

EXHIBIT NO. _____ (SCH-2)
DOCKET NO. _____
2001 PSE RATE CASE
WITNESS: SAMUEL C. HADAWAY

BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

PROFESSIONAL QUALIFICATIONS OF
SAMUEL C. HADAWAY
ON BEHALF OF PUGET SOUND ENERGY, INC.

1 **PUGET SOUND ENERGY, INC.**

2 **QUALIFICATIONS OF SAMUEL C. HADAWAY**

3
4 **I. INTRODUCTION**

5 **Q. Please state your educational background and describe your professional**
6 **training and experience.**

7 A. I have an economics degree from Southern Methodist University and MBA and
8 Ph.D. degrees in finance from the University of Texas at Austin (UT Austin). I
9 serve as an adjunct professor in the Graduate School of Business at UT Austin. I
10 have taught economics and finance courses, and I have conducted research and
11 directed graduate students writing in these areas. I was previously Director of the
12 Economic Research Division at the Public Utility Commission of Texas, where I
13 supervised the Commission's finance, economics, and accounting staff and served
14 as the Commission's chief financial witness in electric and telephone rate cases. I
15 have taught courses in various utility conferences on cost of capital, capital
16 structure, utility financial condition, and cost allocation and rate design issues. I
17 have made presentations before the New York Society of Security Analysts, the
18 National Rate of Return Analysts Forum, and various other professional and
19 legislative groups. I have served as a vice president and on the board of directors
20 of the Financial Management Association.

21 A list of my publications and testimony I have given before various regulatory
22 bodies and in state and federal courts is contained in my resume, which is attached
23 hereto.

1 **SAMUEL C. HADAWAY**

2 **FINANCO, Inc.**
3 **Financial Analysis Consultants**

4 **3520 Executive Center Drive, Suite 124**
5 **Austin, Texas 78731**
6 **(512) 346-9317**

7 **SUMMARY OF QUALIFICATIONS**

- 8
- 9 • Principal, Financial Analysis Consultants (FINANCO, Inc.).
 - 10 • Ph.D. in Finance and Econometrics.
 - 11 • Extensive expert witness testimony in court and before regulatory agencies.
 - 12 • Management of professional research staff in academic and regulatory organizations.
 - 13 • Professional presentations before executive development groups, the National Rate of Return Analysts' Forum, and the New York Society of Security Analysts.
 - 14 • Financial Management Association, Vice President for Practitioner Services.

15 **EDUCATION**

16 **The University of Texas at Austin**
17 **Ph.D., Finance and Econometrics**
18 **January 1975**

Dissertation: *An Evaluation of the Original and Recent Variants of the Capital Asset Pricing Model.*

19 **The University of Texas at Austin**
20 **MBA, Finance**
21 **June 1973**

Thesis: *The Pricing of Risk on the New York Stock Exchange.*

22 **Southern Methodist University**
23 **BA, Economics**
24 **June 1969**

Honors program. Departmental distinction.

25 **OTHER EXPERIENCE**

26 **The University of Texas at Austin**
27 **Adjunct Associate Professor of**
28 **Finance**

MBA Corporate Financial Management. Undergraduate Investments.

29 **Southwest Texas State University**
30 **Associate Professor of Finance**
31 **September 1983-August 1984**

Graduate and undergraduate courses in financial management, managerial economics, and investment analysis.

32 **Public Utility Commission of**
33 **Texas**

Lead financial witness. Supervised Commission staff in research and testimony on rate of return,

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**Chief Economist and Director of
Economic Research Division
August 1980 – August 1983**

financial condition, and economic analysis

**Assistant Professor of Finance
Texas Tech University
July 1978-July 1980
University of Alabama
January 1975—June 1978**

Member of graduate faculty. Conducted Ph.D. seminars and directed doctoral dissertations in capital market theory. Served as consultant to industry, church and governmental organizations.

1 **FINANCIAL AND ECONOMIC TESTIMONY IN REGULATORY**
2 **PROCEEDINGS (Client in parenthesis)**

3 **Cost of Money Testimony:**

- 4 • California Public Utilities Commission, Docket No. 01-03-026 (PacifiCorp),
September 13, 2001.
- 5 • New Mexico Public Regulation Commission, Case No. _____, July 3, 2001, (Texas-
New Mexico Power Company).
- 6 • Texas Public Utility Commission, Docket No. 22652, June 15, 2001, (TXU Electric)
- 7 • Texas Natural Resources Conservation Commission, Docket No. 2001-1074/5-URC,
May 25, 2001, (AquaSource Utility, Inc.).
- 8 • Massachusetts Department of Telecommunications and Energy, Docket No. 99-118,
May 2, 2001, (Fitchburg Gas and Electric Light Company).
- 9 • Public Service Commission of Utah, Docket No. 01-035-01, January 12, 2001,
(PacifiCorp)
- 10 • Federal Energy Regulatory Commission, Docket No. ER-01-651, January 2001,
(Southwestern Electric Power Company).
- 11 • Wyoming Public Service Commission, Docket No. 20000-ER-00-162, December
2000, (PacifiCorp).
- 12 • Public Utility Commission of Oregon, Case. UE-116, November 2000, (PacifiCorp)
- 13 • Public Utility Commission of Texas, Docket No. 22344, September 2000, (AEP
Texas Companies, Entergy Gulf States, Inc., Reliant Energy HL&P, Texas-New
Mexico Power Company, TXU Electric Company)
- 14 • Public Utility Commission of Oregon, Case UE-111, August 2000, (PacifiCorp)
- 15 • Texas Public Utility Commission, Docket Nos. 22352,3,4, March 31, 2000 (Central
Power and Light Co., Southwestern Electric Power Co., West Texas Utilities Co.).
- 16 • Texas Public Utility Commission, Docket No. 22355, March 31, 2000 (Reliant
Energy, Inc.).
- 17 • Texas Public Utility Commission, Docket No. 22349, March 31, 2000 (Texas-New
Mexico Power Co.).
- 18 • Texas Public Utility Commission, Docket No. 22350, March 31, 2000 (TXU
Electric).
- 19 • Washington Utilities and Transportation Commission, Docket UE-991831, November
1999 (PacifiCorp).
- 20 • Public Service Commission of Utah, Docket No. 99-035-10, September 20, 1999
(PacifiCorp)
- 21 • Louisiana Public Service Commission Docket No. U-23029, August 1999
(Southwestern Electric Power Company)
- 22 • Wyoming Public Service Commission, Docket No. 2000-ER-99-145, July 1999,
January 2000 (PacifiCorp, dba Pacific Power and Light Company).
- 23 • Texas PUC Docket No. 20150, March 1999 (Entergy Gulf States, Inc.)
- 24 • Federal Energy Regulatory Commission Docket No. ER-98-3177-00, May and
December 1998 (Southwestern Electric Power Company).
- 25 • Public Service Commission of Utah, Docket No. 97-035-01, June 1998 (PacifiCorp,
dba Utah Power and Light Company).
- 26 • Massachusetts Department of Telecommunications and Energy, Docket No. DTE 98-
51, May 1998, (Fitchburg Gas and Electric Light Company, a subsidiary of Unutil
Corp.)
- Texas PUC, Docket No. 18490, March 1998, (Texas Utilities Electric Company)

- 1 • Texas PUC Docket No. 17751, March 1998 and July 1997 (Texas-New Mexico Power Company).
- 2 • Federal Energy Regulatory Commission Docket No. RP-97, February 1998 and May 1997 (Koch Gateway Pipeline Company).
- 3 • Federal Energy Regulatory Commission Docket No. ER-97-4468-000, December 1997 (Puget Sound Power & Light).
- 4 • Oklahoma Corporation Commission, Cause No. PUD 960000214, August 1997 (Public Service Company of Oklahoma).
- 5 • Oregon Public Utility Commission Docket No. UE-94, April 1996, (PacifiCorp).
- 6 • Texas PUC Docket No. 15643, May and September 1996, (Central Power and Light and West Texas Utilities Company).
- 7 • Federal Energy Regulatory Commission Docket No. ER-96, April 1996 (Puget Sound Power & Light).
- 8 • Federal Energy Regulatory Commission Docket No. ER96, February 1996, (Central and South West Corporation).
- 9 • Washington Utilities & Transportation Commission Docket No. UE-951270, November 1995 (Puget Sound Power & Light).
- 10 • Texas PUC Docket No. 14965, November 1995, (Central Power and Light).
- 11 • Texas PUC Docket No. 13369, February 1995 (West Texas Utilities).
- 12 • Texas PUC Docket No. 12065, July and December 1994, (Houston Lighting & Power).
- 13 • Texas PUC, Docket No. 12820, July and November 1994, (Central Power and Light).
- 14 • Texas PUC Docket No. 12900, March 1994, and New Mexico PUC Case No. 2531, August 1993, (TNP Enterprises).
- 15 • Texas PUC, Docket No. 12815, March 1994, (Pedernales Electric Cooperative).
- 16 • Florida Public Service Commission, Docket No. 930987-EI, December 1993, (TECO Energy).
- 17 • Iowa Department of Commerce, Docket No. RPU-93-9, December 1993, (US West Communications).
- 18 • Texas PUC, Docket 11735, May and September 1993, (Texas Utilities Electric Company)
- 19 • Oklahoma Corporation Commission, Cause No. PUD 001342, October 1992 (Public Service Company of Oklahoma).
- 20 • Texas PUC Dkt. No. 9983, November 1991, (Southwest Texas Telephone Company).
- 21 • Texas PUC Dkt. No. 9850, November 1990, Houston Lighting & Power Company).
- 22 • Texas PUC Dkt. Nos. 8480/8482, January 1989; City of Austin Dkt. No. 1, August 1988 and July 1987, (City of Austin Electric Department).
- 23 • Missouri Public Service Commission Case No. ER-90-101, July 1990 (UtiliCorp United).
- 24 • Texas PUC Dkt. No. 9945, December 1990; Texas PUC Dkt. No. 9165, November 1989, (El Paso Electric Company).
- 25 • Texas PUC Dkt. No. 9427, July 1990, (Lower Colorado River Authority Association of Wholesale Customers).
- 26 • Oregon Public Utility Commission, March 1990, (Pacific Power & Light Company).
- Utah Public Service Commission, November 1989, (Utah Power & Light Company).
- Texas PUC Dkt. No. 5610, September 1988, (GTE Southwest).
- Iowa State Utilities Board, September 1988, (Northwestern Bell Telephone Company).
- Texas Water Commission, Dkt. Nos. RC-022 and RC-023, November 1986, (City of Houston Water Department).
- Pennsylvania PUC Dkt. Nos. R-842770 and R-842771, May 1985, (Bethlehem Steel).

1 **Capital Structure Testimony:**

- 2 • Federal Energy Regulatory Commission Docket No. RP-97, May 1997 (Koch
3 Gateway Pipeline Company).
4 • Illinois Commerce Commission Dkt. No. 93-0252 Remand, July 1996, (Sprint).
5 • California PUC (Application No. 92-05-004) April 1993 and May 1993, (Pacific
6 Telesis).
7 • Montana PSC, Dkt. No. 90.12.86, November 1991, (US West Communications).
8 • Massachusetts PUC Dkt. No. 86-33, June 1987, (New England Telephone Company).
9 • Maine PUC Dkt. No. 85-159, February 1987, (New England Telephone Company).
10 • New Hampshire PUC Dkt. No. 85-181, September 1986, (New England Telephone
11 Company).
12 • Maine PUC Dkt. No. 83-213, March 1984, (New England Telephone Company).

13 **Regulatory Policy and Other Regulatory Issues:**

- 14 • Texas PUC Docket No. 22622, June 15, 2001 (TXU Electric)
15 • Texas PUC Docket Nos. 19950 and 20314, November 1999 and October 2001,
16 Central Power and Light Co.)
17 • Texas PUC Docket No. 20125, November 1999 and October 2001 (Entergy Gulf
18 States, Inc.)
19 • Texas PUC Docket No. 21112, July 1999 and New Mexico Public Regulation
20 Commission Case No. 3103, July 1999 (Texas-New Mexico Power Company)
21 • Texas PUC Docket No. 20292, May 1999 (Central Power and Light Co.)
22 • Texas PUC Docket No. 20150, November 1998 (Entergy Gulf States, Inc.)
23 • New Mexico PUC Case No. 2769, May 1997, (Texas-New Mexico Power Company).
24 • Texas PUC Dkt. No. 15296, September 1996, (City of College Station, Texas).
25 • Texas PUC Dkt. No. 14965 Competitive Issues Phase, August 1996 (Central Power
26 and Light Company).
27 • Texas PUC Dkt. No. 12456, May 1994, (Texas Utilities Electric Company).
28 • Texas PUC, Dkt. No. 12700/12701 and Federal Energy Regulatory Commission,
29 Docket No. EC94-000, January 1994, (El Paso Electric Company).
30 • Florida Public Service Commission Generic Purchased Power Proceedings, October
31 1993 (TECO Energy).
32 • Texas PUC, Docket No. 11248, December 1992 (Barbara Faskins).
33 • Texas PUC Dkt. No. 10894, January and June 1992, (Gulf States Utilities Company).
34 • State Corporation Commission of Kansas, Dkt. No. 175,456-U, August 1991,
35 (UtiliCorp United).
36 • Texas PUC Dkt. No. 9561, May 1990; Texas PUC Dkt. Nos. 6668/8646, July 1989
37 and February 1990, (Central Power and Light Company).
38 • Texas PUC Dkt. No. 9300, April 1990 and June 1990, (Texas Utilities Electric
39 Company).
40 • Texas PUC Dkt. No. 10200, August 1991, (Texas-New Mexico Power Company).
41 • Texas PUC Dkt. No. 7289, May 1987, (West Texas Utilities Company).
42 • Texas PUC Dkt. No. 7195, January 1987, (North Star Steel Texas).
43 • New Mexico PSC Case No. 1916, April 1986, (Public Service Company of New
44 Mexico).
45 • Texas PUC Dkt. No. 6525, March 1986, (North Star Steel Texas).
46 • Texas PUC Dkt. No. 6375, November 1985, (Valley Industrial Council).
47 • Texas PUC Dkt. No. 6220, April 1985, (North Star Steel Texas).
48 • Texas PUC Dkt. No. 5940, March 1985, (West Texas Municipal Power Agency).
49 • Texas PUC Dkt. No. 5820, October 1984, (North Star Steel Texas).

- 1 • Texas PUC Dkt. No. 5779, September 1984, (Texas Industrial Energy Consumers).
2 • Texas PUC Dkt. No. 5560, April 1984, (North Star Steel Texas).
3 • Arizona PSC Dkt. No. U-1345-83-155, January 1984 and May 1984 (Arizona Public
4 Service Company Shareholders Association).

5 **Insurance Rate Testimony:**

- 6 • Texas Department of Insurance, Docket No. 2394, November 1999, (Texas Title
7 Insurance Agents).
8 • Senate Interim Committee on Title Insurance of the Texas Legislature, February 6,
9 1998
10 • Texas Department of Insurance, Docket No. 2279, October 1997, (Texas Title
11 Insurance Agents).
12 • Texas Department of Insurance, January 1996, (Independent Metropolitan Title
13 Insurance Agents of Texas).
14 • Texas Insurance Board, January 1992, (Texas Land Title Association).
15 • Texas Insurance Board, December 1990, (Texas Land Title Association).
16 • Texas Insurance Board, November 1989, (Texas Land Title Association).
17 • Texas Insurance Board, December 1987, (Texas Land Title Association).

18 **Testimony On Behalf Of Texas PUC Staff:**

- 19 • Texland Electric Cooperative, Dkt. No. 3896, February 1983
20 • El Paso Electric Company, Dkt. No. 4620, September 1982.
21 • Southwestern Bell Telephone Company, Dkt. No. 4545, August 1982.
22 • Central Power and Light Company, Dkt. No. 4400, May 1982.
23 • Texas-New Mexico Power Company, Dkt. 4240, March 1982.
24 • Texas Power and Light Company, Dkt. No. 3780, May 1981.
25 • General Telephone Company of the Southwest, Dkt. No. 3690, April 1981.
26 • Mid-South Electric Cooperative, Dkt. No. 3656, March 1981.
27 • West Texas Utilities Company, Dkt. No. 3473, December 1980.
28 • Houston Lighting & Power Company, Dkt. No. 3320, September 1980.

1 **ECONOMIC ANALYSIS AND TESTIMONY**

2 **Antitrust Litigation:**

- 3
- 4 • Marginal Cost Analysis of Concrete Production/Predatory Pricing (Stiles)
 - 5 • Analysis of Lost Business Opportunity due to denial of Waste Disposal Site Permit (Browning-Ferris Industries, Inc.).
 - 6 • Analysis of Electric Power Transmission Costs in Purchased Power Dispute (City of College Station, Texas).

7 **Contract Litigation:**

- 8
- 9 • Analysis of Cogeneration Contract/Economic Viability Issues(Texas-New Mexico Power Company)
 - 10 • Definition of Electric Sales/Franchise Fee Contract Dispute (Reliant Energy HL&P)
 - 11 • Analysis of Purchased Power Agreement/Breach of Contract (Texas-New Mexico Power Company)
 - 12 • Regulatory Commission Provisions in Franchise Fee Ordinance Dispute (Central Power & Light Company)
 - 13 • Analysis of Economic Damages resulting from attempted Acquisition of Highway Construction Company (Dillingham Construction Corporation).
 - 14 • Analysis of Economic Damages due to Contract Interference in Acquisition of Electric Utility Cooperative (PacifiCorp).
 - 15 • Analysis of Economic Damages due to Patent Infringement of Boiler Cleaning Process (Dowell-Schlumberger/The Dow Chemical Company).

16 **Lender Liability/Securities Litigation:**

- 17
- 18 • ERISA Valuation of Retail Drug Store Chain (Sommers Drug Stores Company).
 - 19 • Analysis of Lost Business Opportunities in Failed Businesses where Lenders Refused to Extend or Foreclosed Loans (FirstCity Bank Texas, McAllen State Bank, General Electric Credit Corporation).
 - 20 • Usury and Punitive Damages Analysis based on Property Valuation in Failed Real Estate Venture (Tomen America, Inc.).

21 **Personal Injury/Wrongful Death/Lost Earnings Capacity Litigation:**

- 22
- 23 • Analysis of Lost Earnings Capacity and Punitive Damages due to Industrial Accident (Worsham, Forsythe and Wooldridge).
 - 24 • Analysis of Lost Earnings Capacity due to Improper Termination (Lloyd Gosselink, Ryan & Fowler).
 - 25 • Present Value Analysis of Lost Earnings and Future Medical Costs due to Medical Malpractice (Sierra Medical Center).

26 **Product Warranty/Liability Litigation:**

- Analysis of Lost Profits due to Equipment Failure in Cogeneration Facility (WF Energy/Travelers Insurance Company).
- Analysis of Economic Damages due to Grain Elevator Explosion (Degesch Chemical Company).

- 1 • Analysis of Economic Damages due to failure of Plastic Pipe Water Lines (Western
2 Plastics, Inc.)
3 • Analysis of Rail Car Repair and Maintenance Costs in Product Warranty Dispute
4 (Youngstown Steel Door Company).

5 **Property Tax Litigation:**

- 6 • Evaluation of Electric Utility Distribution System (Jasper-Newton Electric
7 Cooperative).
8 • Evaluations of Electric Utility Generating Plants (West Texas Utilities Company).

9 **Valuations of Closely Held Business in Domestic Affairs Proceedings and for
10 Federal Estate Tax Planning.**

11 **PROFESSIONAL PRESENTATIONS**

12 "Fundamentals of Financial Management and Reporting for Non-Financial Managers,"
13 Austin Energy, July 2000.

14 "Fundamentals of Finance and Accounting," the IC² Institute, University of Texas at
15 Austin, December 1996 and 1997.

16 "Fundamentals of Financial Analysis and Project Evaluation," Central and South West
17 Companies, April, May, and June 1997.

18 "Fundamentals of Financial Management and Valuation," West Texas Utilities Company,
19 November 1995.

20 "Financial Modeling: Testing the Reasonableness of Regulatory Results," University of
21 Texas Center for Legal and Regulatory Studies Conference, June 1991.

22 "Estimating the Cost of Equity Capital," University of Texas at Austin Utilities
23 Conference, June 1989, June 1990.

24 "Regulation: The Bottom Line," Texas Society of Certified Public Accountants, Annual
25 Utilities Conference, Austin, Texas, April 1990.

26 "Alternative Treatments of Large Plant Additions -- Modeling the Alternatives,"
27 University of Texas at Dallas Public Utilities Conference, July 1989.

28 "Industrial Customer Electrical Requirements," Edison Electric Institute Financial
29 Conference, Scottsdale, Arizona, October 1988.

30 "Acquisitions and Consolidations in the Electric Power Industry," Conference on
31 Emerging Issues of Competition in the Electric Utility Industry, University of
32 Texas at Austin, May 1988.

33 "The General Fund Transfer - Is It A Tax? Is It A Dividend Payout? Is It Fair?" The
34 Texas Public Power Association Annual Meeting, Austin, May 1984.

35 "Avoiding 'Rate Shock' - Preoperational Phase-In Through CWIP in Rate Base," Edison
36 Electric Institute, Finance Committee Annual Meeting, May 1983.

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"A Cost-Benefit Analysis of Alternative Bond Ratings Among Electric Utility Companies in Texas," (with B.L. Heidebrecht and J.L. Nash), Texas Senate Subcommittee on Consumer Affairs, December 1982.

"Texas PUC Rate of Return and Construction Work in Progress Methods," New York Society of Security Analysts, New York, August 1982.

"In Support of Debt Service Requirements as a Guide to Setting Rates of Return for Subsidiaries," Financial Forum, National Society of Rate of Return Analysts, Washington, D.C., May 1982.

PUBLICATIONS

"Institutional Constraints on Public Fund Performance," (with B.L. Hadaway) *Journal of Portfolio Management*, Winter 1989.

"Implications of Savings and Loan Conversions in a Deregulated World," (with B.L. Hadaway) *Journal of Bank Research*, Spring 1984.

"Regulatory Treatment of Construction Work in Progress," abstract, (with B.L. Heidebrecht and J. L. Nash), *Rate & Regulation Review*, Edison Electric Institute, December 20, 1982.

"Financial Integrity and Market-to-Book Ratios in an Efficient Market," (with W. L. Beedles), *Gas Pricing & Ratemaking*, December 7, 1982.

"An Analysis of the Performance Characteristics of Converted Savings and Loan Associations," (with B.L. Hadaway) *Journal of Financial Research*, Fall 1981.

"Inflation Protection from Multi-Asset Sector Investments: A Long-Run Examination of Correlation Relationships with Inflation Rates," (with B.L. Hadaway), *Review of Business and Economic Research*, Spring 1981.

"Converting to a Stock Company-Association Characteristics Before and After Conversion," (with B.L. Hadaway), *Federal Home Loan Bank Board Journal*, October 1980.

"A Large-Sample Comparative Test for Seasonality in Individual Common Stocks," (with D.P. Rochester), *Journal of Economics and Business*, Fall 1980.

"Diversification Possibilities in Agricultural Land Investments," *Appraisal Journal*, October 1978.

"Further Evidence on Seasonality in Common Stocks," (with D.P. Rochester), *Journal of Financial and Quantitative Analysis*, March 1978.

[BA013230.046]