLE: Mr. Furuta?
3 MR. FURUTA: No objection.
4 JUDGE HAENLE: Mr. Trincherero?
5 MR. TRINCHERO: No objection, your Honor.
6 JUDGE HAENLE: Exhibits T-965 and 966
7 through 971 will be entered into the record.
8 (Received Exhibits T-965 and 966 through 971)
9 MR. VAN NOSTRAND: Mr. Story is available
10 for cross-examination.
11 MS. BROWN: Your Honor, I have agreed to let
12 Mr. Furuta precede my examination.
13

14 C R O S S - E X A M I N A T I O N
15 BY MR. FURUTA:

16 Q. Good afternoon, Mr. Story.
17 A. Good afternoon.
18 Q. As I understand it, I would like to turn to
19 your presentation on bad debt rate in your rebuttal.
20 A. Do you have a page reference?
21 Q. Yes. I believe it starts at Page 39.
22 Do you have that page?
23 A. Yes, I do.
24 Q. It's my understanding that it's the

25 Company's position that a five-year average of net

WITNESS: J. A. STORY - Cross by Furuta

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1 write-offs to net revenues should be used in
2 determining the bad debt rate to use in these
3 proceedings; is that correct?

4 A. Yes. And it was the position of Commission
5 Staff, also.

6 Q. And the five-year average bad debt rate used
7 by the Company in the filing is .29927 percent; is that
8 correct?

9 A. That sounds right, yes.

10 Q. I think that's -- I believe that's in
11 Exhibit 966, Page 2.17.

12 A. That's correct.

13 Q. Line 9 of that page, I believe.

14 A. Yes, that's correct.

15 Q. And do you happen to know what the actual
16 test year bad debt rate is?

17 A. I believe there is a data request to the
18 Navy on that. I didn't do the calculation. The
19 numbers were provided.

20 Q. Okay. Perhaps if you could accept subject
21 to check it was .25550 percent?

22 A. That sounds about right.

23 Q. And if, in fact, that is the figure for the
24 actual test year bad debt rate, that rate is, in fact,

25 lower than the five-year average rate?

WITNESS: J. A. STORY - Cross by Furuta

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1 A. I wouldn't be surprised that it would be
2 lower or higher than the five-year average.

3 Q. Okay. And I believe you recall in your
4 rebuttal that Mr. Larkin in his direct testimony
5 recommended that the test year bad debt rate be used
6 for pro forma purposes on the basis that the bad debt
7 rate has been declining over time? Is that your
8 understanding?

9 A. I don't remember him saying that exactly in
10 his testimony. He did say that he would use the lower
11 bad debt rate.

12 Q. The test year bad debt rate?

13 A. Yes.

14 JUDGE HAENLE: Can you move the microphone
15 right up in front of you and really concentrate on
16 speaking loudly so that we make sure we understand, Mr.
17 Furuta?

18 MR. FURUTA: Yes.

19 JUDGE HAENLE: Thank you.

20 BY MR. FURUTA:

21 Q. Is it your understanding that the bad debt
22 rate for the year ended December 31, 1992, was .18644
23 percent?

24 A. I would accept that subject to check. I

25 sort of remember .19 something.

WITNESS: J. A. STORY - Cross by Furuta

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1 Q. And I believe that data would be contained
2 in both Mr. Larkin's testimony at Page 25 and Record
3 Requisition 531 for reference purposes?

4 A. I'll accept it subject to check.

5 Q. And that is even lower than the test year
6 bad debt rate; is that correct?

7 A. Yes.

8 Q. Do you happen to have with you the Company's
9 recent response to DOD Data Request No. 3138(E)?

10 A. Yes, I do.

11 Q. And I believe on the second page of that
12 request, I believe the response shows net write-offs
13 for the twelve-month period ended May 31, 1993, to be
14 \$1,815,255?

15 A. Yes.

16 Q. And that also shows net revenues for the
17 same period to be \$1,052,083,970?

18 A. Yes.

19 Q. And would you agree based on these numbers
20 that the bad debt rated for the twelve months ended May
21 31, 1993, would be .1725 percent?

22 A. Subject to check.

23 Q. Subject to check? Fine.

24 MR. FURUTA: Your Honor, at this time,

25 perhaps to save time, I would like to distribute and

WITNESS: J. A. STORY - Cross by Furuta 4762

1 have marked next in order a number of DOD data requests
2 and the Company's responses to them.

3 JUDGE HAENLE: All right.

4 MR. FURUTA: In the interest of time, I'm
5 handing them out all together. But if you prefer, you
6 may assign each particular response a separate exhibit
7 number if you would prefer.

8 JUDGE HAENLE: I can do that unless you
9 would prefer to have them all together. It's up to
10 you.

11 MR. FURUTA: Perhaps it would be easier to
12 refer to if they had different exhibit numbers.

13 JUDGE HAENLE: Once you finish passing them
14 out we'll give them the numbers.

15 MR. FURUTA: Thank you.

16 JUDGE HAENLE: I'll mark as 972 for
17 identification a single-page document. At the top it
18 says Department of Defense Request No. 3132(a) and (c);

19 973 for identification, two-page document,
20 Department of Defense Request No. 3132(b);

21 974 for identification, a one-page document,
22 Department of Defense request 3134;

23 975 for identification, one-page document,
24 Department of Defense request 3136;

25 976 for identification, Department of

 WITNESS: J. A. STORY - Cross by Furuta 4763

1 Defense Request No. 3137 in three pages, I believe;

2 And 977 in one page, Department of Defense
3 Request No. 3138(a) through D.

4 (Marked Exhibits 972 through 977)

5 MR. FURUTA: Thank you, your Honor.

6 BY MR. FURUTA:

7 Q. Mr. Story, do you recognize Exhibits 972
8 through 977 as FEA Data Requests 3132(a) and (c),
9 3132(b) -- actually, to save time, do you recognize
10 those as FEA data requests identified by the ALJ and
11 the Company's responses to them?

12 A. Are you asking all of the exhibits or just
13 the first one?

14 Q. I'll give you time. Why don't we do all of
15 them. You can take the time to look through them.

16 A. (Reading.) Yes.

17 Q. Did you prepare these responses?

18 A. They were prepared in my area, yes.

19 Q. If you were asked the same questions
20 contained in those requests today, would your responses
21 be the same?

22 A. Not exactly. One I just found the other day
23 where you asked about Mr. Larkin's phase-in problem or
24 phase-in of the SFAS 106.

25 Q. Which request or exhibit number would that

WITNESS: J. A. STORY - Cross by Furuta 4764

1 refer to.

2 JUDGE HAENLE: 974, I think?

3 THE WITNESS: Going through Mr. Larkin's
4 numbers again, I found an error in his numbers. So, I
5 wouldn't agree with his phase-in proposal.

6 BY MR. FURUTA:

7 Q. So, your response to Request No. 3134(b),
8 you would change that?

9 A. Right.

10 Q. Do you recall specifically which data or
11 numbers of DOD witness Larking that you disagreed with?

12 A. Yes. Schedule 21 he does a calculation
13 where he takes 20 percent of the difference between the
14 pay as you go and the deferred amount or the accrual
15 amount, I'm sorry, and he puts that aside and says
16 that's the amount that the Company should be allowed.
17 I mean, the excess of the 20 percent as -- let me start
18 again with that.

19 On Schedule 21 he takes 20 percent of the
20 difference between the pay-as-you-go and the accrual
21 amount and adds that to the pay-as-you-go amount and
22 says that's the amount the Company should be allowed in
23 expense.

24 And then he continues doing that for five

25 years and then turns around that deferral over the next

WITNESS: J. A. STORY - Cross by Furuta 4765

1 fifteen years.

2 On his page 25 in his testimony, I believe,
3 -- it's in his testimony where he talks about whether
4 the Company should be allowed a rate of return on the
5 deferred amount. He says no. The Company shouldn't be
6 allowed a rate of return on the deferred amount because
7 they wouldn't have expended the cash when in his
8 calculation he assumes that the Company would have
9 invested that cash.

10 Otherwise his accrual payment wouldn't go
11 down in the manner that the Company's accrual method
12 would have gone down. The accrual method would have
13 been much more expensive than what he showed.

14 Q. But your responses contained in all the
15 other requests, you would make them today as they are
16 contained in those requests?

17 A. Yes.

18 MR. FURUTA: Your Honor, I would request
19 that Exhibits 972 through 977 be received.

20 JUDGE HAENLE: Any objection to their
21 entry, Mr. Van Nostrand?

22 MR. VAN NOSTRAND: No, your Honor.

23 JUDGE HAENLE: Ms. Brown?

24 MS. BROWN: No.

25 JUDGE HAENLE: Mr. Adams?
WITNESS: J. A. STORY - Cross by Furuta 4766

1 MR. ADAMS: No.
2 JUDGE HAENLE: Mr. Bennett?
3 MR. BENNETT: No.
4 JUDGE HAENLE: Mr. Richardson.
5 MR. RICHARDSON: No objection, your Honor.
6 JUDGE HAENLE: Exhibits 972 through 977
7 will be entered.
8 (Received Exhibits 972 through 977)
9 MR. FURUTA: Thank you, Mr. Story. No
10 further questions, your Honor.
11 JUDGE HAENLE: Thank you.
12 Ms. Brown?
13 You have handed me a multi-page document.
14 In the upper right-hand corner is handwritten updated
15 rebuttal at 34 percent. I'll mark this multi-page
16 document as 978 for identification.
17 And you have also given me a multi-page
18 document. In the upper right-hand corner is
19 handwritten updated rebuttal at 35 percent. I'll mark
20 this as 979 for identification.
21 (Marked Exhibits 978 and 979)
22 C R O S S - E X A M I N A T I O N
23 BY MS. BROWN:
24 Q. Mr. Story, do you recognize these two

25 exhibits, 978 and 979, as portions of the Company's

WITNESS: J. A. STORY - Cross by Brown

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1 Sixth Supplemental response to Staff's Request 1085?

2 A. Yes.

3 Q. This document is labeled updated rebuttal at
4 35 percent, which is Exhibit 979, was prepared solely
5 to reflect the effect of a possible exchange in the
6 Federal income tax rate to 35 percent; is that right?

7 A. That's correct.

8 Q. And is this for informational purposes only
9 since it is not known at this time whether that tax
10 rate will ultimately be enacted?

11 A. Yes, it is. It's similar to what happens
12 when the rate went from 36 percent to 44 percent.
13 We're providing the Commission as to what the impact
14 would be on rates if the percentage was to increase.

15 Q. What is the final revenue requirement
16 proposal of the Company in this case?

17 A. Well, we have filed right now is the \$103
18 million. If the 1085 Sixth Supplemental is accepted,
19 then it would be the one shown on Exhibit 978.

20 Q. Do you anticipate making further revisions?

21 A. No.

22 Q. To your knowledge, will Mr. Hoff and Ms.
23 Lynch amend or supplement their testimony and exhibits
24 to reflect the final revenue requirement recommendation

25 of the Company?

WITNESS: J. A. STORY - Cross by Brown 4768

1 A. They will change their tariffs to reflect
2 the final decision of the Commission. Normally we do
3 not have to change those. During the course of a
4 general rate case, numbers do change.

5 Q. And Staff received the Company's Sixth
6 Supplemental Response to its Request 1085 on Friday,
7 the 16th of July; is that right?

8 A. Yes.

9 MS. BROWN: Your Honor, I move the admission
10 of Exhibits 978 and 979 before I forget.

11 JUDGE HAENLE: Any objection, Mr. Van
12 Nostrand.

13 MR. VAN NOSTRAND: No, your Honor.

14 JUDGE HAENLE: Mr. Adams?

15 MR. ADAMS: No.

16 JUDGE HAENLE: Mr. Bennett?

17 MR. BENNETT: No.

18 JUDGE HAENLE: Mr. Furuta?

19 MR. FURUTA: No.

20 JUDGE HAENLE: Mr. Richardson?

21 MR. RICHARDSON: No objection, your Honor.

22 JUDGE HAENLE: Exhibits 978 and 979 will be
23 entered.

24 MS. BROWN: Thank you.

25 MR. ADAMS: I have a couple more questions

WITNESS: J. A. STORY - Cross by Brown 4769

1 regarding the Company's filing last Friday.

2 BY MR. ADAMS:

3 Q. When Mr. Knutsen was questioned earlier this
4 week on the adjustments associated with the Towers
5 Perrin evaluation, he indicated that you could provide
6 information of how these adjustments impact rate base
7 in this filing.

8 Are you prepared to do that?

9 A. They do not impact rate base in this filing.

10 Q. How has the reduction in fleet vehicles
11 impacted the Company's rate base? Not at all?

12 A. The vehicles for the most part are leased.
13 We're passing through the lease costs on some of them.
14 I hadn't really thought about that, but it would be
15 worthwhile to go back and check those and see which
16 ones that were actually sold. And that could be a
17 reduction.

18 I think we would have to compare just like
19 we did with the employees whether we go down below the
20 level that was included in the test year.

21 Q. Is that true also with record to the
22 Kirkland Project Center?

23 A. Kirkland Project Center is still there. All
24 we did was combine it with the Des Moines headquarters.

25 Q. But the vacating of that building doesn't

WITNESS: J. A. STORY - Cross by Brown

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1 impact the Company's rate base, in your opinion?

2 A. Not at this time.

3 Q. Mr. Knutsen also explained that the costs of
4 moving would offset two years of savings realized by
5 vacating the Bellevue building.

6 Do you have the supporting adjustments that
7 show the offsetting costs and benefits associated with
8 this move?

9 A. Not with me. I believe Staff has asked a
10 data request that's being put together.

11 Q. Please turn to Pages 53 and 54 of your
12 testimony. There you address Staff's recommendation
13 that Puget has or "should have sufficient staff
14 expertise to present its position regarding rate of
15 return and financial risks of purchased power."

16 Are you aware that --

17 A. Purchased -- I'm sorry. Yes, I see it.
18 Thank you.

19 Q. Are you aware that Mr. Andrew Patterson of
20 Towers Perrin who testified here earlier this week
21 provided in response to a Staff Data Request what he
22 defines as the Company's finance function?

23 A. Yes.

24 Q. And in it he stated: "The Staff is highly

25 qualified through experience and training. Messrs.

WITNESS: J. A. STORY - Cross by Brown 4771

1 Elson, Eldrege, and Story have relatively 73 years in
2 utility finance and accounting experience and related
3 degrees."

4 A. Yes.

5 Q. At Line 9, Page 54 --

6 A. You should note that that's in utility
7 accounting. It's utility finance. It's not dealing
8 with the question of DCF and lead/lag -- not lead/lag
9 -- the CAPM studies and stuff like that, although we do
10 have experience in that.

11 The point here is that, when you bring in
12 expert witnesses by the other parties, the Company is
13 going to have to bring in somebody that's up to speed
14 currently as to what's going on throughout the country
15 in these areas. We do not maintain that expertise.

16 Q. Are you finished?

17 A. Yes.

18 Q. At Line 9, Page 54 of your testimony, you
19 address the cost of capital expert testimony which you
20 just referred to. There you state: "Staff, in
21 contrast, is consistently involved in rate proceedings
22 for various utilities in this state, yet has no
23 in-house capability and, in fact, in this particular
24 docket has retained its own expert Doctor Lurit?"

25 A. The word was "constantly" instead of

WITNESS: J. A. STORY - Cross by Brown

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1 "consistently." But yes.

2 Q. Thank you. Are you aware that the last
3 Puget case where Staff retained the services of the
4 cost of capital expert was in U-89-2688-T?

5 A. In our proceeding? Yes.

6 Q. It is also true, isn't it, that Staff
7 witness Mr. Elgin himself testified regarding the
8 reduction of the Company's authorized rate of return
9 from 10.22 percent to 10.16 percent in the decoupling
10 proceeding, isn't it?

11 A. That's true. What he did was the
12 calculation on the capital structure just using a
13 simple calculation of taking more debt and imputing
14 that into the capital structure. He did not do a DCF.
15 He did not do a CAPM.

16 Q. Are you aware that in Washington Water Power
17 last general rate case, I believe it was U-85-36, where
18 cost of money was a contested issue, both Staff and
19 Washington Water Power relied on their respective
20 in-house experts to address the issue?

21 A. I'm not aware of what Washington Water Power
22 is doing in that area.

23 Q. Please turn to Page 47 of your testimony.
24 There you state that the Commission accepted the

25 Company's calculation of working capital which did

WITNESS: J. A. STORY - Cross by Brown

4773

1 include dividends declared in Cause No. U-85-53.

2 A. That's correct.

3 Q. In Cause U-83-54, the case just prior to

4 U-85-53 the Commission accepted Staff's calculation of
5 working capital. Is that right?

6 A. Yes. But Mr. Martin's testimony said that in
7 past cases. I was just pointing out that it hasn't
8 always done that.

9 Q. In that case U-83-54 the Company argued the
10 dividends payable issue?

11 A. Dividends declared?

12 Q. Yes.

13 A. Yes. I believe it did.

14 Q. Is it correct, then, that in U-85-53 the
15 Company argued to continue the treatment accepted by
16 the Commission in U-83-54 as opposed to the treatment
17 proposed by Staff?

18 A. Yes. And we're doing the same now because
19 we don't believe the treatment that's being given is
20 proper.

21 Q. Is it correct that in U-85-53 dividends were
22 included as part of retained earnings and that
23 treatment was not contested?

24 A. It was contested. Mr. Twitchell is the

25 working capital witness in that case.

WITNESS: J. A. STORY - Cross by Brown

4774

1 Q. The dividends issue was not directly
2 contested?

3 A. I believe Mr. Twitchell tried to do the same
4 calculation that the Staff would normally have done.

5 Q. Have you reviewed the transcript testimony
6 of Mr. Raynor of BPA?

7 A. Transcript testimony? I was here for his
8 cross.

9 Q. During cross-examination I asked him whether
10 the pool of interest on undistributed residential
11 exchange credit as a matter of contractual obligation
12 was still an issue between Puget and BPA. And he
13 responded that it was no longer an issue based on the
14 Company's submission in this case.

15 Do you agree with that statement?

16 A. I have no reason to disagree with it. I
17 would even go back further and say that we sort of
18 resolved it when we did the accounting petition that
19 was prior to this case.

20 Q. So, is your position that the statement
21 which appears on Page 4 of the Company's accounting
22 petition in Docket UE-920433 is accurate? Do you have
23 that petition with you?

24 A. (Reading.)

25 JUDGE HAENLE: I have got one if you want

WITNESS: J. A. STORY - Cross by Brown 4775

1 it.

2 THE WITNESS: I don't believe I do.

3 JUDGE HAENLE: Can you share the copy you
4 have, Ms. Brown, or let him take a look at it?

5 MS. BROWN: I would except I don't have mine
6 with me either.

7 BY MS. BROWN:

8 Q. Page 4, footnote.

9 A. I do not have a copy with me.

10 Q. That will be fine. I'll get a copy over the
11 break. Let's move on at this point.

12 JUDGE HAENLE: Thank you.

13 BY MS. BROWN:

14 Q. On Page 48 of your testimony at Line 5, you
15 state that the Company proposes to calculate working
16 capital in a manner that removes the impact of any
17 balance in the residential exchange account.

18 When you use the term impact, do you mean
19 impact on working capital?

20 A. Well, the impact as it was done before,
21 which BPA had the problem with. The way that
22 residential exchange was handled before -- and this has
23 been discussed quite a bit -- is it was a credit
24 balance that was left on the books and, in fact, has a

25 credit as a offset against working capital. It lowered

WITNESS: J. A. STORY - Cross by Brown 4776

1 our increase by the credit.

2 This is taking that impact out. That's what
3 BPA had a concern with, that we were passing the
4 benefit through to all customers and not giving a
5 direct assignment to the residential customers. That's
6 what that is talking about.

7 Q. So the answer is yes?

8 A. Well, it doesn't remove an impact entirely
9 from working capital. So, the answer is no; because
10 anything that's on the Company's books on a balance
11 sheet is going to impact working capital in some
12 manner.

13 Q. Please turn to Exhibit 970.

14 A. I have it.

15 Q. The cost rates and cost of capital shown on
16 this exhibit do not reflect the Company's rebuttal
17 recommendations; is that right?

18 A. No. I kept this exhibit in the same format
19 as the original filing. It could be changed. It
20 shouldn't make that much difference. But we were
21 talking about the Company's original filing.

22 Q. The difference in the short-term debt
23 amounts shown in this exhibit is approximately \$11.1
24 million?

25 A. That's correct.

 WITNESS: J. A. STORY - Cross by Brown

4777

1 Q. And this difference is the residential
2 exchange balance as of September 30, 1992; is that
3 right?

4 A. I would have to accept that subject to
5 check.

6 Q. At least that's what Mr. R. E. Olson stated
7 in his testimony at Page 23 of Exhibit T-518?

8 A. I'm not sure of the exact months, but I can
9 tell you the way we calculated the impact was by taking
10 whatever the balance was and when we projected out into
11 the future rate year to get the capital structure, we
12 said whatever that balance was we were going to have to
13 use as a source of funds.

14 So, we were going to have to increase
15 short-term debt to bring that balance down to 0.
16 So, it could have been the September balance. I'm just
17 not sure.

18 Q. Do you know what the test year average
19 residential exchange account balance is?

20 A. \$9.4 some.

21 Q. Approximately 10 percent of this balance --

22 A. Approximately.

23 Q. Which was formerly \$947,000, which you just
24 revised today to \$827,718, is the amount the Company

25 would receive by adding the residential exchange

WITNESS: J. A. STORY - Cross by Brown 4778

1 balance to working capital as shown on the top portion
2 of Page 49; is that right?

3 A. \$827,718? Yes, that's correct.

4 Q. On Page 48 of your testimony at Line 23, you
5 state that the Company would pay the residential
6 customers \$677,100 rather than the \$693,570?

7 A. Yes. The difference isn't magical. I took
8 the taxes out to make them comparable. \$677,100 is the
9 right amount.

10 Q. Is that the amount that would be paid the
11 residential customers on the equivalent exchange
12 balance, is this amount calculated on the \$11.1 million
13 we just referred to?

14 A. Yes; because that can affect what we said
15 would be in effect during the rate year by the way we
16 did the calculation.

17 Q. The new \$133,846 figure referenced on Line
18 23 which you described as savings to customers is a
19 savings to all customers and not just the residential
20 customers; is that right?

21 A. That's correct. But remember the \$827,000
22 on Page 49 is being paid by all customers.

23 JUDGE HAENLE: You have handed me a one-page
24 document entitled reconciliation of 6/30/92 WC per

25 books, and then it continues on in one page, and I will

WITNESS: J. A. STORY - Cross by Brown 4779

1 mark this as 980 for identification.

2 (Marked Exhibit 980)

3 BY MS. BROWN:

4 Q. Mr. Story, do you recognize this as Page 140
5 of accounting work papers --

6 A. Yes.

7 Q. I'm sorry.

8 -- which accompanied the rebuttal filing on
9 Friday? Yes?

10 A. The rebuttal filing on Friday?

11 Q. I'm sorry. Your rebuttal case.

12 A. Yes.

13 Q. Was this prepared by you?

14 A. It was in my area, yes.

15 Q. If I move the admission of 980, please.

16 JUDGE HAENLE: Any objection, Mr. Van

17 Nostrand?

18 MR. VAN NOSTRAND: No, your Honor.

19 JUDGE HAENLE: Any objection, Mr. Bennett?

20 MR. BENNETT: No.

21 JUDGE HAENLE: Any objection, Mr.

22 Richardson.

23 MR. RICHARDSON: No objection, your Honor.

24 JUDGE HAENLE: Exhibit 980 will be entered

25 into the record.

WITNESS: J. A. STORY - Cross by Brown

4780

1 (Received Exhibit 980)

2 BY MS. BROWN:

3 Q. The numbers appearing under the four columns
4 labeled adjustments for general rate case filing
5 contained the reconciling adjustments from the
6 per-books working capital amount to the working capital
7 amount included in your initial case; is that right?

8 A. That's correct.

9 Q. The specific descriptions of these judgments
10 are detailed in the Company's response to Staff Request
11 1140 which has already been admitted as Exhibit 766.
12 Does that sound correct?

13 A. I remember something like that, yes.

14 Q. The adjustments shown under the second and
15 third to the last columns are additional adjustments
16 which are discussed on Page 45 of the rebuttal
17 testimony; is that right?

18 A. That's right.

19 Q. Referring you to the last column, Line 55,
20 is it correct that the operating working capital of
21 \$43.8 million is the adjusted level of working capital
22 that you propose to be allowed for inclusion in rate
23 base?

24 A. Yes.

25 Q. Please turn to Page 51 of your testimony. I

WITNESS: J. A. STORY - Cross by Brown 4781

1 would like to direct your attention to the paragraph
2 begin at Line 13 where you discuss the adjustment to
3 the other work in progress account.

4 According to Exhibit 980, which is workpaper
5 140, the per-books amount for this account shown on
6 Line 36 is \$3.6 million; is that right?

7 A. Yes.

8 Q. Moving across the row, that amount was
9 reduced by \$2.9 million and then increased by \$198,000;
10 is that right?

11 A. That's correct.

12 Q. Have you reviewed the Staff's adjustment to
13 this item?

14 A. I believe they backed out the full amount.
15 It's on their workpaper 48, which is an exhibit 758, I
16 think. I would have to doublecheck that.

17 Q. What is your understanding of what Staff's
18 adjustment is and how it specifically differs from your
19 adjustment? Is there anything other than what you just
20 noted?

21 A. I believe Mr. Martin was backing out of our
22 treating this item in the same manner as it's been
23 treated in the past. And what we have done is gone
24 through and done an analysis on this account and

25 identified the non-utility type items and utility

WITNESS: J. A. STORY - Cross by Brown

4782

1 items, and we're just making that allocation.

2 This account is sort of a gathering account
3 for job order/work order type temporary work orders.

4 And then the costs are put off to different accounts.

5 Q. On Line 15 on that same page, 51 of your
6 rebuttal testimony, you state that Mr. Martin's
7 adjustment for other work in progress is inappropriate
8 in that it removes the costs of the three cited items.

9 By that do you mean it removes from working
10 capital by adding back to Line 36 of Exhibit 980?

11 A. Yes.

12 Q. The word remove as used in the last sentence
13 on Page 51 of your testimony means the same thing,
14 i.e., removal from working capital; is that right?

15 A. Right.

16 Q. Please turn now to Page 52 of your
17 testimony. In your corrections to your rebuttal
18 testimony on this Page 52, you delete Lines 17 through
19 23 beginning with Mr. Martin's workpaper?

20 A. Right. I found an error in the numbers that
21 we had been dealing with. And what it was that when we
22 first looked at the numbers it looked like all of the
23 \$1,412,000 and the \$899,000 went to working capital
24 accounts so we could make sort of a general statement

25 like this.

WITNESS: J. A. STORY - Cross by Brown

4783

1 The first statement is still valid. It's
2 inappropriate. It doesn't matter the numbers. It's a
3 pro forma adjustment to working capital. Actually, if
4 you look at Mr. Martin's exhibit, by doing his
5 adjustment, he increased working capital. The way he
6 brought working capital back down again is at the
7 bottom of his worksheet he deducts this item to get it
8 out of working capital.

9 That's inappropriate because it misses the
10 allocation between utility and non-utility.

11 Q. What you just said, though, in part has
12 nothing to do with why you deleted these numbers from
13 Lines 17 through 20; is that right?

14 A. I think it does. I told you that I found a
15 number in there that went to expense. So, the
16 statement wasn't true any more, and I couldn't swear to
17 it.

18 Q. At Line 10 you address Staff's proposed
19 adjustment related to plant held for future use. You
20 state that you explained earlier in your testimony why
21 this proposed change is not appropriate.

22 Now the earlier testimony to which you're
23 referring there appears at Pages 21 and 22 of this
24 rebuttal testimony; is that right?

25 A. Yes.

WITNESS: J. A. STORY - Cross by Brown

4784

1 Q. You do not entirely disagree with Staff's
2 adjustment. In fact, you state on Page 21, Line 6,
3 that the Company agrees to Item A, which is an
4 adjustment to remove certain properties determined by
5 the Company to be not includable in plant held for
6 future use account; is that right?

7 A. That's correct.

8 Q. With respect to the specific uncontested
9 items proposed to be removed from the plant held for
10 future use account, these are included under operating
11 investments reflected on Line 19 of Exhibit 980, which
12 is your Workpaper 140; is that right?

13 A. That's correct. Again, that's not a proper
14 type adjustment, I don't believe, to working capital.
15 We made the adjustment already to rate base. And in
16 effect what Mr. Martin did do by using that adjustment
17 is increase working capital. He offset the rate base
18 impact of the rate base reduction that was done for
19 future use.

20 Q. Since both the Company and Staff agree that
21 these should be removed from operating investment, they
22 should then be reclassified to non-utility investment,
23 i.e., to Line 32 of Exhibit 980. That would be the
24 appropriate treatment, wouldn't it?

25 A. I don't recall. Is that what Mr. Martin

 WITNESS: J. A. STORY - Cross by Brown 4785

1 did? I got confused a couple times on his schedule. I
2 think when you do a schedule, you're used to your own
3 way of doing things.

4 Is that what he did?

5 Q. I don't think that's the issue. I'm just
6 wondering since both the Company and Staff agree that
7 these items should be removed from operating
8 investment, these items should then be reclassified to
9 non-utility investment. I'm asking you if you would
10 agree with that or if you would view that as proposed?

11 A. Well, no, I wouldn't. And it just goes back
12 to what I have always thought about: On balance sheet
13 working capital you don't make pro forma adjustments to
14 balance sheet working capital. The adjustments are
15 made elsewhere in the case.

16 Q. Would you agree as a general proposition
17 that under Commission's rules, specifically
18 WAC-480-1-100-031, every electric utility under this
19 Commission's regulation is bound to follow the
20 pre-subscribed Uniform System of Accounts in accounting
21 for daily transactions?

22 A. Yes.

23 Q. It's true any deviation from USOA can occur
24 only after notice and order of this Commission other

25 than that deviation is void?

WITNESS: J. A. STORY - Cross by Brown

4786

1 A. By this Commission? Well, FERC, that
2 section generally when you're dealing with a FERC
3 Uniform System of Accounts, Commission means FERC.

4 And I can't recall in the rule setting when
5 the Commission set this from FERC Uniform System of
6 Accounts from NARUCC whether they said commission was
7 to mean this commission or not. I would accept that
8 subject to check.

9 Q. To your knowledge, the Company construes
10 Commission to be FERC and not WUTC?

11 A. We tend to come down and ask permission from
12 the Commission on different things, yes. So, if we are
13 going to be doing something that's a little different,
14 we would come down to the Commission.

15 Q. This Commission?

16 A. The state Commission.

17 Q. But that isn't something that the Company
18 does consistently?

19 A. Well, normally when you're dealing with
20 accounts in FERC like 182 that says it requires
21 Commission approval to use account 182, that's pretty
22 clear that that means the FERC.

23 If this Commission was to give us an order
24 to use Account 182 we could not use it without FERC

25 approval on certain items.

WITNESS: J. A. STORY - Cross by Brown

4787

1 Q. The Company contemplated transferring the
2 debit balance in its reserve accounts, did the company
3 write a letter to FERC seeking permission to book such
4 debit balance to Account 186?

5 A. In its -- which account?

6 Q. Insurance reserve account.

7 A. (Reading.) We did write the FERC to
8 transfer those balances. What's bothering me a little
9 bit is the 186 account. Do you have an account number?

10 Q. 186? I just have 186. The Company
11 contemplated transferring the debit balance --

12 A. I found it. It's in 186, yes.

13 Q. And the FERC while granting the transfer
14 instructed the Company to book such balance not in the
15 requested 186 account but, rather, in Account 182.1; is
16 that right?

17 A. Yes.

18 Q. Did the Company raise that particular issue
19 before this Commission?

20 A. No.

21 Q. On Page 34 of your rebuttal testimony,
22 beginning on the Line 16, you state that the Company
23 did follow the appropriate guidelines in accruing AFUDC
24 on a project which had ongoing expenditures associated

25 with construction. The company's accrual of AFUDC is

WITNESS: J. A. STORY - Cross by Brown 4788

1 proper.

2 You are aware that the project's sponsor,
3 the Washington Water Power Company, which is governed
4 by the very same USOA, has been booking its Creston
5 costs in Account 183, preliminary survey and
6 investigation costs, and that no AFUDC accrual is
7 allowed on costs booked in such accounts?

8 A. The last part of your statement is not true.
9 183 can have AFUDC with Commission approval.

10 I am aware that Washington Water Power does
11 book to 183. They technically have that choice at this
12 point in the game of a project.

13 Q. But it's true, nevertheless, that Washington
14 Water Power followed a guideline which is different
15 from that which Puget followed?

16 A. Right. Puget bought into the project in
17 1981, and at that time the construction was ongoing as
18 far as we were concerned. We only booked AFUDC for
19 that 1981/1982 period. I think we stopped it June 16.
20 We actually -- I take that back.

21 We actually accrued AFUDC up through 1985,
22 but then we reversed the amount back to 1982.

23 Q. On Page 63 of your rebuttal testimony,
24 beginning at Line 2 you referred to Staff's Item B

25 adjustment as the cost of an actual lawsuit as to

WITNESS: J. A. STORY - Cross by Brown

4789

1 whether the State of Montana had legal right to tax
2 Federal transmission line based on the Company's usage
3 of that line.

4 A. Right.

5 Q. Is it correct that the State Supreme Court
6 of Montana upheld that state's right to tax?

7 A. Yes.

8 Q. The transmission line referred to is the BPA
9 500 kv line; is that correct?

10 A. That's correct.

11 Q. Over what period of time did the lawsuit or
12 legal proceedings take place?

13 A. It was several years. I don't remember the
14 exact dates.

15 Q. Will you accept subject to check that it
16 spanned the 1984 through 1991 time frame?

17 A. Sure.

18 Q. Is it true that the tax and O and M expenses
19 of that portion allocable to Puget related to the 500
20 kv line have been a part of the Company's cost of
21 service and are embedded in the results of operations
22 in this case?

23 A. Yes. And that's one reason we were suing
24 them we didn't feel it was an appropriate charge to the

25 customer.

WITNESS: J. A. STORY - Cross by Brown

4790

1 Q. That case was appealed to the United States
2 Supreme Court, but that court denied review; is that
3 right?

4 A. Yes.

5 Q. Now, to your knowledge, the plaintiffs are
6 no longer pursuing this issue or any of the related
7 issues at this time; is that right?

8 A. Well, that's not true on the related issue.
9 I don't have anything with me that tells what exactly
10 it is, but there were some trade-offs on the lawsuit.
11 We got some tax benefits elsewhere, I believe.

12 Q. But as far as that particular issue goes,
13 the right to tax issue, there are no pending actions?

14 A. No. But now we have a property tax issue in
15 this state. They pop up everywhere.

16 Q. You have proposed for ratemaking purpose a
17 number of non-recurring adjustments, at least in your
18 view. For example, on Page 61 of your testimony at
19 Line 13, \$2,204 is removed. And then again on Page 65,
20 Line 17, \$25,000 is removed?

21 A. Page 65?

22 Q. Page 65, Line 17.

23 A. Yes.

24 Q. On Page 65 also at Lines 20 through 23, you

25 dispute a \$15,000 adjustment because you consider it

WITNESS: J. A. STORY - Cross by Brown 4791

1 recurring.

2 A. Yes.

3 Q. Could you please tell us what guideline or
4 criterion you were relying on in making a judgment that
5 an item qualifies and is non-recurring for ratemaking
6 purposes?

7 A. Well, in this particular case, the \$25,000,
8 that was a bonus signing of an officer. And that
9 probably will not happen in the near future.

10 \$15,000 lump sum salary distribution, that's
11 the type of salary structure we have. The managers
12 have the ability when they are handing out salary
13 increases to either give it as a percentage increase on
14 salary, which changes the individual's base, or they
15 can give them a lump sum for the year, which does not
16 change the base.

17 We have found over time that it's been
18 running about 1 percent of the salary pool has been
19 lump sum.

20 Q. I wasn't asking specifically.

21 A. Those are examples.

22 Q. I'm sorry? Have you finished?

23 A. That is the example. That's what you were
24 asking is how do I determine what's recurring and

25 non-recurring? That's an example.

WITNESS: J. A. STORY - Cross by Brown

4792

1 Q. Generally do you have a definition without
2 reference to any particular figure?

3 A. I think it takes some looking at each item.

4 Q. So, you determine that on a case-by-case
5 basis?

6 A. It can be. There are certain things that
7 are -- I can imagine that you could define something
8 that's non-recurring pretty definitely. I can't think
9 of examples. This is an example we thought was
10 non-recurring.

11 Q. What about the time frame for something to
12 be non-recurring? Do you judge an item to be
13 non-recurring if it will not recur during the test
14 year? The next two, three --

15 What's the time span?

16 A. I think again it's up to the individual
17 item. Like a lawsuit. If you take a lawsuit, for
18 example, you will never have that lawsuit that you had
19 in the test year in the future. But you will have
20 lawsuits in the future.

21 Q. Turn now to Page 5 of your testimony. At
22 the bottom paragraph there, you show a couple of
23 percentages, namely, .06 percent, .1 percent, relating
24 to the magnitude of revenue decrease impacts on Staff's

25 adjustments.

WITNESS: J. A. STORY - Cross by Brown

4793

1 A. That's correct.

2 Q. Please turn now to Page 61 of your
3 testimony.

4 A. I have it.

5 Q. Starting at Line 11, you testify that Line 7
6 of the schedule is to remove \$316 for expense report
7 items which should have been charged below the line.

8 Can you tell us the resulting percentage
9 revenue decrease impact of this particular \$300
10 adjustment?

11 A. It's been moot. That's one of the problems
12 we're having with this case. This came from the Navy
13 of where they are looking at dollars that are \$15, \$20,
14 \$25. We gave it to them.

15 Q. Please turn to Page 58 of your rebuttal
16 testimony.

17 A. I'm sorry. Which page?

18 Q. 58. Starting at Line 3, you discuss: The
19 fourth difference between the company's and Staff's
20 non-recurring and operating expense adjustment 2.27.
21 This issue relates to the appropriate pro forma
22 adjustment that the Colstrip settlement agreement
23 interest income which was deferred in rate base in the
24 last general rate case for amortization over a

25 three-year period.

WITNESS: J. A. STORY - Cross by Brown

4794

1 Is that right?

2 A. I don't see those words. You're on Page 58,
3 Line 4?

4 Q. Beginning at Line 3.

5 A. The fourth difference is that the Staff
6 removed the deferred taxes from rate base?

7 Q. Yes.

8 A. I didn't think you said those words. You
9 said something about three years.

10 Q. Why don't I just start over here.

11 At Line 3 you discuss the fourth difference
12 between the Company and Staff's non-recurring and
13 operating expense adjustment 2.27.

14 Would you agree with that?

15 A. Yes.

16 Q. This issue relates to the appropriate pro
17 forma adjustment of the Colstrip settlement agreement
18 about income which was deferred in rate base in the
19 last general rate case for amortization over a
20 three-year period.

21 A. Oh, I see. I thought you were saying that's
22 what I had in my testimony.

23 Yes, that's true.

24 Q. The deferred interest income balance has

25 been fully amortized prior to the rate year of this

WITNESS: J. A. STORY - Cross by Brown

4795

1 case. So, an adjustment to test year amounts is
2 necessary to reflect that amortization. Is that
3 accurate?

4 A. That's correct.

5 Q. Please turn to Page 2.27 of --

6 A. I think I might still be confused. Are you
7 quoting from my testimony? Is this from the original
8 testimony?

9 Q. No.

10 A. Okay. All right.

11 Q. Please turn to 2.27 of Exhibit 966.

12 A. Yes?

13 Q. The amount of \$307,849 appearing on Line 15
14 reflects the test year interest income amortization
15 recorded as operating revenue and is being adjusted out
16 to 0; is that right?

17 A. That's correct.

18 Q. Staff and the Company are in agreement on
19 this particular point. Is that also true?

20 A. Yes, that is.

21 Q. Turning to the next item on this issue,
22 Staff adjusted out of the test year rate base the
23 end-of-period amount of \$61,000 deferred tax associated
24 with the Colstrip deferred interest income. A similar

25 adjustment was not made by the Company in its initial

WITNESS: J. A. STORY - Cross by Brown 4796

1 filing, and only now are you making that adjustment in
2 this case by removing that same \$61,000 amount from
3 rate base.

4 Is that right?

5 A. That's correct. And we're also removing the
6 offsetting piece like you discussed earlier.

7 Q. This \$61,000 amount was recorded in Account
8 190-11 and is included in the \$216,000 appearing on
9 Line 22 of Page 2.27; is that right?

10 A. That's correct.

11 Q. Do you have your Exhibit 558 available to
12 you?

13 A. Do you have a reference?

14 Q. It's your original results of operation.

15 JUDGE HAENLE: JAS-3.

16 MS. BROWN: Thank you.

17 THE WITNESS: Yes.

18 BY MS. BROWN:

19 Q. Would you turn to Page 1, please.

20 A. Page 1? Yes.

21 Q. Is it correct that the \$61,000 debit is
22 included as part of the other deferred taxes shown on
23 Line 23?

24 A. Yes.

25 Q. By removing that amount in your rebuttal

WITNESS: J. A. STORY - Cross by Brown 4797

1 adjustment 2.27, is it fair to say that the Company and
2 Staff are in agreement in regard to at least this
3 portion of the adjustment?

4 A. Only if the second half was taken, which is
5 the deferred interest.

6 Q. Referring you back to Page 2.27, Exhibit
7 966, Line 23, is it correct that the amount of \$333,503
8 is the portion of the Colstrip adjustment which you
9 claim that Staff had failed to adjust from rate base?

10 A. Yes.

11 Q. Account 253-38 reflects the test year
12 average deferred interest income balance of \$923,547
13 and is offset by the accumulated amortization recorded
14 in account 253-39 of \$590,000, which nets to \$333,503
15 as shown on Line 23.

16 Will you accept that subject to check?

17 A. Yes.

18 Q. The intent of your adjustment is to zero out
19 the per-books actual recorded amount; is that right?

20 A. The intent of the adjustment is we weren't
21 proposing to remove the \$61,000 originally. The intent
22 is just to make a balanced adjustment. The 353 or the
23 333 is an average of monthly average. And I thought I
24 heard you say it was end of period and it was in

25 working capital.

WITNESS: J. A. STORY - Cross by Brown

4798

1 JUDGE HAENLE: You need to find a time to
2 take an afternoon recess, too.

3 MS. BROWN: This is fine.

4 JUDGE HAENLE: Let's take fifteen minutes,
5 please. Be back at 10 minutes after.

6 (Recess.)

7 JUDGE HAENLE: Let's be back on the record
8 after our afternoon recess.

9 Go ahead, Ms. Brown.

10 MS. BROWN: Thank you.

11 BY MS. BROWN:

12 Q. Mr. Story, do you have the Company's
13 accounting petition in Docket UE-920433 before you now?

14 A. I have Page 4. Is this the accounting
15 petition with BPA?

16 Q. Yes.

17 A. Yes.

18 Q. I would like to direct your attention to the
19 footnote which appears on that page.

20 A. Yes.

21 Q. Is it your position today that that position
22 statement is no longer accurate?

23 A. I think it's accurate. It depends on what
24 happens with the Commission as to whether this is

25 resolved or not. All we're saying is, if we can't

WITNESS: J. A. STORY - Cross by Brown

4799

1 resolve it before the Commission, we may have to
2 resolve it in other ways. We're reserving the right to
3 do that.

4 Q. In adjustment 2.12, SFAS 106, the Company
5 presents as a rate base item \$977,500?

6 A. Yes.

7 Q. This represents the difference between the
8 pay-as-you-go amount projected for 1993 and the
9 actuarially determined expense required to be booked
10 for 1993; is that right?

11 A. It's nine months of that, yes.

12 Q. According to the Commission's policy
13 statement covering this topic, the Company must fund
14 the SFAS-determined amount of expense; is that right?

15 A. Yes. If we get an order from the Commission
16 adopting accrual accounting, we will be doing that,
17 yes.

18 Q. This funding is in cash? The Company will
19 send money to a third-party trust company; is that
20 right?

21 A. It will be a trustee of VEBA or 401, yes.

22 Q. These cash deposits are to be deposited by
23 the third-party trust fund?

24 A. That's inherent in the calculation.

25 Q. Return on the investment is part of the

WITNESS: J. A. STORY - Cross by Brown

4800

1 calculation of the expense that meets the SFAS 106
2 criteria. Is that true, too?

3 A. Yes.

4 Q. The return this investment earns depends on
5 the types of instruments it invests in and on the skill
6 of the portfolio manager.

7 Would that be fair to say?

8 A. Yes. And that's why you tend when you're
9 doing the calculation of 106 to use an investment rate
10 like 8.5.

11 Q. This fund is to pay future medical insurance
12 premiums of retirees and future retirees?

13 A. Yes.

14 Q. This portfolio is the legal property of the
15 trustee; is that right, as opposed to the Company?

16 A. Well, no. It's the legal property of the
17 employee. The trustee is handling it.

18 Q. Has the Company made any deposits to this
19 trust fund yet?

20 A. We have not received approval yet. So, no,
21 we have not.

22 Q. I would like to shift now to storm damage.

23 In the U-89-2688 case, the Company
24 determined a four-year average of about \$1.6 million;

25 is that right?

WITNESS: J. A. STORY - Cross by Brown

4801

1 A. That's correct.

2 Q. And the Company has booked this \$1.6 million
3 as an absolute amount of expense in 1990?

4 A. That's the amount that's been built in the
5 reserve; that's correct.

6 Q. And expense?

7 A. Yes. You credit the reserve and expense the
8 amount.

9 Q. In the self-insurance accounts going back to
10 U-85-53 case, the Company at that time calculated a
11 total expense for the three parts of about \$1.93
12 million. Is that true?

13 A. That's correct.

14 Q. Since 1986, this \$1.92 million has been
15 carried forward as an expense on the Company's books;
16 is that correct?

17 A. It actually goes back longer than that.
18 That's correct.

19 Q. Please turn to Exhibit 733. That is Mr.
20 Schooley's proposed rate case cost adjustment.

21 Do you have that?

22 A. Do you have his TS number?

23 JUDGE HAENLE: 5.

24 MS. BROWN: Thank you.

25 THE WITNESS: I have it.

WITNESS: J. A. STORY - Cross by Brown 4802

1 BY MS. BROWN:

2 Q. In the U-89-2688 case, the annual expense
3 for rate case cost was determined to be \$271,600, and
4 the Company amortized this amount at about \$22,600 per
5 month; is that correct?

6 A. Well, on his exhibit it says \$285,000. But
7 the \$22,600 is right.

8 Q. In Mr. Schooley's adjustment, he carried
9 this monthly amount forward to the beginning of the
10 rate year as a continuation of the embedded expense in
11 rates.

12 In your rebuttal testimony at Page 55, you
13 call this "a fundamental misunderstanding of
14 ratemaking."

15 Is that your testimony?

16 A. Yes, it is. And I don't agree with your
17 interpretation unless I'm interpreting it wrong that he
18 carried forward the expense.

19 What he did is he took the revenues that
20 were covering the expense that was no longer there.
21 He said let's take these revenues and now offset them
22 against future expenses.

23 That has never been done before. That's
24 only appropriate if you have a surcharge, I would say.

25 And we were not informed by the Commission to ever do

WITNESS: J. A. STORY - Cross by Brown 4803

1 that. If you were to do that, you're in violation of
2 SFAS 71 -- we would have been -- Paragraph 11.

3 JUDGE HAENLE: You have given me a two-page
4 document entitled Response to Staff Data Request No.
5 2503. I will mark this as 981 for identification.

6 (Marked Exhibit 981)

7 BY MS. BROWN:

8 Q. Mr. Story, can you identify Exhibit 981,
9 please.

10 A. Yes. It's the Company's response to 2503,
11 Staff Data Request.

12 Q. And the response was prepared by you?

13 A. In my area.

14 MS. BROWN: Your Honor, I would move the
15 admission of Exhibit 981.

16 JUDGE HAENLE: Mr. Van Nostrand?

17 MR. VAN NOSTRAND: No objection.

18 JUDGE HAENLE: Mr. Adams, any objection?

19 MR. ADAMS: No objection.

20 JUDGE HAENLE: Mr. Richardson, any
21 objection?

22 MR. RICHARDSON: No objection, your Honor.

23 JUDGE HAENLE: 981 will be entered into the
24 record.

25 BY MS. BROWN:

WITNESS: J. A. STORY - Cross by Brown

4804

1 Q. Mr. Story, you stated the Commission
2 accepted and approved the creation of regulatory
3 assets.

4 A. That's correct.

5 Q. For self-insurance it refers to T-965, Pages
6 13 through 14, where you state on Line 8: "There is no
7 specific order which addresses these costs."

8 A. What I meant by that statement is there is
9 no specific order that says this is the accounting you
10 will use. But I go on to say or tried to put in this
11 response was that's not the important point. The
12 Commission approved the underlying revenue requirement.
13 So, they did approve this by approving that revenue
14 requirement.

15 Q. This is the first time a deficit in the
16 all-risk damage account is proposed for inclusion in
17 the average; correct?

18 A. It's the first time it's been deficit, I
19 believe, yes.

20 Q. In your testimony, your direct testimony,
21 Exhibit 556, Page 11, Line 24, you say: "The Company
22 is proposing that the deficit amount be amortized over
23 four years."

24 Do you remember that?

25 A. Yes.

WITNESS: J. A. STORY - Cross by Brown

4805

1 Q. And this you claim is the same as the
2 treatment for storm damages.

3 A. That's correct.

4 Q. Returning to Exhibit 981, under storm damage
5 you refer to T-965, Lines 7 through 9, you state Staff
6 is correct. There is not a specific order.

7 A. Again, I was talking there is not a specific
8 order saying that this is the accounting to use. They
9 did accept the accounting procedure by accepting the
10 revenue requirement.

11 Q. And as a part of your position on the
12 treatment in prior cases, you use the testimony by Ms.
13 Kling in U-8553 where she testified that "The use of an
14 average for storm damages is to attempt to obtain a
15 representative storm damage amount for the test year."

16 Is that your position?

17 A. Well, that was her testimony. I would say
18 it a little differently. But it's basically the same
19 result.

20 Q. This average is then used in the
21 representative amount for the determination of revenue
22 requirements. Is that true?

23 A. That's correct.

24 Q. Please define amortization as it is used in

25 accounting.

WITNESS: J. A. STORY - Cross by Brown

4806

1 A. Amortization?

2 Q. Yes.

3 A. It's similar to depreciation. It's just the
4 write-off of a cost over time.

5 Q. Is this the treatment you seek of the
6 deficits in the self-insurance and storm damage
7 accounts?

8 A. This is to bring the deficit down to 0.
9 That's correct. It's similar to amortization.

10 Again, in my cross -- and I believe it was
11 at cross when I explained this -- you know, if the
12 amount happens to be more than \$4 million on the
13 average, that deficit balance is going to increase. If
14 it's less than \$4 million, it's going to decrease.

15 It's not a strict amortization. All we have
16 tried to do is set a rate that will get that account
17 balance to a credit balance or near 0.

18 Q. But there isn't an explicit given amount
19 which is expensed over a given period of time, is
20 there?

21 A. No. That's what I just said. All we're
22 trying to do is come up with an amount that will bring
23 that balance in line.

24 JUDGE HAENLE: You have handed me a

25 multi-page document. At the top it says Puget Power

WITNESS: J. A. STORY - Cross by Brown 4807

1 Blanket Purchase Order Label, and I note that my copy
2 has some green felt marker markings on at least the
3 first page. I'll mark this as 982 for identification.

4 (Marked Exhibit 982)

5 BY MS. BROWN:

6 Q. Mr. Story, these invoices, the printout,
7 were given to Staff during Staff's visit to the
8 Company. Can you identify these as being company
9 documents?

10 A. Yes, they are.

11 MS. BROWN: I should point out for the
12 record that the highlighting was done by us.

13 BY MS. BROWN:

14 Q. I would like to direct your attention to
15 those highlighted areas on the front. They show
16 charges to account 228-14, the storm damage reserve.

17 A. That's correct.

18 Q. And on the printout are all the charges to
19 Account 228-14 for the services of an individual named
20 Katherine Bennett, an interior designer?

21 A. Yes.

22 MS. BROWN: Your Honor, I would like to move
23 the admission of 982.

24 JUDGE HAENLE: Any objection, Mr. Van

25 Nostrand?

WITNESS: J. A. STORY - Cross by Brown

4808

1 MR. VAN NOSTRAND: Your Honor, I'm not sure
2 what relevance these documents have or what they are
3 going towards. There seems to be a variety of invoices
4 included in these documents. I need a further showing
5 of relevance.

6 JUDGE HAENLE: Ms. Brown, the objection is
7 relevance.

8 MS. BROWN: Well, the Company has indicated
9 that at least one benefit of the current system of
10 storm damage accounting is that it allows the Company
11 to concentrate on the primary concern of all involved
12 with any particular emergency. And these invoices were
13 charged in part to a work order associated with this
14 interior designer.

15 And since one of the issues in this case is
16 what is to be appropriately and properly charged to the
17 storm damage account, I think that it's clear that
18 these invoices are relevant.

19 JUDGE HAENLE: Mr. Van Nostrand?

20 MR. VAN NOSTRAND: Are there going to be
21 further questions asked of this witness on this
22 exhibit?

23 MS. BROWN: No.

24 MR. VAN NOSTRAND: I would object to the

25 admission. I don't believe that's established from the

WITNESS: J. A. STORY - Cross by Brown 4809

1 face of this document, the representation that Staff
2 counsel is making with respect to this document. I
3 don't believe it's self apparent in the document
4 itself. I don't believe Mr. Story has laid a
5 foundation for the relevance of the document.

6 JUDGE HAENLE: Objection to the entry, Mr.
7 Adams?

8 MR. ADAMS: I have no objection.

9 JUDGE HAENLE: Objection, Mr. Richardson.

10 MR. RICHARDSON: I have no objection, your
11 Honor.

12 JUDGE HAENLE: I will enter 982 into the
13 record and overrule any objection.

14 MS. BROWN: Thank you.

15 (Received Exhibit 982)

16 JUDGE HAENLE: You have given me a
17 multi-page document entitled Response to Data Request
18 No. 2670. I will mark this as 983 for identification.

19 (Marked Exhibit 983)

20 BY MS. BROWN:

21 Q. Mr. Story, can you identify this, please?

22 A. It's the Company response to data request
23 2670.

24 Q. It was either prepared by you or under your

25 direction and supervision?

WITNESS: J. A. STORY - Cross by Brown

4810

1 A. Yes.

2 MS. BROWN: I move the admission of Exhibit
3 983, please.

4 JUDGE HAENLE: Any objection?

5 MR. VAN NOSTRAND: No objection.

6 JUDGE HAENLE: Mr. Adams?

7 MR. ADAMS: No objection.

8 JUDGE HAENLE: Mr. Richardson?

9 MR. RICHARDSON: No objection, your Honor.

10 JUDGE HAENLE: Exhibit 983 will be entered
11 into the record.

12 (Received Exhibit 983)

13 BY MS. BROWN:

14 Q. I would like to address your attention
15 to where it states please recast the
16 calculations of conservation adjustment on Page 2.05
17 of Exhibit 966. This calculation --

18 Are you there?

19 A. Yes, I am.

20 Q. This calculation was based on a production
21 factor of 95.5 percent; is that correct?

22 A. That's correct.

23 JUDGE HAENLE: You have handed me a two-page
24 document, caption Response to Date Request 2643. I'll

25 mark this as 984 for identification.

WITNESS: J. A. STORY - Cross by Brown 4811

1 (Marked Exhibit 984)

2 BY MS. BROWN:

3 Q. Mr. Story, can you identify this as Company
4 response to Staff Data Request 2643?

5 A. Yes.

6 Q. And it was prepared by you or under your
7 direction and supervision?

8 A. Yes.

9 MS. BROWN: Move the admission of 984,
10 please.

11 JUDGE HAENLE: Mr. Van Nostrand, any
12 objection?

13 MR. VAN NOSTRAND: No objection, your Honor.

14 JUDGE HAENLE: Mr. Adams?

15 MR. ADAMS: No objection.

16 JUDGE HAENLE: Mr. Richardson?

17 MR. RICHARDSON: No objection, your Honor.

18 JUDGE HAENLE: 984 will be entered into the
19 record.

20 (Received Exhibit 984)

21 BY MS. BROWN:

22 Q. This response shows the Company's
23 recalculation of the conservation adjustment using the
24 production factor of 93.6 percent?

25 A. Yes. That 93.6 again is based on the old

 WITNESS: J. A. STORY - Cross by Brown 4812

1 forecast, which I believe Mr. Knutsen and Mr. Lauckhart
2 talked about.

3 Q. 93.6 percent is the factor recommended by
4 Staff in this proceeding?

5 A. It is. I don't believe they had the new
6 forecast much before they filed.

7 Q. I would like to direct your attention to
8 property sales 2.07. You state on Page 16 of your
9 rebuttal testimony beginning at the end of Line 18 that
10 Staff proposes to use an approach that was developed in
11 the 1989 rate case under which the gain or loss from
12 the disposition of property was allocated to ratepayers
13 and shareholders "based on the proportion of time the
14 property was included in rate base versus the time it
15 was in a non-utility account."

16 A. That's correct.

17 Q. Do you agree that the Staff's approach of
18 allocating gains or losses on property sales as
19 described above was approved by the Commission in the
20 1989 rate case?

21 A. Yes, it was.

22 Q. You also agree that this Staff approach was
23 also agreed upon by the Company as a party to the
24 property sales settlement agreement filed in the Court

25 of Appeals last year?

WITNESS: J. A. STORY - Cross by Brown

4813

1 A. I believe our approach falls under that
2 settlement, also. But what we were using at the time
3 was that, yes.

4 Q. Turning to Page 17 of your testimony, you
5 state that "Since the order in the last general rate
6 case, the Company has refined its method for tracking
7 property gains or losses and that the Company
8 determines the current market value of the property at
9 the time it is transferred from utility to
10 non-utility."

11 Is that a fair reading?

12 A. That's correct.

13 Q. The Company would use this current market
14 value in the future calculation of gains and losses to
15 be passed on to the ratepayers; is that right?

16 A. That's correct.

17 Q. Is it also true that under the Company's
18 method as just described there would be no need for an
19 allocation of gains or losses between ratepayers and
20 shareholders because the calculation of these gains or
21 losses is based on the market value of property taken
22 at the time it was transferred to non-utility?

23 A. That was the intent. A lot of times our
24 property is held in non-utility for several months to

25 it could be several years.

WITNESS: J. A. STORY - Cross by Brown

4814

1 We wanted to have a market value that we
2 could use for the calculation of the property gain if
3 we were to transfer the property to Puget Western. It
4 doesn't seem appropriate to have a property that is --
5 has been in rate base, say, for five years and then you
6 transfer it to non-utility and maybe hold it there for
7 five or six months before transferring it to Puget
8 Western and allocating some sort of gain to the
9 shareholder.

10 It works both ways. We just were trying to
11 be more accurate on it.

12 Q. Moving down to Line 18 on that page, you
13 indicate that the Company's calculation as you just
14 stated is in compliance -- it's the Company's position
15 that it's in compliance with the settlement agreement
16 on property transfers?

17 A. It measures the value of the property for
18 the time it was in rate base, yes.

19 Q. The settlement agreement on property
20 transfers, Exhibit 743, specified that the amount to be
21 allocated to the customer in future rate cases must
22 take into account the change in value that occurs while
23 property is reported in utility versus non-utility
24 accounts.

25 Do you agree with that?

WITNESS: J. A. STORY - Cross by Brown 4815

1 A. Right. That's what an appraisal does. It
2 gives you the value that the property was during the
3 time it was in rate base or non-utility.

4 Q. Turning to Page 19 of your testimony, you
5 state on Line 11 that "Staff accounts for gains and
6 losses on twelve properties in non-utilities which have
7 not yet been sold or transferred to subsidiary and that
8 the Company agrees to include in this rate case the
9 gains and losses on non-utility properties which are to
10 be transferred to a subsidiary only."

11 Is that right?

12 A. Yes.

13 Q. I would like to refer you now to Exhibit
14 642, which is the Company's supplemental response to
15 Deposition Request No. 68.

16 Do you have that?

17 A. I have it. There were several supplementals
18 on this, weren't there? I'm not sure I have the same
19 one you have.

20 Q. Do you have one that's marked Exhibit 642?

21 A. Mine is not marked as an exhibit. It's just
22 a copy.

23 MS. BROWN: May I approach the witness, your
24 Honor?

25

JUDGE HAENLE: Yes.

WITNESS: J. A. STORY - Cross by Brown

4816

1 MS. BROWN: I believe we're in agreement
2 that we're both looking at the same response.

3 BY MS. BROWN:

4 Q. Directing your attention to the last two
5 pages of this exhibit, do you agree that the twelve
6 non-utility properties included in the Staff's
7 adjustment that you were taking issue with are taken
8 from these two pages?

9 A. I'm not taking issue with all twelve. I'm
10 only taking issue with about four of them, five of
11 them, that haven't been transferred yet.

12 Q. In any event, they are taken from these two
13 pages?

14 A. (Reading.) Well, --

15 Q. Can you accept that subject to check?

16 A. These aren't the same number that the Staff
17 has on their -- on THN-1. I'm not sure what they are.
18 The first behind Mr. Nguyen's testimony just as an
19 example, Midway O'Bryan on this data request has
20 \$67,500 as an appraised value. I believe on his
21 exhibit it was over \$500,000.

22 Q. You would agree, would you not, Mr. Story,
23 that the properties, be it twelve, six, five, or four,
24 are listed in the last two pages of this response?

25 A. I'm sorry. Would you repeat the question?

WITNESS: J. A. STORY - Cross by Brown 4817

1 Q. I'm just trying to establish that --

2 A. I would agree that these properties, names
3 of properties, are the same ones in the Staff
4 adjustment. The amounts are not the same.

5 Q. Thank you. Would you also agree that the
6 Company provided in these two pages all of the data
7 necessary for the calculation of gain or loss for each
8 of these twelve properties, including the original
9 cost, selling cost, the selling price, assessed value,
10 and the tax effect?

11 A. Yes. That's what Staff asked for. So, we
12 provided the data. It doesn't mean we agree with it.

13 Q. Turning back to the first page of this
14 exhibit, the Company indicates on this page that its
15 analysis of non-utility properties, at least insofar as
16 Exhibit 642 is concerned, was a preliminary analysis?

17 A. That's correct.

18 JUDGE HAENLE: You have given me a
19 multi-page document entitled WUTC Supplemental
20 Deposition Request No. 68. I will mark this as 985 for
21 identification.

22 (Marked Exhibit 985)

23 BY MS. BROWN:

24 Q. Mr. Story, can you identify this, please?

25 A. Yes. It's the supplemental data request

 WITNESS: J. A. STORY - Cross by Brown 4818

1 updated on or Deposition Request 68.

2 Q. Prepared by you?

3 A. In our area, yes.

4 MS. BROWN: I move the admission of Exhibit
5 985, please.

6 JUDGE HAENLE: Any objection, Mr. Van
7 Nostrand?

8 MR. VAN NOSTRAND: No.

9 JUDGE HAENLE: Mr. Adams?

10 MR. ADAMS: No.

11 JUDGE HAENLE: Mr. Richardson?

12 MR. RICHARDSON: No objection, your Honor.

13 JUDGE HAENLE: Exhibit 985 will be entered
14 into the record.

15 (Received Exhibit 985)

16 BY MS. BROWN:

17 Q. If you could turn to the last page of this
18 exhibit. This page shows the calculation of gains and
19 losses not only on the twelve non-utility properties
20 included in the last two pages of Exhibit 842, but also
21 on eight additional non-utility properties not
22 previously listed. Is that true?

23 A. It appears to have more, yes, yes.

24 Q. The calculation of gains or losses for the

25 properties in this page is based on the appraised

WITNESS: J. A. STORY - Cross by Brown 4819

1 values shown in the column labeled appraised assessed
2 value?

3 A. Again, this was done at the request of Staff
4 in a format that they requested. It was not something
5 that we agreed to nor is it something that's
6 appropriate really.

7 Q. Are you finished?

8 A. Yes.

9 Q. Is the answer yes; that the calculation of
10 gains or losses for the properties is listed in the
11 column headed appraised assessed values, which I
12 believe is about the middle of the page?

13 A. What was the first part of the question
14 again? Is that the gain?

15 Q. Simply that the calculation of gains or
16 losses, those figures for these properties, appear
17 under that heading in that column?

18 A. Yes, that's either the assessed value or the
19 appraised value.

20 Q. Thank you. Directing your attention to the
21 first line of that column, this line shows the
22 appraised value for the Samammish switching station as
23 being \$878,400. Do you see that?

24 A. Yes.

25 Q. Moving down to the line appearing third from
WITNESS: J. A. STORY - Cross by Brown 4820

1 the bottom in that same column, you'll see the
2 appraised value for the McWilliams subsite as being
3 \$150,500.

4 A. That's \$157,500.

5 Q. Yes.

6 A. Yes.

7 Q. Do you agree or would you accept subject to
8 check that the appraised values for these two
9 properties as reflected in Exhibit 640 were \$4,165,425
10 and \$719,000 respectively as assessed in 1990?

11 A. Not as assessed. As appraised. This is
12 something we talked about at direct. That appraisal is
13 no better than the appraisal shown here.

14 These properties happened to be very
15 environmentally sensitive, and we can't seem to get a
16 good appraisal. We have had appraisals that range from
17 \$1 million on the Sammamish switching site to
18 \$4,500,000. These are not good appraisals.

19 JUDGE HAENLE: You have handed me a
20 multi-page document entitled Record Requisition No.
21 5636. I'll mark this as 986 for identification.

22 (Marked Exhibit 986)

23 BY MS. BROWN:

24 Q. Mr. Story, do you recognize this as part of

25 the Company's response to Record Requisition No. 563?

WITNESS: J. A. STORY - Cross by Brown 4821

1 A. Yes.

2 Q. This document contains the 1990 appraisal of
3 the Sammamish switching station provided by Eastman
4 Company and the 1990 appraisal of the McWilliams
5 subsite submitted by Appraisal Group of the Northwest;
6 is that right?

7 A. Yes. I remember seeing this data request.
8 I hadn't seen the second site study, though. I hadn't
9 really looked at it.

10 Q. But the response was --

11 A. Yes, I recognize it.

12 MS. BROWN: I move the admission of Exhibit
13 986, please.

14 JUDGE HAENLE: Any objection?

15 MR. VAN NOSTRAND: Your Honor, this is a
16 partial response which includes just those two
17 particular parcels of property and does not include the
18 appraisals for a number of other properties.

19 So, subject to our ability to perhaps put in
20 the complete response if those two parcels appear to be
21 unrepresentative, we have no objection.

22 But if for some reason those two particular
23 parcels are selected to the exclusion of all others, I
24 guess we would like to have the option of putting the

25 complete response with the appraisals for all the

WITNESS: J. A. STORY - Cross by Brown 4822

1 properties.

2 JUDGE HAENLE: I would hope that not too
3 much additional paper would be added to this if someone
4 was focusing in on particular properties. If you can
5 decide by tomorrow, that would be helpful.

6 Objection to the entry on the document, Mr.
7 Adams?

8 MR. ADAMS: No?.

9 JUDGE HAENLE: Mr. Richardson?

10 MR. RICHARDSON: No objection, your Honor.

11 JUDGE HAENLE: We'll entered 986 into the
12 record.

13 (Received Exhibit 986)

14 BY MS. BROWN:

15 Q. Mr. Story, if you could turn to Page 19 of
16 the rebuttal testimony. You state starting on Line
17 19: "The Company has recalculated its property sales
18 adjustment to include nine properties which are to be
19 transferred to a subsidiary, and the customers have
20 been allocated an amount of before-tax gain of \$178,598
21 on these nine properties."

22 A. Right.

23 JUDGE HAENLE: You have given me a one-page
24 document. The caption in the upper left-hand corner is

25 Non-Utility Property Previously in Rate Base. There is

WITNESS: J. A. STORY - Cross by Brown 4823

1 a 48 with a circle around it on one side of the page.

2 This will be 987 for identification.

3 (Marked Exhibit 987)

4 BY MS. BROWN:

5 Q. Do you recognize this as a copy of Page 48
6 of the company's account and work papers submitted in
7 the Company's rebuttal case?

8 A. Yes.

9 Q. With the exception of the column that the
10 Staff has added the column numbers on the top of each
11 page?

12 A. Yes.

13 Q. This page shows the Company's calculation of
14 the amount of before-tax gain of \$178,598 on the nine
15 properties to be transferred to a subsidiary.

16 Is that true?

17 A. That's correct.

18 Q. Was the calculation of gains or losses in
19 this schedule based on the amounts of appraised or
20 assessed value shown in Column K?

21 A. Yes.

22 Q. Column K, which shows the appraised or
23 assessed values, and moving down to the third line in
24 this column, this line shows the appraised value for

25 the White River-Oravetz Road Property as \$70,342.

WITNESS: J. A. STORY - Cross by Brown

4824

1 Do you see that?

2 A. Yes. And that was done by Bruce Allen, an
3 appraiser that was handling the transfer of the
4 property.

5 Q. That occurred in 1992; is that right?

6 A. Right.

7 Q. And moving further down to the fifth line in
8 Column K, this line shows the appraised value for the
9 Midway O'Bryan R/W property as \$67,500.

10 Do you see that?

11 A. That's correct.

12 Q. And this property was also assessed in 1990
13 by Bruce -- it was also assessed by Bruce Allen, but
14 this assessment took place in 1990?

15 A. It was appraised. It was not assessed.
16 This one is the one I was talking about where Staff
17 uses \$590,300 as the assessed value. The assessed
18 value is the tax assessed value of \$590,000.

19 What we found when Bruce Allen went out
20 there and did the appraisal that this was another
21 wetland and it didn't have much value according to his
22 appraisal.

23 The numbers that I provided in my errata
24 sheet reflect on Page 18 the Company changing this back

25 to \$590,300 to show a comparison between the Company's

WITNESS: J. A. STORY - Cross by Brown 4825

1 original number and what Staff's number would be using
2 our proposal. The majority of that difference is this
3 property.

4 The reason I did that is because we don't
5 know which is right, the assessed or the appraised
6 value.

7 JUDGE HAENLE: When you say "assessed
8 value," you would generally be referring to that which
9 is established for tax purposes by the county assessor?

10 A. That's correct.

11 JUDGE HAENLE: When you say "appraised
12 value," you would normally be talking about an
13 appraisal made by an independent party?

14 THE WITNESS: That's correct.

15 JUDGE HAENLE: Thank you.

16 You have handed me a two-page document
17 entitled Record Requisition No. 561. This will be
18 marked as 988 for identification.

19 (Marked Exhibit 988)

20 BY MS. BROWN:

21 Q. Do you recognize this as a copy of the
22 Company's response to Record Requisition 561?

23 A. Yes.

24 Q. It was prepared by you or under your

25 direction and supervision?

WITNESS: J. A. STORY - Cross by Brown

4826

1 A. Yes.

2 MS. BROWN: I move the admission of 988 --

3 JUDGE HAENLE: You also have not moved 987
4 if you wanted to do so at the same time.

5 MS. BROWN: Thank you. Yes, I would.

6 JUDGE HAENLE: Any objection to either of
7 those documents, Mr. Van Nostrand?

8 MR. VAN NOSTRAND: No objection with 988. I
9 would like to note with respect to 987 that a portion
10 of the Company's original material included on
11 workpaper 48 has been eliminated from the page. It
12 doesn't seem to be material.

13 JUDGE HAENLE: All right. So, you have no
14 objection to its entry in that form?

15 MR. VAN NOSTRAND: No.

16 JUDGE HAENLE: All right. Have you an
17 objection to either of the documents? Mr. Richardson,
18 you appear to be the only one left.

19 MR. RICHARDSON: None of the intervenors
20 have any objection, your Honor.

21 JUDGE HAENLE: With that broad statement,
22 we will enter 987 and 988.

23 (Received Exhibits 987 and 988)

24 BY MS. BROWN:

25 Q. This response shows the most recent assessed

WITNESS: J. A. STORY - Cross by Brown 4827

1 values for the twelve non-utility properties listed in
2 the last two pages of Exhibit 842; is that right?

3 A. 842 was again the -- was that --

4 Q. The one that I showed you to make sure that
5 we were on the same page.

6 A. Thank you. Yes.

7 Q. If you could look at the first column of the
8 schedule and focus your attention to Item No. 12, which
9 is the White River/Oravetz Road property. The
10 information on this line indicates that the 1993
11 assessed value provided by King County for this
12 property was \$158,800; is that correct?

13 A. Right. And we disagree with Mr. Nguyen's
14 use of that number because it was actually appraised
15 and transferred at \$70,341 based on a market appraisal
16 in 1992. That's another reason there is a slight
17 difference between our two numbers.

18 Q. Are you finished?

19 A. Yes.

20 Q. Moving down to Item No. 19, you see the
21 Midway O'Bryan R/W property which we discussed earlier
22 here today. The 1993 assessed value for this property
23 as provided by King County assessor was \$590,300.

24 A. That's the one I was talking about earlier

25 that has the environmental problems. It appears from

WITNESS: J. A. STORY - Cross by Brown 4828

1 the appraisal.

2 Q. It was assessed by King County in 1993 at
3 \$590,300?

4 A. Right. We're going to be challenging that
5 assessment based on the appraisal.

6 JUDGE HAENLE: You have handed me a
7 multi-page document entitled Staff Data Request No.
8 2683. I'll mark this as 989 for identification.

9 (Marked Exhibit 989)

10 BY MS. BROWN:

11 Q. Do you recognize this as the Company's
12 response to Staff Data Request 2683?

13 A. That's correct.

14 Q. It was prepared by you or under your
15 direction?

16 A. Yes.

17 MS. BROWN: I move the admission of 989,
18 please.

19 JUDGE HAENLE: Any objection, Mr. Van
20 Nostrand?

21 MR. VAN NOSTRAND: No, your Honor.

22 JUDGE HAENLE: Mr. Richardson?.

23 MR. RICHARDSON: No objection, your Honor.

24 JUDGE HAENLE: 989 will be entered into the

25 record.

WITNESS: J. A. STORY - Cross by Brown

4829

1 MS. BROWN: Thank you.

2 (Received Exhibit 989)

3 BY MS. BROWN:

4 Q. This response provides the most recent
5 assessed value for the Wildwood sub and the White River
6 plant, which are among the nine properties included by
7 the Company in the calculation of the amount of gain of
8 \$178,598, which appears in Page 48 of the Company's
9 rebuttal accounting workpaper, which is now Exhibit
10 987.

11 Is that true?

12 A. 987? And do you have a line number for the
13 Wildwood? I see it.

14 Q. Okay. So, is that yes?

15 A. Yes.

16 Q. Turning to the second page, you'll see that
17 the 1993 assessed value for Wildwood property is listed
18 as \$31,300.

19 Do you see that?

20 A. Yes. In 1993? That's correct.

21 Q. If you could turn to the last page, you will
22 see that the 1993 assessed value for the White River
23 property is listed as \$93,500.

24 Do you see that?

25 A. That's correct. Both of these properties as
 WITNESS: J. A. STORY - Cross by Brown 4830

1 you'll notice in the fourth column under charge are
2 marked non-operating during that whole time period.

3 Q. Do you agree or would you accept subject to
4 check that in the calculation of the amount of gain of
5 \$178,598 in Exhibit 987 the amounts of assessed value
6 used by the Company for these two properties were
7 \$12,750 and \$18,700 respectively?

8 A. And what was the second one?

9 Q. \$18,700.

10 A. 1986? Yes.

11 Q. Referring you back to the second page of
12 Exhibit 987 -- nope. I gave you an incorrect
13 reference. The Supplemental Deposition Request
14 Response 68.

15 JUDGE HAENLE: 985.

16 MS. BROWN: Thank you.

17 THE WITNESS: The second page?

18 BY MS. BROWN:

19 Q. Yes.

20 A. Yes?

21 Q. Directing your attention to Item 4, which is
22 the Maloney Creek sub, --

23 A. Yes.

24 Q. -- and Item 6, which is the Lake Meridian

25 sub, are these two properties to be transferred to

WITNESS: J. A. STORY - Cross by Brown

4831

1 Puget Western Incorporated?

2 A. Lake Meridian they don't know what they are
3 going to do with yet. It was indicated, I think, as a
4 possibility of being transferred.

5 The footnote tells what was the plan. It
6 will be transferred it says on this one will be
7 transferred to Puget Western.

8 And then the same on Maloney Creek; right.

9 Q. Could you please explain why the Company did
10 not include these two properties in its calculation of
11 gains or losses in accounting workpaper 48?

12 A. Not offhand. We had this problem once
13 before where there was a name change. So, I can't do
14 it with what I have here.

15 Q. Would you move down to Item 16, which is the
16 Kits Corner sub property. This property has the
17 reference Note A, which indicates that it was sold to
18 third parties and booked between October '92 and
19 December '92; is that right?

20 A. Right.

21 Q. And why is it that the Company did not
22 include this property in its calculation of gains or
23 losses in accounting workpaper 48?

24 A. Our cut-off date was September. It would be

25 in the next case.

WITNESS: J. A. STORY - Cross by Brown

4832

1 Q. I would like to shift gears now to employee
2 insurance.

3 A. Yes.

4 Q. 2.11. Referring to the Company's
5 calculation of employee insurance and directing your
6 attention to the amount of \$5,469,000 shown on Line 2
7 of Page 2.11 and the amount of \$6,128,000 shown on Line
8 3, do these figures represent the amounts of pro forma
9 premium for salaried and union employees, respectively?

10 A. Yes, that's right.

11 JUDGE HAENLE: You have handled me a
12 two-page document. At the top it says Analysis of
13 health and Welfare Insurance Costs. And there is a 75
14 with a circle around it in the upper right-hand corner.
15 I'll mark this as 990 for identification.

16 (Marked Exhibit 990)

17 BY MS. BROWN:

18 Q. Mr. Story, do you recognize these two pages
19 75 and 76 of Exhibit 990 as being those particular
20 pages of the Company's accounting workpapers submitted
21 in the Company's rebuttal case?

22 A. That's correct.

23 MS. BROWN: Your Honor, I move the admission
24 of Exhibit 990.

25 JUDGE HAENLE: Mr. Van Nostrand?

WITNESS: J. A. STORY - Cross by Brown 4833

1 MR. VAN NOSTRAND: No objection.

2 JUDGE HAENLE: Any objection, Mr.
3 Richardson?.

4 MR. RICHARDSON: No objection, your Honor.

5 JUDGE HAENLE: Exhibit 990 will be entered
6 into the record.

7 (Received Exhibit 990)

8 MS. BROWN: Thank you.

9 BY MS. BROWN:

10 Q. If you could turn to Page 75. This page
11 shows the calculation of the amount of pro forma
12 premium for salaried employees; is that right?

13 A. Yes.

14 Q. Is the figure \$362.88 the actual amount of
15 the Company's contribution for each salaried employee
16 each month for the plan year beginning July 1, '93?

17 A. Actually, \$365 is the actual amount. We use
18 \$362 because you have got a factor for part-time
19 employees. And the way we did that is to take the
20 relationship of the payments we made in the previous
21 year to the number of full-time equivalents.

22 Q. Turn, please, to Page 76. This page shows
23 the calculation of the amount of pro forma premium for
24 union employees; is that right?

25 A. That's correct.

 WITNESS: J. A. STORY - Cross by Brown 4834

1 JUDGE HAENLE: Is this something not already
2 in the record, Ms. Brown?

3 MS. BROWN: Yes.

4 JUDGE HAENLE: All right. The document you
5 have given me is entitled employee insurance Page 2.11.
6 I'll mark this as 991 for identification.

7 (Marked Exhibit 991)

8 BY MS. BROWN:

9 Q. Do you recognize this as the Company's
10 recalculation of employee insurance adjustment
11 submitted in its Sixth Supplemental Response to Staff
12 Data Request 1085?

13 A. This is not the Company calculation if
14 that's what it is. This was Staff asking us to do
15 their calculation for them. If this is -- this is not
16 our calculation. We ran the calculator for them is
17 all.

18 Q. Are you certain that this page 2.11 does not
19 contain the Company's recalculation?

20 A. I'm sorry. Which data request did you
21 reference?

22 Q. This is the most recent, the Sixth
23 Supplemental Response to Staff Data Request 1085.

24 A. I was thinking of a different data request.

25 Right. That's correct.

WITNESS: J. A. STORY - Cross by Brown

4835

1 Q. Now, if I could direct your attention to
2 Line 2. This line shows the recalculated amount of pro
3 forma premium for union employees as \$6,068,673; is
4 that right?

5 A. Right.

6 Q. Was this recalculation of the amount of \$6
7 million based on the same number of 1453 union
8 employees?

9 A. No, it wasn't. What this is is under the
10 Towers Perrin study, one of the things we were doing
11 was reducing employees. Our full-time equivalent
12 employees did not get down below the test year amount
13 so that we didn't make a wage adjustment.

14 But the full-time equivalents that were --
15 had the capability of having employee insurance went
16 down below the test year. So, we used the 531
17 full-time equivalents that were eligible for employee
18 insurance to recalculate this.

19 This is the savings associated with those
20 full-time equivalents being reduced. So, the number of
21 employees dropped, not the amount of the dollars.

22 Q. Could you please provide to Staff the
23 calculation of this amount?

24 A. I believe it was with 1085, wasn't it? If

25 it wasn't, we will, yes.

WITNESS: J. A. STORY - Cross by Brown 4836

1 MS. BROWN: Your Honor, I would like to make
2 that a Record Requisition, please.

3 JUDGE HAENLE: The next in line is 587,
4 although I don't know since this is the next to the
5 last day of hearing what you would do with it when you
6 got it if it was done later than tomorrow.

7 THE WITNESS: If you could wait just a
8 minute, I may have it with me.

9 MR. VAN NOSTRAND: We could probably take
10 care of it tonight and provide it first thing in the
11 morning.

12 JUDGE HAENLE: Would that be all right?

13 MS. BROWN: Yes.

14 JUDGE HAENLE: Let's do it that way. We can
15 make that 587. But since this is the next to the last
16 day, I want to make sure it's provided as quickly as
17 possible.

18 MS. BROWN: If the Company is unable to
19 prepare the calculations this evening, then I would
20 move to hold the open to accept this as a late-filed
21 exhibit due to the fact that Staff wasn't provided with
22 the updates until almost 5:00 last Friday.

23 JUDGE HAENLE: If the Company can do that
24 tonight, that would be extremely helpful. Let's deal

25 with that issue in the morning if they are unable to

WITNESS: J. A. STORY - Cross by Brown 4837

1 take care of it.

2 It still is not clear to me what Exhibit 991
3 for identification is, Mr. Story. Is this an update
4 that the Company made on its own changes? Or is this a
5 rerun it made for Staff on Staff assumptions?

6 THE WITNESS: No. This is the Towers Perrin
7 update, the Sixth Supplemental to 1085. Staff was
8 correct in identifying it. I was thinking of a
9 different data request that they had asked us to run.

10 JUDGE HAENLE: So, the document that you
11 have in 966, the page that deals with 2.11, is
12 essentially updated by this?

13 THE WITNESS: Yes.

14 JUDGE HAENLE: Thank you.

15 (Record Requisition No. 587)

16 BY MS. BROWN:

17 Q. I would like to direct your attention now to
18 company insurance.

19 JUDGE HAENLE: Did you want to move the
20 entry of this document before we get off the subject?

21 MS. BROWN: Yes. Thank you very much. I
22 move the admission.

23 JUDGE HAENLE: Any objection, Mr. Van
24 Nostrand?

25 MR. VAN NOSTRAND: No, your Honor.

WITNESS: J. A. STORY - Cross by Brown 4838

1 JUDGE HAENLE: Any objection, Mr. Adams?

2 MR. ADAMS: No.

3 JUDGE HAENLE: Mr. Richardson?.

4 MR. RICHARDSON: No objection, your Honor.

5 JUDGE HAENLE: 991 will be entered into the
6 record.

7 (Received Exhibit 991)

8 BY MS. BROWN:

9 Q. I would like to refer you to your discussion
10 of the company insurance which appears on Page 15 of
11 your rebuttal testimony, beginning at Line 17. There
12 you indicate that in this adjustment the Company
13 allocates a portion of directors' and officers'
14 liability insurance to subsidiaries using the same
15 method as the one used by Staff; that is, the
16 relationship of the relative access of the various
17 companies.

18 Do you see that?

19 A. That's correct.

20 Q. You also indicate that in this allocation
21 the Company eliminates the portion assigned to Puget
22 Energy Services, which is one of the Company's
23 subsidiaries, which was sold and therefore will not
24 receive any insurance coverage during the rate year.

25 Is that true?

WITNESS: J. A. STORY - Cross by Brown 4839

1 A. That's correct.

2 JUDGE HAENLE: You have given me a two-page
3 document. The first page is entitled Company Insurance
4 Adjustment 2.13, and then there is a 33 with a circle
5 around it in the upper right-hand corner. I'll mark
6 this as 992 for identification.

7 (Marked Exhibit 992)

8 BY MS. BROWN:

9 Q. Mr. Story, do you recognize these as pages
10 33 and 34 of the Staff accounting workpapers?

11 JUDGE HAENLE: Company?

12 BY MS. BROWN:

13 Q. Staff accounting workpapers sent to the
14 Company earlier in the proceeding?

15 A. No. But I'll accept that subject to check.

16 Q. These particular work papers, 33 and 34,
17 show the Staff's calculations of the Company insurance
18 adjustment?

19 A. Yes.

20 Q. I would like to direct your attention to
21 Page 34. This page shows the Staff's calculation of
22 the allocation factor to be used in the allocation of
23 directors' and officers' insurance premium to
24 subsidiaries and arrives at a 3.3 percent factor.

25 Do you see that?

WITNESS: J. A. STORY - Cross by Brown 4840

1 A. Right.

2 Q. Do you agree or would you accept subject to
3 check that in the Staff's calculation on this page, if
4 the amount of Puget Energy Services net assets of \$6.3
5 million on Line 4 is removed, the resulting allocation
6 factor on Line 8 would be changed to 3.07 percent?

7 A. That's correct.

8 Q. Referring you now to the Company's
9 calculation of company insurance adjustment on Page
10 2.13 of Exhibit 966 -- Exhibit 966, JHS-9.

11 A. I was looking at something else. I'm sorry.
12 What is it?

13 Q. If you could turn to Page 2.13 of Exhibit
14 966.

15 A. Yes?

16 Q. The \$9,574 figure reflected on Line 3 is the
17 amount of directors' and officers' insurance premium
18 that the Company allocates to subsidiaries; is that
19 right?

20 A. That's correct.

21 JUDGE HAENLE: You have given me a
22 multi-page document entitled Response to Data Request
23 No. 2644. I'll mark this as 993 for identification.
24 (Marked Exhibit 993)

25 BY MS. BROWN:

WITNESS: J. A. STORY - Cross by Brown 4841

1 Q. Do you recognize this as Company's response
2 to Staff Data Request 2644?

3 A. Yes.

4 Q. It was prepared by you or under your
5 direction or supervision?

6 A. Yes.

7 MS. BROWN: Your Honor, I move the admission
8 of 993, please.

9 JUDGE HAENLE: Did you want 992 as well
10 while we're at it?

11 MS. BROWN: Yes.

12 JUDGE HAENLE: Any objection to the two
13 documents, Mr. Van Nostrand?

14 MR. VAN NOSTRAND: No, your Honor.

15 JUDGE HAENLE: Mr. Adams?

16 MR. ADAMS: No.

17 MR. RICHARDSON: No objection, your Honor.

18 JUDGE HAENLE: 992 and 993 will be entered
19 into the record.

20 (Received Exhibits 992 and 993)

21 BY MS. BROWN:

22 Q. This response shows the Company's
23 calculation of the amount of directors' and officers'
24 insurance allocated to subsidiaries of \$99,574 figure

25 that we just discussed; is that right?

WITNESS: J. A. STORY - Cross by Brown

4842

1 A. That's correct.

2 Q. I would like to turn now to wage and salary
3 adjustment 2.14. Do you have 2.14 before you?

4 A. Yes.

5 Q. I would like to direct your attention to
6 Line 12. This line shows a proposed wage increase of
7 \$4,273,800; is that right?

8 A. Line 14 does in my book.

9 Q. I show Line 12 as reading total wage
10 increase over on the right under adjustment it reads
11 \$4.3 million, Page 2.14.

12 A. There is just a spacing difference. Mine
13 has it on Line 14. It's the same amount.

14 JUDGE HAENLE: If it helps any, the
15 official record shows it on Line 4.

16 THE WITNESS: Line 4?

17 JUDGE HAENLE: The line that Ms. Brown gave.
18 I was following along. Not on 14. But it has the same
19 number anyway as Ms. Brown.

20 MS. BROWN: Thank you.

21 JUDGE HAENLE: This is a one-page document
22 entitled Wage Increase Working Paper, and it has a 91
23 circled in the upper right-hand corner. This will be
24 994 for identification.

25

(Marked Exhibit 994)

WITNESS: J. A. STORY - Cross by Brown

4843

1 BY MS. BROWN:

2 Q. Do you recognize this as Page 91 of the
3 accounting workpapers submitted by Puget in its
4 rebuttal case?

5 A. Yes.

6 MS. BROWN: Move the admission of Exhibit
7 994.

8 JUDGE HAENLE: Mr. Van Nostrand?

9 MR. VAN NOSTRAND: No objection.

10 JUDGE HAENLE: Mr. Adams?

11 MR. ADAMS: No objection.

12 JUDGE HAENLE: Mr. Richardson?

13 MR. RICHARDSON: No objection.

14 JUDGE HAENLE: 994 will be entered.

15 (Received Exhibit 994)

16 BY MS. BROWN:

17 Q. Does this show the Company's calculation of
18 the amount of proposed wage increase \$4.3 million we
19 just discussed?

20 A. Yes, it does.

21 JUDGE HAENLE: You have handed me a one-page
22 document entitled Calculation of Bonus Allowance, and
23 there is a 40 with a circle on it in the upper
24 right-hand corner. I'll mark this as 995 for

25 identification.

WITNESS: J. A. STORY - Cross by Brown 4844

1 (Marked Exhibit 995)

2 JUDGE HAENLE: This is a one-page document
3 entitled Response to Record Requisition 573. I've
4 marked it as Exhibit 996 for identification.

5 (Marked Exhibit 996)

6 MS. BROWN: Thank you.

7 BY MS. BROWN:

8 Q. Mr. Story, do you recognize Exhibit 995 for
9 identification as being Page 40 of the Staff accounting
10 workpapers provided to the Company?

11 A. No. But I'll take it subject to check.

12 Q. This shows the Staff's calculation of the
13 bonus allowance?

14 A. (Reading.) It appears to.

15 Q. And do you recognize what's been marked for
16 identification as Exhibit 996 as the Company's response
17 to Record Requisition 573?

18 A. Yes.

19 Q. And this response provides a breakdown of
20 the amounts of the Energy Plus payments during the test
21 period to the amounts related to the 1991 achievement
22 and amounts related to 1992 achievement?

23 A. Yes.

24 MS. BROWN: Your Honor, I move the admission

25 of Exhibits 995 and 996.

WITNESS: J. A. STORY - Cross by Brown 4845

1 JUDGE HAENLE: Any objection, Mr. Van
2 Nostrand?

3 MR. VAN NOSTRAND: No objection to 996, your
4 Honor. 995 was not part of the Company's workpapers.
5 Perhaps we could have an explanation of how 995 relates
6 to Mr. Story's testimony.

7 JUDGE HAENLE: Your objection is relevance?

8 MR. VAN NOSTRAND: Yes.

9 JUDGE HAENLE: Ms. Brown.

10 MS. BROWN: I think it's relevant because it
11 shows the calculation of the allowance related to the
12 payroll adjustment in this case. And additionally, if
13 you were to read Mr. Story's testimony, throughout his
14 testimony from the very first question following each
15 adjustment category is what is the difference between
16 the Staff's and the Company's adjustment in this case.

17 I think the introduction of Exhibit 995
18 will do nothing but benefit the record. It's not as
19 though Staff has prepared entirely new exhibits with
20 which Mr. Story is unfamiliar.

21 JUDGE HAENLE: Mr. Van Nostrand?

22 MR. VAN NOSTRAND: I'll withdraw the
23 objection.

24 JUDGE HAENLE: Any objection to the entry of

25 995 and 996, Mr. Adams?

WITNESS: J. A. STORY - Cross by Brown

4846

1 MR. ADAMS: No, your Honor.

2 JUDGE HAENLE: Any objection, Mr.
3 Richardson?.

4 MR. RICHARDSON: No objection, your Honor.

5 JUDGE HAENLE: Exhibits 995 and 996 will be
6 entered.

7 (Received Exhibit 995 and 996)

8 BY MS. BROWN:

9 Q. Will you please turn to Page 33 of your
10 testimony.

11 A. I have it.

12 Q. This is pertaining to the Retirement Plan
13 Adjustment 2.16.

14 A. All right.

15 Q. It states starting on Line 19 that "actual
16 contribution also changes the deficit balance that will
17 be in the account as of September 30, 1993."

18 Do you see that?

19 A. Yes.

20 Q. It's true, isn't it, that the proposed
21 recovery of the anticipated deficit balance in the
22 retirement reserve account is an adjustment proposed
23 for the first time in this case and has never been
24 addressed in prior orders of this Commission?

25 A. That's correct.

WITNESS: J. A. STORY - Cross by Brown 4847

1 Q. It's true, also, isn't it, that, if there is
2 no prior approval of deficit recovery, such deficit
3 reported in the books of the Company cannot be
4 construed as a regulatory asset until approved by this
5 Commission?

6 A. No, that's not true. You look for
7 precedents when you are looking at real estates. This
8 is handling the deficit reserve the same way storm
9 damage has been handled in the past. So, the precedent
10 is there.

11 Q. Now, you discuss the entire plan adjustment
12 on Page 33 of your testimony. You state that the
13 Company agrees with Staff's adjustment to true up the
14 estimated contribution to the actual amount, but
15 disagrees with Staff's calculation of the amount of
16 deficit balance at September 30, '93.

17 Is that a fair summary?

18 A. Yes.

19 JUDGE HAENLE: You have handed me a 2-page
20 document, Retirement Plan, 2.16, and there is 110
21 circled in the upper right-hand corner. That will be
22 marked as Exhibit 997.

23 (Marked Exhibit 997)

24 BY MS. BROWN:

25 Q. Do you recognize this Exhibit 997 for

WITNESS: J. A. STORY - Cross by Brown 4848

1 identification as consisting of Pages 110, 111, and 115
2 of the Company's accounting workpapers submitted in the
3 rebuttal case?

4 A. Yes.

5 MS. BROWN: I move the admission of Exhibit
6 997, please.

7 JUDGE HAENLE: Mr. Van Nostrand?

8 MR. VAN NOSTRAND: No objection.

9 JUDGE HAENLE: Mr. Adams, any objection?

10 MR. ADAMS: No objection.

11 JUDGE HAENLE: Mr. Richardson?

12 MR. RICHARDSON: No objection, your Honor.

13 JUDGE HAENLE: Thank you. 997 will be
14 entered into the record.

15 (Received Exhibit 997)

16 BY MS. BROWN:

17 Q. These pages show the Company's calculation
18 of the retirement plan adjustment; is that right?

19 A. That's right.

20 Q. Looking first at Page 110, specifically Line
21 17, this line shows the amount of estimated debit in
22 reserve at September 30, 1993, as being \$1,029,236; is
23 that correct?

24 A. That's the amount associated with expense,

25 yes.

WITNESS: J. A. STORY - Cross by Brown

4849

1 Q. Turning to Page 111, this page shows the
2 calculation of the amount of debit in reserve at
3 September 30, 1993, of \$1,029,236, which was used in
4 the Company's calculation of retirement plan adjustment
5 on Page 110. Is that true?

6 A. That's correct.

7 Q. The calculation on this page starts out with
8 the balance in Account 186-54 at May 31, 1993, of
9 \$6,069,588 shown on Line 1. Is that true?

10 A. That's correct.

11 Q. This May 31, 1993, balance is reduced by the
12 amount of accruals from June 1993 through September of
13 1993 of \$588,000 shown on Line 2 and increased by the
14 amounts of July 15, 1993, contributions in the amount
15 of \$2,142,382 reflected on Line 3; is that right?

16 A. That's correct.

17 JUDGE HAENLE: You have handed me a
18 multi-page document captioned Response to Staff Data
19 Request 2666. I'll mark this as 998 for
20 identification.

21 (Marked Exhibit 998)

22 BY MS. BROWN:

23 Q. Mr. Story, do you recognize this as being
24 the Company's response to Staff Data Request 2666?

25 A. Yes.

WITNESS: J. A. STORY - Cross by Brown 4850

1 Q. It was prepared by you or under your
2 direction, control, or supervision?

3 A. Yes.

4 MS. BROWN: I move the admission of Exhibit
5 998, please.

6 JUDGE HAENLE: Mr. Van Nostrand?

7 MR. VAN NOSTRAND: No objection.

8 JUDGE HAENLE: Mr. Adams?

9 MR. ADAMS: No objection.

10 JUDGE HAENLE: Mr. Richardson?

11 MR. RICHARDSON: No objection, your Honor.

12 JUDGE HAENLE: 998 be entered into the
13 record.

14 (Received Exhibit 998)

15 BY MS. BROWN:

16 Q. This response give us the monthly balances
17 of account 186-54 from January 1990 through May of
18 1993?

19 A. That's correct.

20 Q. Turning to the second page and directing
21 your attention specifically to column on the left that
22 shows the balances for the first five months of 1993,
23 the balance of Account 186-54 for the month of May,
24 1993, is shown here as being \$6,023,088; is that right?

25 A. That's correct.

WITNESS: J. A. STORY - Cross by Brown

4851

1 Q. Can you tell us why the Company used a
2 different amount for the May 1993 balance of Account
3 186-54 in the calculation of the deficit amount on Page
4 111?

5 A. Yes. If you will just give me a minute
6 here.

7 Q. Okay.

8 A. (Reading.) It looks like it's an attempt to
9 correct that balance. What the problem is is that
10 there is a \$15,500 payment that is on Hydro West Group,
11 and that difference is the difference between
12 \$6,023,088 and \$6,069,588 is the picking up of \$46,500
13 for the Hydro West.

14 Offhand, I don't know why it was added. I
15 don't have that detail. But what I look at here I
16 would say it most probably should have been subtracted
17 instead of added.

18 Q. Could you provide the detail of that?

19 A. Yes.

20 Q. Thank you.

21 A. And I'll also provide an explanation as to
22 why it was added instead of subtracted because the way
23 I look at it right now, just looking at it sort of
24 quickly, I don't have a good reason as to why it was

25 added.

WITNESS: J. A. STORY - Cross by Brown 4852

1 JUDGE HAENLE: Do you have the materials
2 with you to be able to do that this evening?

3 THE WITNESS: I can call and find out
4 tonight.

5 JUDGE HAENLE: Thank you.

6 MS. BROWN: Could we attach a Record
7 Requisition number to that, as well.

8 JUDGE HAENLE: Certainly. It will be 588.
9 (Record Requisition 588)

10 JUDGE HAENLE: You have given me a one-page
11 document entitled Staff Request No. 2667. I will mark
12 this 999 for identification.

13 (Marked Exhibit 999)

14 JUDGE HAENLE: Just guessing wildly, will
15 the next one be this workpaper Page 115 that is
16 referenced on the one I just marked? If so may I
17 suggest we put them together?

18 MS. BROWN: It's not.

19 JUDGE HAENLE: All right. 999. That's what
20 happens when you guess wildly.

21 BY MS. BROWN:

22 Q. Mr. Story, do you recognize what's been
23 marked for identification as Exhibit 999 as the
24 Company's response to Staff Data Request 2667?

25 A. Yes.

WITNESS: J. A. STORY - Cross by Brown

4853

1 Q. Was this prepared by you?

2 A. Yes. In my area.

3 MS. BROWN: I move the admission of Exhibit
4 999, please.

5 MR. VAN NOSTRAND: No objection.

6 JUDGE HAENLE: Mr. Adams?

7 MR. ADAMS: No objection.

8 JUDGE HAENLE: Mr. Richardson?.

9 MR. RICHARDSON: No objection, your Honor.

10 JUDGE HAENLE: Exhibit 999 will be entered.

11 (Received Exhibit 999)

12 BY MS. BROWN:

13 Q. This data request asked the Company to
14 provide support for the amount of July 15, 1993,
15 contributions in the amount of \$2,142,382 shown on Line
16 3 of the Company's rebuttal accounting workpapers, Page
17 111. And this response refers to accounting workpaper
18 Page 115; is that right?

19 A. Yes, it does.

20 Q. Could you turn now to your workpaper Page
21 115, which has been admitted as Exhibit 997.

22 A. I have it.

23 Q. Would you indicate where on this page the
24 support for the amount of July 15, 1993, contributions

25 of \$2,142,382, is shown?

WITNESS: J. A. STORY - Cross by Brown 4854

1 A. It's shown on the second to the last line of
2 the letter. It says a simpler approach would be make
3 four quarter equal quarterly installments of
4 \$2,142,382.

5 That's the amount that was shown to the
6 benefits committee, and the analysis that went along
7 with this, instead of making the other payment stream,
8 showed that this would be cheaper in the long run to
9 make these payments and have the assets build in the
10 pension.

11 Q. Do you agree that the amount of
12 contributions that will be due on June 15, 1993, as
13 shown on this page is \$1,836,172?

14 A. That's not correct. This was a letter by
15 Paul Patterson to LaVerne Kawamoto stating these are
16 two payment streams. The one the Company chose was the
17 \$2,182,382.

18 JUDGE HAENLE: You have given me a one-page
19 document. The caption at the top is Retirement Plan
20 Adjustment 2.16. And it has 42 with a circle around it
21 in the upper right-hand corner. I'll mark this as 1000
22 for identification.

23 (Marked Exhibit 1000)

24 JUDGE HAENLE: This is a multi-page document

25 entitled Supplemental Response to Staff Request No.

WITNESS: J. A. STORY - Cross by Brown 4855

1 1085. I will mark this as 1001 for identification.

2 (Marked Exhibit 1001)

3 JUDGE HAENLE: This document is entitled
4 Retirement Plan, Page 2.16. It's in three pages, I
5 believe, and I'll mark this as 1002 for identification.

6 (Marked Exhibit 1002)

7 BY MS. BROWN:

8 Q. Mr. Story, do you recognize what's been
9 marked as Exhibit 1000 as Page 42 in the Staff
10 accounting workpapers provided to the Company earlier
11 in this proceeding?

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

13 Q. This shows the Staff's calculation of
14 retirement plan adjustment?

15 A. Yes.

16 Q. Do you recognize what's been marked as
17 Exhibit 1001 for identification as the Company's
18 response to Staff Request No. 1085?

19 A. One of them, yes.

20 Q. This portion of your response to 1085 was
21 prepared by you?

22 A. In my area, yes.

23 Q. If you could turn now to Exhibit 1002 for
24 identification. Do you recognize this as being the

25 Company's recalculation of retirement plan adjustment

WITNESS: J. A. STORY - Cross by Brown 4856

1 submitted in its Sixth Supplemental Response to Staff
2 Data Request 1085?

3 A. (Reading.) Yes. Subject to check. I have
4 the same problem you did. I got 1085 on Friday. I
5 believe it is.

6 MS. BROWN: Your Honor, I move the
7 administration of Exhibits 1000, 1001, and 1002.

8 JUDGE HAENLE: Any objection, Mr. Van
9 Nostrand?

10 MR. VAN NOSTRAND: No objection as to 1001
11 and 1002. 1000 is a Staff workpaper. I would like an
12 explanation of how it relates.

13 JUDGE HAENLE: Relevance, Ms. Brown.

14 MS. BROWN: My same response to Mr. Van
15 Nostrand's earlier objection which was withdrawn. I
16 think it's clearly relevant to the case since it
17 pertains to the Staff retirement adjustment. I think
18 that the fact that it's the Staff's workpaper should
19 not render it irrelevant in terms of this proceeding.

20 JUDGE HAENLE: Mr. Van Nostrand?

21 MR. VAN NOSTRAND: Mr. Story has very brief
22 testimony on this retirement plan.

23 JUDGE HAENLE: Mr. Adams, any objection?

24 MR. ADAMS: No.

25

JUDGE HAENLE: Any objection, Mr. Richard

WITNESS: J. A. STORY - Cross by Brown

4857

1 son?

2 MR. RICHARDSON: No objection, your Honor.

3 JUDGE HAENLE. I'm going to enter 1000,
4 1001, and 1002. It seems to me that the demonstration
5 of the manner in which the Staff calculated this can be
6 used with Mr. Story's description of how he calculated
7 it to show the contrast in the calculations, and I
8 think it is useful to the record.

9 (Received Exhibits 1000, 1001, and 1002)

10 JUDGE HAENLE: Would this be a time we could
11 break, Ms. Brown, without interrupting your train of
12 thought too badly?

13 MS. BROWN: Actually, I would like to
14 finish. I only have five questions.

15 Actually, this is a wonderful breaking
16 point. Why don't we break at this point and let's
17 reconvene at 9:00 in the morning. I think we're doing
18 very well with the estimates. We should be fine for
19 tomorrow. Thank you.

20 (At 5:00 p.m. the above hearing was recessed
21 until Friday, July 23, 1993, at 9:00 a.m.)

22

23

24

