

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 XXVIII  
 TREATMENT OF RESIDENTIAL ) (Pages 4,858 - 4,938)  
 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 23, 1993, at 9:00 a.m., at 1300 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  
 C. MARSHALL and JAMES M. VAN NOSTRAND, Attorneys at  
 22 Law, 411 108th Avenue N.E., Suite 1800, Bellevue,  
 Washington 98004-5584.  
 23  
 24 WASHINGTON UTILITIES AND TRANSPORTATION  
 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 MARK TRINCHERO, Attorney at Law,  
3                   1300 S.E. Fifth Avenue, Suite 2300, Portland, Oregon  
4                   97201.

5                   FEDERAL EXECUTIVE AGENCIES by NORMAN FURUTA,  
6                   900 Commodore Drive, Building 107, San Bruno,  
7                   California 94131.

8                   THE PUBLIC by CHARLES F. ADAMS, Assistant  
9                   Attorney General, 900 Fourth Avenue, Suite 2000,  
10                   Seattle, Washington 98164.

11                   SWAP by ADAM GRAVLEY, Attorney at Law, 5000  
12                   Columbia Center, Seattle, Washington 98104.

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I N D E X

WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
JOHN H. STORY		4,863	4,878		4,877
		4,868			
		4,871			
COLLEEN E. LYNCH					
	4,888	4,890			4,905
		4,902			
DAVID W. HOFF					
	4,912	4,913			
		4,918			

1	INDEX		
2	(Continued)		
3	EXHIBIT	MARKED	ADMITTED
4	1003	4,836	
5	1004	4,865	4,866
6	1005	4,867	4,868
7	1006	4,871	4,872
8	1007	4,871	4,872
9	1008	4,882	4,884
10	1009	4,882	4,884
11	T-1011	4,887	4,890
12	1012	4,887	4,890
13	1013	4,895	4,901
14	1014	4,896	4,901
15	1015	4,908	4,911
16	T-1016	4,911	4,913
17	1017	4,911	4,913
18	1018	4,911	4,913
19	1019	4,913	4,915
20	1020	4,926	4,929
21			
22			
23			
24			

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

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

4 This is the 28th day of hearing in the  
5 consolidated Puget cases. The purpose of the hearing  
6 today is to finish up, I hope, the rebuttal testimony  
7 of the Company on the general rate issues.

8 The hearing is taking place on July 23,  
9 1993, at Olympia.

10 Present this morning for the intervenors, so  
11 far just Mr. Trinchero for WICFUR.

12 Are there any procedural matters we need to  
13 discuss this morning before we proceed with the cross?  
14 I'll note that Mr. Adams has distributed the final  
15 exhibit consisting of the ratepayer letters, the final  
16 Public Counsel exhibit consisting of ratepayer letters  
17 that have been submitted after the July 2 deadline for  
18 the last set of ratepayer letters.

19 Take a look at that. We'll deal with its  
20 admissibility later once counsel have had a chance to  
21 review it.

22 During the time we were off the record,  
23 before we got started I guess, Ms. Brown distributed a  
24 two-page document. It says at the top, Election

25 Analysis Report. There are two pages to it. I'll mark

(COLLOQUY)

4863

1 this as 1003 for identification.

2 (Marked Exhibit 1003)

3

4 JOHN H. STORY,

5 witness previously duly sworn, resumed

6 the stand and testified further

7 as follows:

8 JUDGE HAENLE: Go ahead, Ms. Brown.

9

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

11 BY MS. BROWN:

12 Q. Mr. Story, are you familiar with this  
13 document or do you recognize it as the Company's  
14 response to Record Requisition 587?

15 A. Yes.

16 MS. BROWN: Your Honor, I move to admit  
17 1003.

18 JUDGE HAENLE: Could you indicate what the  
19 request was since I don't have that in front of me?

20 MS. BROWN: That requested the Company to  
21 provide the calculation of the amount of pro forma  
22 premium for union employees.

23 JUDGE HAENLE: Thank you.

24 Any objection to the entry of the document,

25 Mr. Van Nostrand?

WITNESS: JOHN H. STORY - Cross by Ms. Brown 4864

1 MR. VAN NOSTRAND: No, your Honor.

2 JUDGE HAENLE: Mr. Adams?

3 MR. ADAMS: No.

4 JUDGE HAENLE: Mr. Trincherero?

5 MR. TRINCHERO: No, your Honor.

6 JUDGE HAENLE: Exhibit 1003 will be entered  
7 into the record.

8 BY MS. BROWN:

9 Q. Mr. Story, with respect to Record  
10 Requisition 588, which referred to Exhibit 997 showing  
11 that the May 31, '93, balance of Account 186-54 as  
12 \$6,069,588, and Exhibit 999 shows this particular  
13 balance as being \$6,023,088, are you prepared to  
14 reconcile this particular difference for us this  
15 morning?

16 A. Yes. The difference between those two  
17 numbers should be taken out. The \$46,500. If I can  
18 just find those.

19 Do you have the exhibit numbers again?

20 Q. Sure. 997 and 999. 997 and 998.

21 A. The amount that should have been used was  
22 the \$6,023,088 on the account balance in 186-54 instead  
23 of the higher amount.

24 Q. Okay. Thank you.

25 I would like to direct your attention now to

WITNESS: JOHN H. STORY - Cross by Ms. Brown 4865

1 Page 37 of your rebuttal testimony. There you discuss  
2 Stone Creek, Black Creek, and small hydro write-offs.  
3 You state, beginning at Line 3, that it is the  
4 Company's proposal that the estimated gain from the  
5 sale of Stone Creek minus the costs from the small  
6 hydro projects not developed be offset against the cost  
7 of Black Creek, and that this particular calculation is  
8 shown on Page 2.20(a).

9 Do you see that?

10 A. Yes.

11 Q. Could you turn now to that page 2.20(a) on  
12 Exhibit 966.

13 A. I have it.

14 Q. Line 2 shows the total estimated cost for  
15 Black Creek as \$11,040,496; is that right?

16 A. That's correct.

17 MS. BROWN: Your Honor, I would like to have  
18 this marked as the next exhibit in line, please.

19 JUDGE HAENLE: You have handed me a one-page  
20 document. At the top it says Black Creek Forecast in  
21 Service, December 1993, and it has 134 circled in the  
22 upper right-hand corner. I'll mark this as 1004 for  
23 identification.

24 (Marked Exhibit 1004)



25 BY MS. BROWN:

WITNESS: JOHN H. STORY - Cross by Ms. Brown 4866

1 Q. Mr. Story, do you recognize this document as  
2 Page 134 of your accounting workpapers?

3 A. Yes.

4 MS. BROWN: I move the admission of Exhibit  
5 1004.

6 MR. VAN NOSTRAND: No objection.

7 JUDGE HAENLE: Mr. Adams?

8 MR. ADAMS: No objection.

9 JUDGE HAENLE: Mr. Trincherero?

10 MR. TRINCHERO: None, your Honor.

11 JUDGE HAENLE: Exhibit 1004 will be entered  
12 into the record.

13 (Received Exhibit 1004)

14 BY MS. BROWN:

15 Q. This page shows the calculation of the total  
16 estimated cost for Black Creek?

17 A. Yes.

18 Q. I would direct your attention to the amount  
19 of total through May 31, '93, of \$2.5 million shown on  
20 the third line.

21 A. Yes.

22 Q. Is this amount the total amount of Black  
23 Creek actual expenditures and capitalized interest  
24 incurred up to the end of May 1993?

25           A.     Yes.

          WITNESS: JOHN H. STORY - Cross by Ms. Brown           4867

1           Q.     Figure 7.7 and \$109,081 shown on the next  
2 two lines, are these the estimated amounts of future  
3 expenditures and interest for Black Creek?

4           A.     Yes.

5           Q.     Further down, looking at the amount of total  
6 project costs of \$10.4 million shown on the next line,  
7 in comparing this total project cost with the amount of  
8 total through May 31, '93, of \$2.5 million, do you  
9 agree or would you accept subject to check that at this  
10 time the actual amount of Black Creek expenditures is  
11 only about 23.4 percent of the total estimated cost for  
12 this project?

13          A.     Sure. This is a small project, you do  
14 realize. And it can be built in just a couple of  
15 months. It's still projected to be on line by December  
16 1.

17                   MS. BROWN: Your Honor, I have one final  
18 exhibit.

19                   JUDGE HAENLE: You have handed me a  
20 multi-page document entitled Conservation and the  
21 Environment Focus Group Research, Final Report, dated  
22 December 1990. I will mark this as 1005 for  
23 identification.

24                               (Marked Exhibit 1005)

25

MS. BROWN: Your Honor, the parties have

WITNESS: JOHN H. STORY - Cross by Ms. Brown 4868

1 stipulated to the admission of this exhibit. The final  
2 report for December 1990 was provided to Staff at the  
3 time that Ms. Maura O'Neill testified.

4 JUDGE HAENLE: And you have agreed that it  
5 be entered, Mr. Van Nostrand?

6 MR. VAN NOSTRAND: Yes, your Honor.

7 JUDGE HAENLE: Mr. Adams?

8 MR. ADAMS: Yes.

9 JUDGE HAENLE: Mr. Trincherero?

10 MR. TRINCHERO: Yes.

11 JUDGE HAENLE: I will enter 1005 by  
12 agreement of the parties.

13 (Received Exhibit 1005)

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

15 JUDGE HAENLE: Do you have any questions,  
16 Mr. Trincherero?

17 MR. TRINCHERO: Just a few, your Honor.

18

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

20 BY MR. TRINCHERO:

21 Q. Good morning, Mr. Story.

22 A. Good morning.

23 Q. I would like to ask you at this time, I know  
24 the Company has already filed its PRAM 3 request. But

25 could you give me an estimate, given the passage of

WITNESS: JOHN H. STORY - Cross by Trincherro 4869

1 time, of the total deferral balance by October 1 of  
2 this year?

3 A. No, I could not. The reason for that is you  
4 expect the temperatures to be normal, and that's what  
5 we found in the last PRAM. If you were to need exactly  
6 what we filed in the PRAM, the deferral balance  
7 wouldn't get any larger. So, what you have is the most  
8 current I could give. I could give you through June,  
9 and that would be about it.

10 Q. Could you give me through June?

11 A. Sure.

12 Q. Thank you.

13 A. I take that back. I can give you through  
14 May. \$77,875,000. It's a little less than what we  
15 filed in April.

16 Q. Thank you. Now I would have you turn to  
17 Page 30 of Exhibit T-965. And at Line 4, continuing  
18 through Line 10, I'm going to paraphrase, but you have  
19 indicated that the parties seem to be in general  
20 agreement that the Company should be allowed to  
21 implement SFAS-106. In other words, that you should  
22 be able to recover in rates on an accrual basis rather  
23 than on a pay as you go basis.

24 Are there affirmative statements by all

25 parties to that effect?

WITNESS: JOHN H. STORY - Cross by Trinchero 4870

1 A. Not by all parties. I was thinking mainly  
2 of Navy and Staff on the statement. I don't recall  
3 WICFUR's testimony exactly. I believe Mr. Schoenbeck  
4 was opposed to it.

5 Navy has in their testimony a way of phrasing  
6 in if the Commission were to adopt it. Mr. Larkin also  
7 goes on to say that he thinks pay as you go is still  
8 appropriate. I think he is a little bit behind the  
9 time as to what the cost to the Company would be if you  
10 stay on pay as you go.

11 Staff has said that they believe the current  
12 costs of 106, with their one adjustment of trying to  
13 retroactively change the plan, is prudent. I believe  
14 Mr. Schooley's testimony says "eminently prudent."

15 But what he did do is he did change the  
16 method that the Company has to calculate the retirees'  
17 costs for prior to '92, which would probably involve a  
18 lawsuit if they were to try to do that.

19 That's why I say, in general, there are some  
20 different ways of doing it.

21 Q. Thank you, Mr. Story.

22 MR. TRINCHERO: That's all I have. Thank  
23 you.

24 JUDGE HAENLE: Mr. Adams?

25 MR. ADAMS: Yes, your Honor.

WITNESS: JOHN H. STORY - Cross by Trinchero 4871

1 First I would like to start off with marking  
2 two one-page exhibits. First is the response of the  
3 Company to Data Request 3625, and the second is the  
4 response of the Company to Public Counsel Data Request  
5 3631.

6 JUDGE HAENLE: I will mark as Exhibit 1006 a  
7 one-page document entitled Response to Data Request No.  
8 3625 and mark as 1007 a one-pager entitled Public  
9 Counsel Request 3631.

10 (Marked Exhibits 1006 and 1007)

11 JUDGE HAENLE: I might note we have also  
12 been joined by another counsel.

13 MR. GRAVLEY: Adam Gravley, and I am  
14 representing the Skagit Whatcom Area Processors.

15 JUDGE HAENLE: Go ahead.

16

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

18 BY MR. ADAMS:

19 Q. Mr. Story, do you recognize what has been  
20 identified as 1006 as your response to Data Request No.  
21 3625?

22 A. Yes.

23 Q. And likewise, do you recognize what has been  
24 identified as Exhibit 1007 as your response to Public

25 Counsel Request No. 3631?

WITNESS: JOHN H. STORY - Cross by Adams 4872

1 A. Yes.

2 Q. Are they both true and correct to the best  
3 of your knowledge?

4 A. Yes.

5 MR. ADAMS: Your Honor, I would move the  
6 admission of Exhibits 1006 and 1007.

7 JUDGE HAENLE: Mr. Van Nostrand?

8 MR. VAN NOSTRAND: No objection.

9 JUDGE HAENLE: Ms. Brown?

10 MS. BROWN: No objection.

11 JUDGE HAENLE: Objection from an intervenor?

12 MR. TRINCHERO: No.

13 JUDGE HAENLE: 1006 and 1007 will be entered  
14 into the record.

15 (Received Exhibit 1006 and 1007)

16 BY MR. ADAMS:

17 Q. Mr. Story, as a follow-up to the response  
18 which you made in Exhibit 1006, let me ask you a more  
19 general question: Would it be true that the  
20 disallowance of any expense incurred since the  
21 beginning of the PRAM 2, that is, October 1 of 1992,  
22 which has been booked by the Company would result in a  
23 write-off?

24 A. Well, we don't book expense. We book

25 revenues on program. So, if there was a disallowance

WITNESS: JOHN H. STORY - Cross by Adams 4873

1 of how we calculated the allowed revenues, there would  
2 be a write-off, yes.

3 Q. Basically it would be consistent if it would  
4 be the implicit methodology in your response to 1006?

5 A. Right. What this response was addressing  
6 was that we had followed past Commission orders on  
7 where we booked conservation advertising.

8 I think if you go back to U-8553, the  
9 Commission addressed conservation advertising and said  
10 the parties could raise the issue in the future but the  
11 Company should continue booking it as part of  
12 conservation deferred costs. That's what we have been  
13 doing.

14 Q. I want to then switch gears entirely just to  
15 kind of go back to the big picture where we started  
16 this case. You may recall I asked Mr. Sonstelie about  
17 some questions on the rate moderation plan, and he  
18 deferred to you on some of it.

19 Let me just ask you: First of all, what is  
20 the current revenue request of the Company in this  
21 case?

22 A. The current filed request is \$103 million.  
23 We filed -- which was in the rebuttal filing. We filed  
24 the Sixth Supplemental of 1085 on Friday, which Staff



25 and others have entered parts of that exhibit, which

WITNESS: JOHN H. STORY - Cross by Adams 4874

1 would impact that. But our filed request was \$103  
2 million.

3 Q. I recognize that is your filed request. But  
4 is that what you're asking the Commission to approach  
5 in this case?

6 A. We still have the moderation plan. The  
7 moderation plan is still part of that, the \$46 million.

8 Q. I'm trying to deal with just the overall  
9 revenue requirement. Are you saying it is not  
10 approximately \$97 million? You are requesting \$103  
11 million?

12 A. We have no problem with the adjustments in  
13 the Sixth Supplemental to 1085. If you take that into  
14 consideration, it's about \$97 million.

15 Q. You are willing to abide by the \$97 million?

16 A. Yes.

17 Q. Let's just use the \$97 million. How would  
18 your rate moderation plan apply to that particular  
19 amount?

20 A. It would be no different than when the  
21 amount was \$117. It would be the same process. We  
22 would use the \$23 million secondary rate for those  
23 three projects that were used to come up with the  
24 moderation.

25                   So, it would still be \$46 million recovered

                  WITNESS: JOHN H. STORY - Cross by Adams                   4875

1    over four years.

2           Q.    You said \$46 million. I thought it was \$48  
3    million.

4           A.    \$48 of taxes, revenue-sensitive items.

5           Q.    If we started with \$96 million, we would  
6    subtract \$48 million, and the difference would be the  
7    amount you would seek in the first year. And then you  
8    would still seek a \$34 million increase in each of the  
9    following three years?

10          A.    Yes. Actually, what we would report on our  
11   books would look like we received \$96 million. It  
12   would be allowed revenues that we would be deferring  
13   for future recovery.

14          Q.    In addition to that -- again, I'm just using  
15   round numbers here -- assuming the PRAM 3 of \$76  
16   million, would you be then adding \$38 million in  
17   October 1 of '93 and an additional \$38 million in  
18   October of '94?

19          A.    That's correct.

20          Q.    Now, let's assume for the moment that the  
21   Commission approves revenues that are below \$48  
22   million, say \$46 million as a hypothetical. I would  
23   assume that the Company would then be seeking all of  
24   the recovery in the first year. Is that a fair

25 statement?

WITNESS: JOHN H. STORY - Cross by Adams

4876

1 A. Well, I think it's too far -- too much of a  
2 hypothetical. I don't know what the cash impacts and  
3 everything else would be. I would assume, yes, we  
4 would want the full revenue requirement. I haven't  
5 really done any calculations.

6 Understand, when you do these things, it  
7 does have a real impact on cash flow. So, you would  
8 want to take those things into consideration.

9 Q. I'm just trying to understand what the  
10 position of the Company would be under various  
11 recoveries, not just the one we proposed. Let's assume  
12 a number like \$60 million. Would we subtract \$48  
13 million and, therefore, have a \$12 million general rate  
14 increase in Year 1, plus the three following \$34  
15 million amounts?

16 A. I'm going to be answering a question more  
17 appropriate for Mr. Sonstelie. The idea of the \$48  
18 million was a rate moderation. If you get down below  
19 \$46 or \$48 million, you don't need much of a rate  
20 moderation.

21 Q. That's the reason I gave you a hypothetical  
22 of \$60 million which is somewhat in between, if you  
23 will.

24 A. Given the idea is a rate moderation, if the

25 Commission feels that it's needed for rate moderation,

WITNESS: JOHN H. STORY - Cross by Adams 4877

1 I think it's somewhat their choice. But when you get  
2 that close, I don't know if you really need rate  
3 moderation. Why build this byway of deferred costs out  
4 there to recover in the future?

5 MR. ADAMS: That's all I have.

6 JUDGE HAENLE: Commissioners, do you have  
7 questions.

8 CHAIRMAN NELSON: No.

9 COMMISSIONER CASAD: I have no questions.

10 COMMISSIONER HEMSTAD: No.

11

12 E X A M I N A T I O N

13 BY JUDGE HAENLE:

14 Q. What is your rate request on rebuttal if  
15 it's measured from the levels of the last general rate  
16 increase in 2688?

17 A. The percentage increase? I think --

18 Q. No. What's your number? How much increase  
19 is it if it's measured from the last general rate  
20 increase level?

21 A. I believe Mr. Martin did a calculation on  
22 that. And he backs out \$100 million that's associated  
23 with PRAM 1 and PRAM 2 that's embedded in the revenues  
24 that we are adjusting from.



25 BY MR. VAN NOSTRAND:

WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4879

1 Q. Mr. Story, if you could refer to Exhibit  
2 982. If you recall, these are the purchase orders  
3 which were charged to the storm damage reserve.

4 A. Yes.

5 Q. Have you had an opportunity to review this  
6 exhibit?

7 A. Yes, I have.

8 Q. And with respect to the highlighted charges  
9 indicated on this exhibit, would you indicate what  
10 those charges represent?

11 A. Those are charges for redesigning an office  
12 that was damaged in the Arctic Express. This was the  
13 Snoqualmie headquarters, and it had flood damage.

14 Q. How did you determine that these charges  
15 relate to the Arctic Express?

16 A. By the work order number, 9010226.

17 Q. And how does this expense relate to storm  
18 damages?

19 A. Well, what happens normally in storm damage  
20 -- and it's true on lines, too -- they may do temporary  
21 repairs during the storm to get everything back in  
22 service. And this office did have damage done by  
23 flooding.

24 When they went back in and did the redesign

25 to totally repair the office, these are the charges for

WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4880

1 the interior design team at Puget being billed back.

2 Q. What are the total charges represented by  
3 Exhibit 982?

4 A. \$432.73.

5 Q. Let me refer you now to Exhibit 986, which  
6 was put into the record as a portion of the Company's  
7 response to Record Requisition No. 563.

8 Do you have that?

9 A. Yes.

10 Q. Exhibit 986 includes two appraisals in  
11 particular; is that correct?

12 A. Yes, it does.

13 Q. Which properties are those?

14 A. It includes the Sammamish switch and the --  
15 I believe there was the McWilliams -- I may have that  
16 name wrong -- McWilliams subsite.

17 Q. How does the appraised value for the  
18 Sammamish switch shown on the appraisal, 986, compare  
19 to the numbers which Mr. Nguyen uses in his  
20 calculations?

21 A. Well, Mr. Nguyen didn't use the Sammamish  
22 switch in his calculation on non-utility property.

23 Q. How does the appraised value compare with  
24 the assessed value of this particular piece of

25 property?

WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4881

1 A. I'm just trying to find the one exhibit that  
2 had all these properties listed through the stack here.  
3 The assessed values are the -- I don't have an assessed  
4 value. The appraised value in 1993 was \$878,400, and  
5 that was done by Glen Daniel Company.

6 Q. What was the other appraisal included in  
7 986?

8 A. McWilliams.

9 Q. Is the McWilliams property included in Mr.  
10 Nguyen's adjustment?

11 A. No, it's not.

12 Q. What's the situation with respect to the  
13 McWilliams property?

14 A. McWilliams on Deposition Request 68 has  
15 indicated to Staff that that may be going back to  
16 utility plant.

17 Q. So, that would not be included as an item of  
18 gain to be allocated?

19 A. No. It may be used as a future Company  
20 service center site.

21 Q. Were there other appraisals included in the  
22 response to Record Requisition No. 563?

23 A. Yes, there were.

24 Q. And how do these appraisals compare to the



25 numbers used by Mr. Nguyen in his property adjustment?

WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4882

1 A. These appraisals, three of them are lower  
2 than what Mr. Nguyen used: Oravetz, Midway O'Bryan,  
3 and the Cambridge site.

4 Q. What is the appraisal for the Oravetz  
5 property as indicated on the Company's response to  
6 Record Requisition Request 563?

7 A. The appraisal was \$65,400.

8 Q. And the Midway O'Bryan property?

9 A. It was \$67,500.

10 Q. And the Cambridge property?

11 A. Was \$71,500.

12 MR. VAN NOSTRAND: I would like to  
13 distribute an exhibit, your Honor.

14 JUDGE HAENLE: You have handed me two  
15 documents. The first is entitled SFAS-106, Page 2.12.  
16 I'll mark this as 1008 for identification. The second  
17 is entitled Pro Forma Operating Expense Adjustment,  
18 Page 2.29. I'll mark this as 1009 for identification.

19 (Marked Exhibits 1008 and 1009)

20 JUDGE HAENLE: These are different than  
21 documents that are already in the record, Mr. Van  
22 Nostrand?

23 MR. VAN NOSTRAND: Yes, your Honor.

24 BY MR. VAN NOSTRAND:

25 Q. Mr. Story, you recognize what's been marked  
WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4883

1 for identification as 1008 as your revised calculation  
2 of Exhibit 2.12 for SFAS-106?

3 A. Yes. This was included in the Sixth  
4 Supplemental Response to 1085.

5 Q. Is this the revision you referred to as a  
6 correction when you swore in your testimony when you  
7 took the stand?

8 A. Yes.

9 Q. And you recognize what's been marked for  
10 identification as Exhibit 1009 as your updated  
11 calculation of Page 2.29?

12 A. Yes.

13 Q. And was this also included as the Sixth  
14 Supplemental Response to Staff Request 1085?

15 A. Yes, it was.

16 MR. VAN NOSTRAND: Your Honor, I move the  
17 admission of Exhibits 1008 and 1009.

18 JUDGE HAENLE: Any objection, Ms. Brown?

19 MS. BROWN: No.

20 JUDGE HAENLE: Mr. Adams?

21 MR. ADAMS: No.

22 JUDGE HAENLE: Objection from any  
23 intervenor?

24 MR. TRINCHERO: No, your Honor.

25 JUDGE HAENLE: 1008 and 1009 will be entered

WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4884  
1 into the record.

2 (Received Exhibits 1008 and 1009)

3 MR. VAN NOSTRAND: I have no further  
4 questions.

5 JUDGE HAENLE: I should have asked you, Mr.  
6 Gravley, did you have questions of the witness?

7 MR. GRAVLEY: No, your Honor.

8 JUDGE HAENLE: Is there anything more of the  
9 witness?

10 MS. BROWN: Just a moment, please.

11 JUDGE HAENLE: Go ahead.

12 MS. BROWN: The Staff received this morning  
13 the Company's response to its Data Request 2687. And  
14 in part, the request asked the Company to provide the  
15 rate base impact of two adjustments. And at least for  
16 one of those it says the information is being  
17 researched.

18 In light of that, I would ask that we be  
19 allowed to offer and ask you to admit into the record  
20 as a late filed exhibit the complete response when we  
21 receive it and, further, that the Company be required  
22 to give us an idea as to when we can expect a complete  
23 response.

24 JUDGE HAENLE: Mr. Van Nostrand?

25 MR. VAN NOSTRAND: Yes. That portion that

WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4885

1 Staff is referring to is adjustment showing the  
2 offsetting costs and benefits resulting from vacating a  
3 floor of One Bellevue Center. That was asked in a  
4 Staff Data Request given to us on Wednesday afternoon.

5 I believe we could provide a response to  
6 that.

7 THE WITNESS: I believe what she was talking  
8 about was the fleet.

9 MS. BROWN: That's correct. It says, "This  
10 information is being researched."

11 THE WITNESS: I can give you a general  
12 response right now. Fifty of the cars I know for sure  
13 were leased. So, there would be no rate base impact.  
14 I believe most of the 01 vehicles, which is our class  
15 of vehicles for light trucks and passenger cars, would  
16 all be leased. So, there would be no rate base impact.

17 The other vehicles were the older vehicles,  
18 and they would more than likely be fully depreciated.  
19 That's what would take time is tracing them through and  
20 seeing what their depreciation and tax effects are. It  
21 would take most probably by Wednesday of next week.

22 MR. VAN NOSTRAND: We would have no  
23 objection to providing that information and leaving an  
24 exhibit number designated for it if that's what you

25 wish to do.

WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4886

1 JUDGE HAENLE: Why don't we do that.

2 Is that all right with you, Mr. Adams?

3 MR. ADAMS: Yes, that's fine.

4 JUDGE HAENLE: Is that all right with the  
5 intervenors?

6 So, let's mark that response --

7 MS. BROWN: May I have just one moment?

8 Would it be possible for you include the  
9 executive cars in your response?

10 THE WITNESS: They are in that response  
11 already.

12 MS. BROWN: Thank you.

13 Thank you, your Honor.

14 JUDGE HAENLE: Let's give that the number  
15 1010. That will be due next Wednesday, whatever that  
16 date is. You can look on your own calendars. And it  
17 will be entered as Exhibit 1010 when it is received.

18 If for any reason anyone has an objection to  
19 its entry, you need to make that objection in writing  
20 to the Commission within five days of next Wednesday.  
21 Otherwise, as I say, it will be entered when received.

22 All right. Anything else?

23 MS. BROWN: No.

24 JUDGE HAENLE: Anything else, anyone?

25 MR. TRINCHERO: Excuse me, your Honor. Has  
WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4887  
1 this response to 2687 been entered?  
2 JUDGE HAENLE: No.  
3 MR. TRINCHERO: It will only be the  
4 supplemental response that will be entered?  
5 JUDGE HAENLE: That's acceptable to me  
6 unless someone wants this preliminary response  
7 admitted.  
8 MR. TRINCHERO: I was just asking a  
9 clarifying a question.  
10 JUDGE HAENLE: What is the response number?  
11 MS. BROWN: 2687.  
12 JUDGE HAENLE: Thank you. Okay.  
13 Is there anything more of the witness?  
14 THE WITNESS: Can I clarify the requests  
15 then? Are you just requesting the update on the fleet  
16 or an update on the response?  
17 MS. BROWN: The complete response, please.  
18 JUDGE HAENLE: Is there anything more of the  
19 witness?  
20 All right, thank you, sir. You may step  
21 down.  
22 Let's go off the record to change witnesses.  
23 (Discussion held off the record.)  
24 (Marked Exhibits T-1011 and 1012)

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

WITNESS: JOHN H. STORY - Redirect by Van Nostrand 4888

1 During the time we were off the record, Ms. Lynch  
2 resumed the stand. I remind you that you were sworn  
3 previously and remain under oath.

4 Also, I marked for identification two  
5 documents as follows: Marked as Exhibit T-1011 for  
6 identification is a nine-page document, CEL-5; and  
7 marked as Exhibit 1012 for identification, a  
8 seventeen-page document, CEL-6.

9 Your witness has been sworn.

10

11 COLLEEN E. LYNCH,  
12 witness herein, having been previously  
13 duly sworn, was examined and testified  
14 further as follows:

15

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

17 BY MR. VAN NOSTRAND:

18 Q. Ms. Lynch, do you have before you what's  
19 been marked as Exhibit T-1011?

20 A. Yes.

21 Q. You recognize that as your prefiled rebuttal  
22 testimony in this case?

23 A. Yes.

24 Q. Do you have any additions or corrections to

25 make?

WITNESS: COLLEEN LYNCH - Direct by Van Nostrand 4889

1 A. No.

2 Q. If I asked you the questions set forth in  
3 Exhibit T-1011 today, would you give the answers as set  
4 forth?

5 A. Yes.

6 Q. You also have before you what's been marked  
7 for identification as Exhibit 1012?

8 A. Yes.

9 Q. Do you have any additions or corrections to  
10 make to that exhibit?

11 A. No, I do not.

12 Q. Was that prepared under your direction and  
13 supervision?

14 A. Yes.

15 Q. Is it true and correct to the best of your  
16 knowledge?

17 A. It is.

18 MR. VAN NOSTRAND: Your Honor, I would move  
19 the admission of Exhibit T-1011 and Exhibit 1012, and  
20 Ms. Lynch is available for cross-examination.

21 JUDGE HAENLE: Any objection, Mr. Trotter?

22 MR. TROTTER: No.

23 JUDGE HAENLE: Mr. Adams?

24 MR. ADAMS: No.



25 JUDGE HAENLE: Objection from any  
WITNESS: COLLEEN LYNCH - Direct by Van Nostrand 4890  
1 intervenor?

2 MR. TRINCHERO: No.

3 JUDGE HAENLE: T-1011 and 1012 will be  
4 entered into the record.

5 (Received Exhibit T-1011 and 1012)

6

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

8 BY MR. TROTTER:

9 Q. Good morning, Ms. Lynch.

10 A. Good morning.

11 Q. Turn to Page 1 of your rebuttal testimony,  
12 1011. Beginning on Line 12, you describe the scope of  
13 your testimony. The first item is to present the  
14 revised cost-of-service study.

15 This study did not take into account the  
16 revisions that the Company provided to Staff last  
17 Friday; is that correct?

18 A. That's correct.

19 Q. The second issue you describe on Line 21.  
20 But let's go to your third issue, which is on Page 2,  
21 the issue of the base cost per customer, implementing  
22 base cost per customer on an individual class basis.

23 You address this issue in your testimony?

24 A. That's correct.

25 Q. Now, you say that the calculation of the

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4891

1 revenue requirement for base and resource cost is a  
2 negotiated revenue calculation. What do you mean by  
3 "negotiated" in that context?

4 A. What I mean by "negotiated" on Line 4 and 5  
5 is that it's my understanding that it was an agreed-to  
6 method to calculate the resource and base components of  
7 allowed revenues within the PRAM.

8 Q. And you're suggesting it has no relationship  
9 to cost of service allocation principles?

10 A. That's correct.

11 Q. Now, you are not disputing the fact that  
12 individual customer classes have grown at different  
13 rates, are you? Rather, you're addressing the  
14 implications of that in your cost-of-service study?

15 A. My testimony is not dealing or addressing  
16 the growth rates or any differences in mixed change of  
17 those kinds of things. What it's testifying to is that  
18 the current definition of the base and resource  
19 categories has no or very little relationship to  
20 standard cost of service techniques, classification  
21 techniques, or allocation methods.

22 Q. Did you examine the Staff's evidence on  
23 class growth, differential class growths?

24 A. Not to comment on. No, I did not.

25 Q. Let's go to your second issue, which you

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4892

1 state on Line 21 of Page 1. You indicate that you will  
2 be describing why Staff Witness Martin's calculation of  
3 the revenue allocation to firm resale customers is  
4 incorrect, and you discuss the correct calculation of  
5 that amount.

6 Do you see that?

7 A. Yes, I do.

8 Q. Turn to Page 4 of your testimony. And  
9 there, on Line 11, you indicate that you agree with Mr.  
10 Martin's recommendation to move the firm resale class  
11 to a 100 percent carrying ratio; is that right?

12 A. That's correct. After testimony in the rate  
13 design proceeding, the Company did agree to move the  
14 firm resale class to 100 percent.

15 Q. By 100 percent carry ratio, that means that  
16 that class would be allocated its share of the revenue  
17 requirement increase so that 100 percent of its cost of  
18 service would be covered by its revenues?

19 A. That's correct.

20 Q. Turn to Exhibit 1012, Page 2. Excuse me.  
21 Let's start with Page 3. On Line 1 in the last column,  
22 you show the firm resale class generating \$3.975  
23 million; is that right?

24 A. That's correct. That's our pro forma

25 statement of their revenues.

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4893

1 Q. And then go to Page 2, Line 9, in the same  
2 column. You have an adjustment to those revenues of  
3 approximately \$1.8 million; is that right? Line 9,  
4 Firm Resale column?

5 A. Right. This cost of service would result in  
6 an additional revenue requirement of \$1.8 million.

7 Q. And so, if we add the \$3.9 million to the  
8 \$1.8 million, we would get approximately \$5.8 million.  
9 And that would be the firm resale classes revenues to  
10 generate 100 parity ratio?

11 A. That's correct. If you were locking in on a  
12 particular cost of service method, the results of this  
13 particular cost of service method would come up to that  
14 number.

15 Q. And it's your testimony that, absent  
16 practical constraints, the firm resale revenue  
17 adjustment would be calculated by rerunning the  
18 cost-of-service study because it's the most accurate?

19 A. That's correct. We recognized time  
20 limitations upon implementation and our opinion about  
21 the second best method would be to use our  
22 recommendation to use parity ratios.

23 But the first best are the most accurate,  
24 assuming you accepted any cost-of-service study would

25 be to use the results of that particular

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4894

1 cost-of-service study.

2 Q. Would it be fair to say the parity ratio  
3 would be somewhat less accurate than the ideal of  
4 rerunning?

5 A. Right. We would probably describe it as a  
6 reasonable approach.

7 Q. On Page 7, I believe, from Page 6, Line 10,  
8 through Page 7, Line 4, of your testimony, you outlined  
9 this issue, and you indicate that Mr. Hoff has  
10 performed a calculation using the Company's proposed  
11 parity ratio approach; is that right?

12 A. That's correct.

13 Q. You're familiar with his exhibit generally?

14 A. Yes.

15 Q. And am I correct that the Company's proposed  
16 parity ratio approach would have the firm resale class  
17 showing an increase of approximately \$1.3 million,  
18 which when added to the \$3.975 million would generate  
19 about \$5.3 million at proposed revenues?

20 A. You're looking at Mr. Hoff's Exhibit DWH-8,  
21 Page 1?

22 Q. Yes.

23 A. Yes.

24 MR. TROTTER: Your Honor, I would like to

25 have marked for identification a one-page exhibit,

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4895

1 Comparative Illustration of Firm Resale Class  
2 Adjustments.

3 JUDGE HAENLE: One-page document with that  
4 caption will be marked as 1013 for identification.

5 (Marked Exhibit 1013)

6 MR. TROTTER: Your Honor, this was prepared  
7 by Staff. All the numbers are in the record. So,  
8 we're using it for illustrative purposes at this time.

9 BY MR. TROTTER:

10 Q. Referring you to Exhibit 1013 and looking at  
11 the first column, upper left column figures, do you  
12 recognize the 3975 as the firm resale revenue before  
13 rate increase that you generated from your cost study?

14 A. That's correct.

15 Q. And the firm resale revenue adjustment was  
16 the one we also talked about to get to the \$5.8  
17 million?

18 A. That's shown on Line 2. That's correct.

19 Q. Moving to the right, the Company parity  
20 ratios approach, do you recognize the same \$3.975  
21 million and Mr. Hoff's 1.9 adjustment?

22 A. That's right.

23 Q. That gets us to \$5.298. The difference is  
24 \$516,000 approximately?

25 A. Yes.

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4896

1 Q. Let's go down to the second row of columns.

2 And, again, do you see the \$3.975 million there?

3 A. Yes.

4 Q. Would you accept subject to check that the  
5 \$1.444 million was taken from the similar line as the  
6 \$1.839 million but from Staff's cost of service from  
7 Exhibit 381 in the rate design case?

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

9 Q. And if that is correct, it totals to \$5.4  
10 million; is that right?

11 A. Yes.

12 Q. And then in the next column, the Staff asked  
13 the Company to provide the amount of the firm resale  
14 revenue requirement adjustment based on the Company's  
15 recommended approach as applied to the Staff's revenue  
16 requirement proposal; is that correct?

17 A. That's correct.

18 MR. TROTTER: I would like a one-page  
19 document marked for identification as Response to Data  
20 Request 2641.

21 JUDGE HAENLE: The one-page document with  
22 that caption at the top will be marked as Exhibit 1014  
23 for identification.

24 (Marked Exhibit 1014)

25 BY MR. TROTTER:

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4897

1 Q. Do you recognize Exhibit 1014 as your  
2 response to Data Request 2641 as I described?

3 A. Yes, I do.

4 Q. And that shows the estimated revenue  
5 increase using the Company's parity ratio approach to  
6 be \$913,539?

7 A. Right. This uses the Company's proposed  
8 method in combination with the Staff's proposed revenue  
9 requirement.

10 Q. As shown on Exhibit 1013 under the column  
11 (b), you see the same \$3.975 million, and then that  
12 same that we used previously, plus the \$915,000 figure?

13 A. Yes.

14 Q. And that generates a firm resale adjusted  
15 revenue of about \$4.9 million?

16 A. Yes.

17 Q. And would it be true that the difference  
18 between the Staff's cost-of-service study run and the  
19 Company's parity ratio approach is approximately  
20 \$531,000 as shown in the last column?

21 A. That's the difference between these two  
22 numbers. I don't know if you pointed out that the  
23 cost-of-service study run shown in Column A is at the  
24 Company's -- I'm sorry. That's correct.



25 Q. So, is it true that the Company's parity

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4898

1 ratio approach applied both to the Company's  
2 cost-of-service study and the Staff's cost-of-service  
3 study generates a difference of about \$500,000?

4 A. That's what this shows, yes.

5 Q. Now, on Page 5 of your testimony, in  
6 answering the question why are Mr. Martin's  
7 computations incorrect, you refer to Exhibit 777. And  
8 then you go on to explain why you believe he is  
9 incorrect.

10 Do you see that?

11 A. Yes, I do.

12 Q. In Exhibit 777, the pro forma revenue effect  
13 of Mr. Martin's approach was \$5,443,465. Would you  
14 accept that subject to check?

15 A. Could you repeat that, please?

16 Q. \$5,443,465.

17 A. That's inclusive of the rate increase?

18 Q. Yes.

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

20 Q. And that's only \$24,000 more than the amount  
21 that was generated by the cost-of-service study run for  
22 Staff shown in Column (a) on Exhibit 1013. Isn't that  
23 right?

24 A. By coincidence, yes, that's right.

25 Q. Do you believe that a half a million dollar

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4899

1 difference, whether it's generated by the Company's  
2 cost-of-service study run versus the parity ratio  
3 approach, or Staff's cost-of-service study run versus  
4 parity approach, do you believe that's a reasonable  
5 result, given the problem that you discussed regarding  
6 the inability to rerun the cost study?

7 A. I believe that's reasonable for two reasons:  
8 The first being that it does allow us to avoid having  
9 to rerun the model when we're facing a fairly tight  
10 time frame when we have to implement the order.

11 The second reason that I think it's  
12 acceptable is that under FERC jurisdiction, we are  
13 faced with a different set of allocation classification  
14 techniques. And I think I would expect that perhaps  
15 the methods that we would use to take our total revenue  
16 requirement and spread to jurisdictional versus  
17 non-jurisdictional customers under those rules would  
18 probably be within this same \$500,000.

19 So, it's because of thinking about what we  
20 will face on the FERC jurisdiction side, wanting to be  
21 made whole in total, and this consideration of  
22 rerunning the model, that this is not too much of a  
23 concern for me in terms of establishing a revenue  
24 requirement for that class of customer.

25 Q. Well, to the extent there is -- recognizing  
WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4900

1 the practicalities, but in theory -- to the extent  
2 there is a positive difference, doesn't that mean that  
3 the remaining ratepayers are picking up that  
4 difference?

5 A. That means that -- just looking at the  
6 retail jurisdiction side, that's right.

7 Q. This Commission doesn't have any  
8 jurisdiction over the firm resale class?

9 A. That's correct.

10 Q. Regarding the feasibility issue, can you  
11 give me a sense of that? In other words, let's assume  
12 an order came out on day one and you were able to work  
13 with that order and perhaps discuss with other parties  
14 how the adjustments would fit in. How long would it  
15 take you to put together another study run to do this  
16 in the first best manner?

17 A. To include -- to just run whatever cost of  
18 service method is approved at the time of the order on  
19 the new rates?

20 Q. Yes.

21 A. Or the new revenue requirement? I think it  
22 would add a week to the time it currently takes.

23 Q. And how long does it currently take?

24 A. I believe that -- I'm trying to think over

25 the last couple times we have done this -- I'm thinking

WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4901

1 three to five days. But that's kind of out of the air.

2 Q. Assuming that time is not available to you  
3 and the rates based on the parity ratio approach go  
4 into effect, could the first best approach be used and  
5 then the difference deferred and tracked in the PRAM or  
6 through some other mechanism?

7 A. Frankly, I'm not sure I can answer that. I  
8 think Mr. Story could probably address that kind of  
9 question.

10 Q. That's an accounting issue?

11 A. That's right.

12 MR. TROTTER: Your Honor, I would move the  
13 admission of Exhibits 1013 and 1014.

14 JUDGE HAENLE: Mr. Van Nostrand?

15 MR. VAN NOSTRAND: No objection.

16 JUDGE HAENLE: Mr. Adams?

17 MR. ADAMS: No objection.

18 JUDGE HAENLE: Intervenors?

19 MR. TRINCHERO: No objection.

20 JUDGE HAENLE: 1013 and 1014 be entered into  
21 the record.

22 (Received Exhibits 1013 and 1014)

23 JUDGE HAENLE: I didn't get estimates from  
24 you, Mr. Gravley, on Ms. Lynch and Mr. Hoff.

25 MR. GRAVLEY: I have nothing for Ms. Lynch,  
WITNESS: COLLEEN E. LYNCH - Cross by Trotter 4902  
1 and approximately fifteen minutes on Mr. Hoff.

2 JUDGE HAENLE: Do you have questions of the  
3 witness?

4 MR. TRINCHERO: No questions.

5 JUDGE HAENLE: Mr. Adams?

6 MR. ADAMS: Just a very few questions, Ms.  
7 Lynch.

8

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

10 BY MR. ADAMS:

11 Q. Am I correct that your revised  
12 cost-of-service study involves the same method of peak  
13 method, same method of allocating transmission plants  
14 and same methodology of allocating distribution plant  
15 as your direct testimony?

16 A. That's correct.

17 Q. If the Commission approves the methodology  
18 advocated by Staff or Public Counsel for calculating  
19 the peak credit factor, that is, recognizing that gas  
20 is much or all of the fuel for Puget's combustion  
21 turbines during the 200 peak hours, would you agree  
22 that the study would be changed slightly reflecting a  
23 slightly higher residential parity ratio and slightly  
24 lower primary and high voltage ratio, and I think the

25 commercial class would be relatively unaffected?

WITNESS: COLLEEN E. LYNCH - Cross by Adams 4903

1 A. That's correct. That's kind of the results  
2 that we have seen when we ran those types of scenarios  
3 in the rate design case.

4 Q. If the Commission reaffirmed its past  
5 treatment of transmission requiring that non-generation  
6 transmission be allocated in the same manner as  
7 generation-type transmission, would you agree that the  
8 study would be changed, with similar results?

9 A. That's correct.

10 Q. Referring to the firm resale issue, could  
11 you turn to your Page 2 of Exhibit 1012. I would just  
12 appreciate some clarification with the numbers that are  
13 reflected in Exhibit 1013, which was just admitted, and  
14 Page 2, Line 11, far right-hand column.

15 Do you see there the revenue requirement  
16 from rates of \$6,064,883 for the firm resale class? Do  
17 you see that number?

18 A. Are you on Page 2 of my testimony?

19 Q. I'm sorry. Page 2 of your cost of service  
20 run, 1012.

21 A. Okay. Now could you repeat it?

22 Q. Sure.

23 A. Thanks.

24 Q. I'm referring you to under the column

25 Summary Class Firm Resale, the far right-hand column.

WITNESS: COLLEEN E. LYNCH - Cross by Adams 4904

1 A. Okay.

2 Q. Go down to Line 11, which is captioned  
3 Revenue Required From Rates. There is a figure there  
4 of \$6,064,883. How does that relate to the figures  
5 shown on Exhibit 1013; that is, of \$5.8 million in the  
6 upper portion of that exhibit and \$5.4 in the lower?

7 A. If you turn to Page 3 of my cost of service  
8 exhibit and you look at the first section, Lines 1, 2,  
9 3, and 4, you'll see the -- over under the Summary  
10 Class Firm Resale column you'll see the \$3,975,193  
11 number.

12 Added to that is allocation of the non-firm  
13 sales. You would get to the \$4,225,205 which is shown  
14 on Line 10 of Page 2, and it's that amount which is  
15 added to the increase of this \$1.8 million which is  
16 shown on 1013. That gets you to the \$6,064,883 that  
17 you're asking about.

18 Q. That latter number, let's call it the \$6.1  
19 million figure, is it your testimony that this amount  
20 of revenue would reduce the system average rate of  
21 return for the firm resale class at Puget's proposed  
22 rate base expense and rate of return, assuming  
23 acceptance of Puget's proposed cost-of-service study?

24 A. It's my testimony, making an allowance to

25 the firm resale class in combination with their pro

WITNESS: COLLEEN E. LYNCH - Cross by Adams 4905

1 forma revenue statement, it would come to this \$6.1,

2 and that would be the required for 100 parity, yes.

3 Q. Would you agree that acceptance of the Staff

4 and/or Public Counsel methods for calculating the peak

5 credit factor or for allocating transmission costs,

6 that would result in a slightly higher revenue

7 requirement than the \$6.1 million shown there?

8 A. That I would have to accept subject to

9 check. It wasn't what I really focused on. I'll

10 accept that subject to check.

11 MR. ADAMS: That's all I have, your Honor.

12 JUDGE HAENLE: Commissioners, do you have

13 questions?

14 COMMISSIONER CASAD: Just a very brief

15 question.

16

17 E X A M I N A T I O N

18 BY COMMISSIONER CASAD:

19 Q. In your colloquy with Mr. Trotter, I'm a

20 little confused in the firm resale area. Remember you

21 essentially indicated that you accepted Staff's figure

22 as represented on 1013 if you used the Staff's

23 methodology. You indicated that there is \$500,000

24 difference and that you felt that was appropriate in



25 that there were costs involved rerunning the figures

WITNESS: COLLEEN E. LYNCH - Examination by Casad 4906

1 and for -- one of the reasons. I'm just a little  
2 confused as to what you meant there.

3 A. What I was saying there was that, first of  
4 all, we agree to move the firm resale class to 100  
5 percent of parity. And then, secondly, what we were  
6 discussing was the effects of locking in on a cost of  
7 service result or applying a shortcut method. And the  
8 difference between the shortcut method, using the  
9 parity ratio, and the actual, taking the line off of a  
10 cost of service result, was this \$500,000.

11 I was saying that that seemed reasonable or  
12 not surprising to me when I considered the effort or  
13 time it required to run the model at the time of order,  
14 and also thinking about the issue that under FERC  
15 jurisdiction the rules that assign the revenue  
16 requirements to this class are slightly different. And  
17 that, you know, kind of gets us in the ballpark.

18 Q. So, the Staff's methodology or the  
19 alternative methodology is acceptable to you? Was that  
20 it?

21 A. Right. With the caveat of time.

22 COMMISSIONER CASAD: Thank you very much.

23 JUDGE HAENLE: Commissioner?

24 COMMISSIONER HEMSTAD: I have no questions.

25 JUDGE HAENLE: Any redirect of the witness?

WITNESS: COLLEEN E. LYNCH - Examination by Casad 4907

1 MR. VAN NOSTRAND: No, your Honor.

2 JUDGE HAENLE: Anything more of the witness?

3 Thank you for your testimony. You may step  
4 down.

5 Let's go off the record to change witnesses.

6 Why don't we take our morning break at this time.

7 Let's be back at 25 minutes after, and we'll have a new  
8 witness on the stand at this time.

9 (Recess.)

10 JUDGE HAENLE: Let's be back on the record  
11 after our morning recess.

12 I would like to take up Mr. Adams'  
13 additional public letters at this time. He has  
14 distributed a document and then two additional pages to  
15 be stapled to the back of that document.

16 Is this that group of letters that were sent  
17 in since the last exhibit, which was due July 2, Mr.  
18 Adams?

19 MR. ADAMS: Yes, your Honor. This is  
20 supplemental exhibit ratepayer letters. These came in  
21 since the compilation of Exhibit 872. This was done by  
22 my office while I have been in hearings.

23 And I have also passed out two additional  
24 letters, and I perhaps should explain. The one came in

25 yesterday's mail. I got it last night. But the one

WITNESS: COLLEEN E. LYNCH - Examination by Casad 4908

1 dealing with Sheri Yeager is one that I did not put in  
2 until I got her permission. It is a letter that's been  
3 received by the Commission because it was forwarded to  
4 me.

5 So, those two letters I would just propose  
6 to be attached to the whatever number you give these  
7 supplemental exhibits.

8 JUDGE HAENLE: I'll mark the document  
9 including those two letters as 1015 for identification.

10 (Marked Exhibit 1015)

11 JUDGE HAENLE: Do you have any objection to  
12 it being entered for illustrative purposes?

13 MR. MARSHALL: I do with regard to the  
14 Yeager letter that shows a date received stamp of July  
15 12. If that had been brought to our attention, we  
16 probably would have found out some more facts about it  
17 and commented on it.

18 Even though it is only for illustrative  
19 purposes, it seems to have material in here that, taken  
20 at face value at all, would require some kind of  
21 response.

22 I don't know why it couldn't have been  
23 brought to our attention, at least at counsel level,  
24 before these hearings began on the 19th. It was

25 available at least a week before that time.

WITNESS: COLLEEN E. LYNCH - Examination by Casad 4909

1           It makes some accusations that I think are  
2 unfair and unfounded, and we would have responded. Now  
3 we're deprived of any ability to respond in any format  
4 whatsoever.

5           JUDGE HAENLE: It's my understanding that  
6 the letters that come in are generally gathered by the  
7 public affairs section of the Commission and then  
8 forwarded on to Mr. Adams. They would not ordinarily  
9 take additional action on them, I don't think, any  
10 additional action, Mr. Marshall.

11           MR. MARSHALL: We're on our next to the last  
12 witness. It was available earlier this week. It could  
13 have been made available so we could have responded.  
14 Now we're deprived of this response. If anything is  
15 made of this, which I doubt, on the chance anything  
16 would be, we have been deprived of that.

17           That's the basis of my objection on that one  
18 letter and that one alone.

19           JUDGE HAENLE: Any objection to the  
20 admission of the documents for illustrative purposes?

21           MR. TROTTER: No. I represent this is the  
22 first time I have seen this letter. So, any failure to  
23 provide it to the Company, if there was such an  
24 obligation, certainly we had no knowledge of it.

25

Secondly, there are other documents in the

WITNESS: COLLEEN E. LYNCH - Examination by Casad 4910

1 public letter record that we don't like, also, and were  
2 deprived of not having equal opportunity to respond.  
3 We understand these can't be used as substantive  
4 evidence. I think this should go in because the public  
5 is entitled to comment. We have no objection on that  
6 basis.

7 JUDGE HAENLE: I might add, Mr. Marshall,  
8 that I have on occasion in the past known the  
9 Commission to ask the Company to respond to testimony  
10 that's been given at the public hearings. I don't  
11 recall ever having the Commission request the Company  
12 to respond to any ratepayer letter in particular.

13 MR. MARSHALL: This is an employee letter.  
14 But, again, I made my objection.

15 JUDGE HAENLE: Thank you.

16 MR. MARSHALL: I stand by that.

17 JUDGE HAENLE: Mr. Gravley, do you have any  
18 objection to the entry for illustrative purposes?

19 MR. GRAVLEY: No, your Honor.

20 JUDGE HAENLE: Did you have any objection,  
21 Mr. Trincherero.

22 MR. TRINCHERO: No, your Honor.

23 JUDGE HAENLE: I'm going to overrule the  
24 objection and enter the entire document into the record

25 for illustrative purposes.

WITNESS: COLLEEN E. LYNCH - Examination by Casad 4911

1 (Received Exhibit 1015)

2 JUDGE HAENLE: Will you send copies of this  
3 exhibit, Mr. Adams, to parties who are not present at  
4 the hearing, please?

5 MR. ADAMS: Yes.

6 JUDGE HAENLE: Thank you.

7 During the time we were off the record, we  
8 changed witnesses. I'll remind you, Mr. Hoff, that you  
9 were sworn at the beginning of the hearing and remain  
10 under oath.

11

12 DAVID W. HOFF,  
13 witness herein, having been previously  
14 duly sworn, was examined and testified  
15 further as follows:

16 JUDGE HAENLE: I have marked the prefiled  
17 rebuttal testimony, ten pages, DWH-7, as Exhibit T-1016  
18 for identification;

19 DWH-8, eleven pages, 1017 for  
20 identification;

21 And DWH-9, eleven pages, 1018 for  
22 identification.

23 (Marked Exhibits T-1016, 1017 and 1018)

24 JUDGE HAENLE: Go ahead, Mr. Van Nostrand.

25

WITNESS: DAVID W. HOFF - Direct by Van Nostrand 4912

1 DIRECT EXAMINATION

2 BY MR. VAN NOSTRAND:

3 Q. Mr. Hoff, do you have before you what's been  
4 marked for identification as T-1016 as your rebuttal  
5 testimony in this case?

6 A. Yes.

7 Q. Do you have any additions or corrections to  
8 make of that exhibit at this time?

9 A. No, I do not.

10 Q. If I asked you the questions set forth in  
11 Exhibit T-1016 today, would you give the answers as set  
12 forth in that exhibit?

13 A. Yes, I would.

14 Q. Do you also have what's been marked for  
15 identification as Exhibits 1017 and 1018?

16 A. Yes.

17 Q. Do you have any corrections to make?

18 A. No.

19 Q. Were they prepared under your direction or  
20 supervision?

21 A. Yes, they were.

22 Q. Are they true and correct to the best of  
23 your knowledge?

24 A. Yes.

25 MR. VAN NOSTRAND: Your Honor, I move the  
WITNESS: DAVID W. HOFF - Direct by Van Nostrand 4913  
1 admission of Exhibits T-1016 and 1017 and 1018, and Mr.  
2 Hoff is available for cross-examination.

3 JUDGE HAENLE: Any objection, Mr. Trotter?

4 MR. TROTTER: No.

5 JUDGE HAENLE: Mr. Adams?

6 MR. ADAMS: No.

7 JUDGE HAENLE: Mr. Gravley?

8 MR. GRAVLEY: No.

9 JUDGE HAENLE: Mr. Trincherero?

10 MR. TRINCHERO: No, your Honor.

11 JUDGE HAENLE: T-1016 and 1017 and 1018 are  
12 received.

13 (Received Exhibits T-1016, 1017 and 1018)

14 JUDGE HAENLE: Mr. Trotter?

15 MR. TROTTER: Mark the Company's response to  
16 Staff Data Request 1672.

17 JUDGE HAENLE: The one-page document will be  
18 marked as 1019 for identification.

19 (Marked Exhibit 1019)

20

21

22

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

24 BY MR. TROTTER:



25 Q. Starting with 1019, do you recognize that as  
WITNESS: DAVID W. HOFF - Cross by Trotter 4914

1 the Company's response to Request 2672?

2 A. Yes, I do.

3 Q. That request asked you to provide the impact  
4 of the increase in rates proposed for returned check  
5 charges and meter test charges; is that right?

6 A. Yes.

7 Q. And you estimated a revenue increase of  
8 \$36,700, approximately, assuming the same amount of  
9 returned checks as in the test year. And then you  
10 state, however, that the actual increase should be less  
11 due to the increased charge; is that right?

12 A. That's correct.

13 Q. Now, I take it you did not do a separate  
14 elasticity estimate for this item, did you?

15 A. No, I did not.

16 Q. Would it be fair to say that the number of  
17 returned checks is related to the state of the economy?

18 A. I'm not sure exactly what all influences  
19 returned checks. But I think it would be reasonable to  
20 expect that the state of the economy would be one of  
21 many influences.

22 Q. And you had no meter tests in the test year.  
23 So, you're not reflecting any additional revenues  
24 occasioned by that?

25           A.     No meter tests that we charged for.  The  
          WITNESS:  DAVID W. HOFF - Cross by Trotter           4915

1     first meter test that we do, we don't charge for.  
2     That's why there were none.

3           Q.     Turn to Page 1 of your testimony, T-1016.

4           MR. TROTTER:  Your Honor, I'll move for  
5     admission of 1019 at this point.

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

8           MR. VAN NOSTRAND:  No objection.

9           JUDGE HAENLE:  Mr. Adams?

10          MR. ADAMS:  No objection.

11          JUDGE HAENLE:  Objection from any  
12     intervenor?

13          MR. GRAVLEY:  No, your Honor.

14          JUDGE HAENLE:  1019 will be entered into the  
15     record.

16                   (Received Exhibit 1019)

17     BY MR. TROTTER:

18          Q.     On Page 1, you indicate that you have  
19     translated the revised cost of service results  
20     presented by Ms. Lynch into class revenue requirements  
21     using the principles outlined in the rate design  
22     proceeding with the additional modification of moving  
23     wholesale customers to 100 percent of parity.

24           My question is:  Your rates, like the cost

25 study that Ms. Lynch did, do not take into account the

WITNESS: DAVID W. HOFF - Cross by Trotter 4916

1 Company's latest revenue requirement?

2 A. That is correct.

3 Q. When you say the principles outlined in the  
4 rate design proceeding, you're referring to the  
5 principles that Puget has adhered to in that  
6 proceeding?

7 A. Yes. It would be our principles.

8 Q. And if you would turn to Page 5 of Exhibit  
9 1018. At the top of Schedule 7 you show the rate  
10 design for the residential service; is that right?

11 A. That's Page 5 of 1018?

12 Q. Yes.

13 A. (Reading.) Okay. I'm sorry. What was the  
14 question?

15 Q. This shows at the top of Schedule 7 the  
16 Company's proposed rate design?

17 A. Yes. Those would be the actual rates that  
18 would be reflected for the revenue requirement based on  
19 our moderation alternative proposal.

20 Q. Is there a difference between your proposed  
21 rate design for residential at the Company's full  
22 request for rate relief as opposed to its moderation  
23 proposal?

24 A. The only difference is the amount of revenue

25 that those rates will collect. So, the level of the

WITNESS: DAVID W. HOFF - Cross by Trotter 4917

1 rates are different, but the design is the same.

2 Q. And, now, are there any changes in the rate  
3 design proposed in your rebuttal filing than what you  
4 have in the rate design document?

5 A. No.

6 Q. Another issue that you address in your  
7 testimony is the Staff's proposal to implement the base  
8 cost per customer on individual class basis in the  
9 PRAM; is that right?

10 A. That's correct.

11 Q. Turn to Page 10 of your testimony. And here  
12 you refer to establishing the base cost per customer on  
13 a class basis creating a very large differential in  
14 allowed revenues based on customer classification.

15 First, would you agree that the cost of  
16 serving a new primary voltage customer is greater than  
17 the cost of serving a new residential customer?

18 A. Well, I guess yes and no. Did you say  
19 primary or residential?

20 Q. Yes.

21 A. Of course, residential customers have  
22 distribution costs that primary customers do not. So,  
23 there are portions of the costs that they don't have.

24 If a primary customer uses more kilowatt

25 hours, obviously there are more costs related to the

WITNESS: DAVID W. HOFF - Cross by Trotter 4918

1 kilowatt hours.

2           Essentially this is a cost of service type  
3 question. And, in general, I would say that it  
4 probably costs us more to serve a primary customer than  
5 a residential customer, but a lot of that extra cost is  
6 associated with how much electricity and demand those  
7 customers are going to be using.

8           Q.     Now, if there is a large differential  
9 between customer classes -- and you use an example,  
10 primary customer versus high voltage -- would that  
11 provide an incentive for the Company to move customers  
12 from one schedule to another?

13           A.     I'm sorry. If there is a cost differential?

14           Q.     If there is a difference in the revenue per  
15 customer by class.

16           A.     I think it would. And that's one of the  
17 concerns that I have.

18           MR. TROTTER: Those are all my questions.

19           JUDGE HAENLE: Thank you.

20           Do you have questions, Mr. Trinchero?

21           MR. TRINCHERO: No, I do not.

22           JUDGE HAENLE: Questions, Mr. Gravley?

23           MR. GRAVLEY: Thank you, your Honor.

24

25

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

WITNESS: DAVID W. HOFF - Cross by Gravley

4919

1 BY MR. GRAVLEY:

2 Q. Good morning, Mr. Hoff.

3 A. Good morning.

4 Q. I'm here on behalf of the Skagit Whatcom  
5 Area Processors, SWAP. I would like to begin with  
6 Exhibit 1016 on Page 3 with the chart there.

7 It's true, Mr. Hoff, that the primary and  
8 high voltage customers receive the highest rate  
9 increase?

10 A. As a percentage, yes, under our proposal.

11 Q. Now, if we could move to Exhibit 1017 on  
12 Page 7, which sets forth the Schedule 31 for the full  
13 proposal.

14 Now, were these rates derived by applying  
15 the rate design proposed by Puget in the rate design  
16 case?

17 A. Yes, to the revenue requirement of this  
18 case.

19 Q. And the rates do not reflect the PRAM 3  
20 adjustment?

21 A. They do not.

22 Q. But they do incorporate the PRAM 2  
23 adjustments; is that correct?

24 A. Yes, they do. Well, the rates are -- in

25 this case we are essentially bringing the costs that

WITNESS: DAVID W. HOFF - Cross by Gravley 4920

1 were related, all of the base costs, into base rates.

2 So, they reflect all of our costs of  
3 service. Part of that cost of service was PRAM 2, but  
4 the they do not reflect the deferred part of PRAM 2.  
5 They reflect all of the cost of service. There is not  
6 an additional element that is not there.

7 Q. I had a question I was going to ask later.  
8 I'm confused about something maybe you can clarify.  
9 Look at Exhibit 570, Schedule 31.

10 Are you with me?

11 A. What's 570?

12 Q. 570 is the exhibit to the direct testimony.  
13 That's Schedule 31. I don't see a page number, but  
14 it's --

15 A. Okay.

16 Q. My question has to do with the energy charge  
17 under the monthly rate chart which appears in the  
18 middle of the page. And the periodic adjustment figure  
19 there for both of the seasonal periods is zero.

20 It's correct that these rates reflect the  
21 PRAM 2; is that correct? The PRAM 2 is in effect?

22 A. Yes. I'm looking at Sheet No. 31, Schedule  
23 31.

24 Q. Yes, that's correct.

25           A.     And I don't see a periodic -- excuse me. I

          WITNESS: DAVID W. HOFF - Cross by Gravley           4921

1     see it. I'm sorry.

2           Q.     Under the monthly rate.

3           A.     Right. Now, the question?

4           Q.     You have a figure there for both seasonal  
5     periods, both October through March and April through  
6     September. There is a base rate figure, and the  
7     periodic adjustment line is zero for both seasonal  
8     periods.

9                     My question is: I don't understand why  
10    those numbers are zero if the PRAM was in effect.

11          A.     Okay. Because the PRAM -- when we filed  
12    this case, the case essentially included all of our  
13    costs of service which included what had been PRAM 1  
14    and PRAM 2. So, the base rate numbers are higher  
15    essentially by the amount of PRAM 2 in the cost of  
16    service.

17                     Since we filed this, we have filed for PRAM  
18    3, PRAM 3 being a deferral only from PRAM 1 and PRAM 2  
19    periods. It's not a resource cost -- projected  
20    resource cost. That part is included in the rates.  
21    It's a deferral in PRAM 3.

22                     So, when these rates go into effect, we'll  
23    have these rates. And in addition to that, we'll have  
24    a PRAM 3 rate which will be this deferral.



25 Q. And how will you show or how will you adjust

WITNESS: DAVID W. HOFF - Cross by Gravley 4922

1 these rates for PRAM 3?

2 A. Then there will be an addition for PRAM 3.

3 That will be added in.

4 Q. That will be added in the base rate?

5 A. That will be in the periodic adjustment.

6 Q. Thank you. That was my question.

7 JUDGE HAENLE: Do you have questions, Mr.

8 Adams?

9 MR. GRAVLEY: If I could go back to Exhibit

10 1017.

11 BY MR. GRAVLEY:

12 Q. Back on the Schedule 31 on Page 7, just one

13 more question on this page, and this goes to the

14 summer/winter differential. In the rate design case,

15 SWAP has proposed a greater differential in the summer

16 and winter rates. And these rates, as reflected in

17 Exhibit 1017, do not reflect SWAP's recommendations on

18 seasonality; is that correct?

19 A. That is correct.

20 Q. Thank you. Staying with Exhibit 1017, if we

21 could go to Page 8, Schedule 46 in the middle of the

22 page.

23 A. Yes?

24 Q. Is the difference between the summer and

25 winter energy charge based on the fifty percent

WITNESS: DAVID W. HOFF - Cross by Gravley 4923

1 differential that you discussed in your testimony in  
2 the rate design case?

3 A. No, it's not, because this is an  
4 interruptible rate. And so the demand charge is  
5 reflecting the interruptible credit related to the  
6 interruptions. So, this doesn't have the fifty percent  
7 differential.

8 Q. What differential is used?

9 A. There is no differential. That's because  
10 we're allowed to interrupt in the wintertime.

11 Q. So, therefore, you didn't incorporate SWAP's  
12 recommendation that the summer/winter energy  
13 differential should be increased?

14 A. Not on 46, no.

15 Q. Now, finally, if we could move to Exhibit  
16 1018 on Page 7, the moderation alternative for Schedule  
17 31.

18 Did the summer and winter energy rates on  
19 this page for Schedule 31, do they reflect the ten  
20 percent differential or the fifty percent differential  
21 that you discussed in the rate design case?

22 A. They reflect the ten percent differential.  
23 The fifty percent was demand. Energy was ten percent.

24 MR. GRAVLEY: Thank you. I have no further

25 questions, your Honor.

WITNESS: DAVID W. HOFF - Cross by Gravley 4924

1 JUDGE HAENLE: Thank you.

2 Mr. Adams?

3 MR. ADAMS: Yes, thank you.

4

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

6 BY MR. ADAMS:

7 Q. Mr. Hoff, am I correct that your proposed  
8 revenue allocation between classes follows the same  
9 methodology as you used in the direct testimony as  
10 moving one third of the way towards the results of Miss  
11 Lynch's cost-of-service study?

12 A. With the exception of the resale where we  
13 went 100 percent.

14 Q. And as we discussed on direct, you would  
15 agree that this constitutes a mechanical application of  
16 the results of cost of service; right?

17 A. Well, it is an application. I think when we  
18 discussed that that -- there are things that influence  
19 it. But basically, when you do this calculation, this  
20 calculation is a mathematical calculation which I think  
21 you termed as mechanical.

22 Q. I believe you agreed with that terminology  
23 on direct?

24 A. Yes. I guess I can't change now. I did,

25 yes.

WITNESS: DAVID W. HOFF - Cross by Adams

4925

1 Q. Now, would you turn to Page 4 of Exhibit  
2 1017, DWH-8.

3 A. Okay.

4 Q. Okay? Now, first off, would you agree that  
5 this page does not show the actual proposed increases  
6 in cents per kilowatt hour? Simply in percentages?

7 A. Yes, that's correct. It shows percentages  
8 and total dollars, but not cents per kilowatt hour.

9 Q. Looking at what you have labeled Column 4,  
10 Present PRAM 2 Revenues, am I correct that the numbers  
11 reflected in Column 4 include the general rates allowed  
12 in the last rate case plus any current PRAM additives?

13 A. Yes. Essentially these are the revenues  
14 we're getting from our customers. So, they include  
15 both of those elements.

16 Q. If we wanted to basically get an  
17 approximation of rates at the last rate case level, we  
18 would subtract approximately \$100 million, I believe,  
19 in the testimony, to get to those levels?

20 A. Yes.

21 Q. And then correspondingly, if that were to  
22 happen, the percent increases in Column 7 would be  
23 larger; is that correct?

24 A. Yes. But that wouldn't reflect what

25 customers are actually seeing. There would only be

WITNESS: DAVID W. HOFF - Cross by Adams

4926

1 sort of an arbitrary calculation.

2 Q. You would agree that the PRAM amounts  
3 currently in rates are temporary in nature, are they  
4 not?

5 A. They are temporary in nature?

6 Q. Yes.

7 A. That's true. They are only there for one  
8 year.

9 Q. Or two years, depending on a deferral?

10 A. Well, each PRAM has a one-year life,  
11 essentially.

12 Q. Okay.

13 MR. ADAMS: Your Honor, I would like to have  
14 marked a two-page exhibit entitled Puget's Proposed  
15 Increase.

16 JUDGE HAENLE: The two-page document with  
17 that caption at the top will be marked as Exhibit 1020  
18 for identification.

19 (Marked Exhibit 1020)

20 BY MR. ADAMS:

21 Q. Mr. Hoff, am I correct that I gave that to  
22 you earlier this morning so you would have a chance to  
23 be able to look at this document, and you have had a  
24 chance to review it?

25 A. Yes, I have.

WITNESS: DAVID W. HOFF - Cross by Adams 4927

1 Q. Perhaps we could turn also to Page 4 of your  
2 Exhibit 1017 because they parallel each other.

3 A. I'm there.

4 Q. Am I correct that, looking at Exhibit 1020,  
5 that the columns entitled Kwh, PRAM II Current Revenue,  
6 Proposed Revenue, and Increase Percentage are directly  
7 lifted from that Page 4 of your exhibit?

8 A. Yes. And I haven't had a chance to look at  
9 all of the numbers, but that appears to be exactly what  
10 that is.

11 Q. I'll represent to you that that is what it  
12 is.

13 In addition, then, the columns entitled  
14 Current Dollars Per Kilowatt Hour is simply a  
15 mathematical process of dividing the column PRAM II  
16 Revenues by Kwh.

17 And the next column, Proposed Dollars Per  
18 Kwh, is simply dividing again the Proposed Revenue by  
19 the Kwh column.

20 And the final column to the right-hand side  
21 called Increase Dollars Per Kwh is simply the  
22 subtraction of the Current Dollar Per Kwh column from  
23 Proposed Dollars Per Kwh column?

24 A. Yes, that appears to be what the

25 calculations are. I might add these aren't the actual

WITNESS: DAVID W. HOFF - Cross by Adams 4928

1 rates because we have demand charges, kilowatt charges,  
2 as well as kilowatt hour charges. But this is a  
3 general way of denominating the rates in general  
4 kilowatt hours.

5 Q. And the second page of the document is  
6 simply a graphical depiction of the far right-hand  
7 column of Page 1 in a graph form. Would you accept  
8 that?

9 A. Yes.

10 MR. ADAMS: Your Honor, I would move the  
11 admission of Exhibit 1020.

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

14 MR. VAN NOSTRAND: No objection, subject  
15 to Mr. Hoff's ability to perform the mathematical  
16 calculations subject to check and report back if he has  
17 any problems.

18 JUDGE HAENLE: Mr. Trotter?

19 MR. TROTTER: No objection.

20 JUDGE HAENLE: Any objection from an  
21 intervenor?

22 MR. GRAVLEY: No.

23 MR. TRINCHERO: No, your Honor.

24 JUDGE HAENLE: Exhibit 1020 will be entered

25 into the record.

WITNESS: DAVID W. HOFF - Cross by Adams

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1 (Received Exhibit 1020)

2 BY MR. ADAMS:

3 Q. Looking at Exhibit 1020, would you agree  
4 that of all the retail customer classes, Puget's  
5 proposed increase is highest in cents per dollars per  
6 kilowatt hour for the residential class?

7 A. Yes. And, of course, I would say that's  
8 entirely appropriate given the relative parity ratios  
9 in the cost of service analysis and the cost of serving  
10 those customers as we allocate costs.

11 Q. Would you agree that your proposed  
12 residential rate increase in cents per kilowatt hour is  
13 more than twice as large as that of the secondary or  
14 primary irrigation rate schedules even though those two  
15 schedules have much higher ratios than the residential  
16 class?

17 A. Yes, it is larger than those residential  
18 classes.

19 Q. Would you agree that Puget's appropriate  
20 cents per kilowatt hour in the residential is larger  
21 than that of the primary and high voltage service  
22 classes in spite of the fact that the residential  
23 parity ratio is higher than the parity ratio for each  
24 of these classes?



25           A.     I would agree it is in kilowatt hour.  It is

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1     not in percentage.  They have the highest percentage  
2     increases.  As far as customers are concerned, what  
3     they are concerned about is the percent their bill goes  
4     up.  Probably most of them can't even calculate the  
5     cents per kilowatt hour.

6           Q.     Let me ask you one clarification question  
7     relating to your lighting class.

8                     Looking at Line 17 of Page 4, it indicates  
9     there is a small reduction to the lighting class.  Do  
10    you see that?

11          A.     Yes.

12          Q.     Did you propose a reduction to that class in  
13    your original testimony?

14          A.     I believe it was almost zero.  And when we  
15    reran the cost of service with this rebuttal, it came  
16    out a negative.  I think it was very close to being no  
17    change at all, as I remember.

18          Q.     In your original?

19          A.     In the original.

20          Q.     So, you have, in your rebuttal, changed that  
21    slightly?  I mean I recognize it's a small amount.

22          A.     Yes.  All these are based on a new cost of  
23    service run.  So, we followed the same methodology, but  
24    the actual numbers were a little bit different.  So,

25 there are some differences here.

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1 But it's the same methodology.

2 Q. Am I correct that in spite of the strong  
3 support for Puget's proposed rate increase shown by the  
4 business community at the public hearings, you have  
5 still increased their rates based only on cost of  
6 service principles?

7 A. Yes.

8 Q. I want to turn to seasonality if I might.

9 In your primary high voltage and demand  
10 meter general service rates, you have proposed a fifty  
11 percent summer/winter differential in the demand charge  
12 and a ten percent seasonal differential in the energy  
13 charge; correct?

14 A. That is correct.

15 Q. Would you agree that the typical customer's  
16 bill on any of those rate schedules would be about  
17 twenty percent higher in the winter than the summer for  
18 the same level of consumption in both the demand and  
19 energy charge being considered?

20 A. I would have to see the actual numbers. We  
21 have looked at some numbers that indicate it's larger  
22 than the ten percent differential. But I guess to nail  
23 it down to twenty percent, I would have to look at some  
24 figures.

25 Q. You're not comfortable even accepting that

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1 as an approximation?

2 A. If it's a general approximation.

3 Q. I want to ask you that in comparison with  
4 one other rate schedule.

5 A. Okay.

6 Q. In your proposed Schedule 24 rate, however,  
7 you didn't have a separate demand charge but have  
8 proposed a ten percent differential in the energy  
9 charge; is that correct?

10 A. That's correct.

11 Q. Are the costs of serving the smaller  
12 commercial customers less seasonally differentiated  
13 than for large customers?

14 A. It depends on the individual customer. But  
15 the general costs are not less seasonally  
16 differentiated.

17 Q. Was it your intent to have less of a  
18 seasonal rate element in this rate schedule than for  
19 other general service customers?

20 A. It was my intent to add a seasonal  
21 differential to demand. When you combine the demand  
22 and energy and look at the Schedule 24, we still felt  
23 that the ten percent differential was appropriate.

24 So, I believe that, you know, there is less

25 differential in Schedule 24, and I think that that's

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1 appropriate until we, you know, relook at it and see if  
2 there is a different type of rates that we might have.

3 Q. Would the Company then be opposed to  
4 suggested changes so that the seasonal differentiation  
5 is the same for that customer group as for other  
6 customer groups?

7 A. I think it's difficult to do that because of  
8 the different load factors of the individual customers.  
9 Of course, in Schedules 25 and 26, the demand is  
10 separately priced. And so customers with different  
11 load factors have a different seasonal differential if  
12 it's denominated just in kilowatt hours.

13 And so it's difficult for me to actually  
14 calculate what that should be for Schedule 24. And so  
15 I guess my answer is I would not accept that kind of  
16 change until we worked through all of the problems of  
17 taking the differential of 25 and 26, which has demand  
18 and energy separate, and combining that with 24.

19 Q. Finally, I want to change to one other area,  
20 and that's the area of rentals.

21 Do you recall that during the direct phase  
22 of this proceeding, I think you had a discussion with  
23 Mr. Lazar regarding the fact that you had not proposed  
24 any increases in rates to your existing water heater

25 customers; is that correct? Do you recall that?

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1 A. Actually, I don't recall it.

2 Q. Am I correct that you have not proposed any  
3 increases to water heater?

4 A. You are correct.

5 Q. Is that a conscious decision based on any  
6 analysis of whether the current rates are fully  
7 recovering the cost of that program? Or is it  
8 basically an oversight?

9 A. We didn't review that particular cost when  
10 we went through all the other rates.

11 Q. Do you have any objection to a portion of  
12 any increase which the Commission may order for the  
13 residential class being applied to the rental program?

14 A. I guess I would have an objection in that I  
15 haven't really looked at the costs. And so I would  
16 want to look at the costs before I decided, you know,  
17 whether the rates should be changed or not because  
18 those costs are basically not related to, you know,  
19 demand and energy costs. They are related to the costs  
20 of that program, which is a very small subset of our  
21 total cost of service. And I guess I would have to  
22 look at those costs specifically.

23 Q. Assuming that they are not done in this  
24 case, when would those costs be reviewed?

25           A.     Well, we could do that any time.  And we

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1     could bring a change to those costs to the Commission,  
2     I think, in between general cases because it's a very  
3     small amount.

4           Q.     So, at that time, if there were increases  
5     that appeared necessary, that would be in addition to  
6     any rate increases which are given in this case?

7           A.     I guess it would be.

8           MR. ADAMS:  Thank you.  I have nothing  
9     further, your Honor.

10          JUDGE HAENLE:  Commissioners, do you have  
11     questions?

12          CHAIRMAN NELSON:  No.

13          COMMISSIONER HEMSTAD:  I don't.

14          JUDGE HAENLE:  Any redirect?

15          MR. VAN NOSTRAND:  No, your Honor.

16          JUDGE HAENLE:  Any more of the witness?

17          MR. ADAMS:  I did move the admission of the  
18     exhibit?

19          JUDGE HAENLE:  Yes, it is in.

20          MR. ADAMS:  Thank you.

21          JUDGE HAENLE:  Anyone have anything else of  
22     the witness?

23                   Thank you for your testimony.  You may step  
24     down.

25                   We need to discuss briefs briefly. Is there

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1 anything else we need to discuss?

2                   Let's go off the record to discuss that  
3 first. Then we'll put the results of our discussion on  
4 the record.

5                   (Discussion held off the record.)

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

7                   During the time we were off the record, we  
8 discussed two things: The first one was that the  
9 subject to check responses should be done as soon as  
10 possible after the transcript is received.

11                   The transcript, we have asked for an  
12 expedite to July 28, and I believe the Company  
13 indicated it would do its very best to get them out as  
14 quickly as possible.

15                   We also discussed briefs. The briefs are  
16 due August 13. I asked you to make them parallel in  
17 structure by using the adjustment numbers that were  
18 used by the Commission Staff. I say that because they  
19 adopted Company's original numbers and added the Staff  
20 J-400 series. I would like you to use that series,  
21 please.

22                   Be sure you include a table showing  
23 uncontested adjustments, and include exhibit references  
24 and transcript references.

25

We discussed at some length the page number

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1 limit which is currently sixty pages. Because of the  
2 length and complexity of this case, we came up with the  
3 following limit: Ninety pages, and we will not include  
4 in that page count the table of contents. We will not  
5 include the certification of service. And we would  
6 like you to include a table with results of operations  
7 shown, and that can be up to seven pages.

8 We would also, if you want to do it, you may  
9 provide those results of operations on disk so long as  
10 it is Lotus, Version 3 or lower.

11 And I also told you that if you go over the  
12 page limit, I will simply tear off the extra pages and  
13 recycle them. Please do not go over the page limit.

14 Is there anything else anyone wants to  
15 discuss now?

16 MR. ADAMS: I want to make sure that I'm  
17 clear. In my mind, rate design is obviously not the  
18 focus of this brief. But any of the record that's in  
19 the rate design case is appropriate to cite in the  
20 brief, is it not?

21 JUDGE HAENLE: Yes. These cases are  
22 consolidated. This is primarily the general brief.  
23 But the entire record is available for you, all 28  
24 volumes, and the exhibits.



25                    Anything further to come before the

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1    Commission?

2                    The hearing will be adjourned and a

3    Commission Order will issue.

4                    (At 11:15 a.m. the above hearing was

5    adjourned.)

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