BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION Complainant, v. WASTE CONTROL, INC. Respondent.	DOCKET TG-140560 AFFIDAVIT OF MELISSA CHEESMAN

1 I, Melissa Cheesman, under penalty of perjury under the laws of the State of Washington, declare as follows:

2 I am over 18 years of age, a citizen of the United States, a resident of the State of Washington, and competent to be a witness.

3 I am employed by the Washington Utilities and Transportation Commission ("Commission") as a Regulatory Analyst. I am the same Melissa Cheesman who has filed testimony on behalf of Staff in the current proceeding between Commission Staff and Waste Control, Inc. ("WCI" or "Company") in Docket TG-140560.

4 I underwent cross examination from the Company's attorney during the evidentiary hearing held at the Commission on March 11, 2015. In the course of that cross-examination, I was asked to accept multiple items and figures "subject to check" as permitted in the Commission's procedural rules in WAC 480-07-470.

5 I am filing this affidavit to correct the items listed below that I accepted "subject to check" during my cross-examination.

1. Statement: Page 185, lines 19 through 23 of the hearing transcript[1] document my response to accept subject to check that footnote 24 on page 7 of Staff's initial brief cites exclusively to publicly traded companies. Below is a true and correct excerpt of Page 185, lines 19 through 23.

[1] *WUTC v. Waste Control, Inc.*, Docket TG-140560, Hearing Transcript, March 11, 2015, Reported by Ryan Ziegler.

Q. Can we interpret my question to be Staff? You: Staff. "Staff" is general, and I'm saying you cite to those cases, they appear to all be publicly traded companies, are they not?

A. I can say yes, subject to check.

Correction: Footnote 24 on page 7 of Staff's initial brief cites to electric and gas utility cases at the Commission involving Avista Corporation and PacifiCorp. Avista is publicly traded on the New York Stock Exchange. PacifiCorp is privately-held.

2. Statement: Page 196, lines 10 through 20 documents my response to accept subject to check a hypothetical scenario described by opposing counsel. Below is a true and correct excerpt of Page 196, lines 10 through 20.

   Q. So let's walk through this a little bit. So if, for instance, a property is worth $100,000, the annual return at 15 percent would be $15,000, and this would mean, by your calculations -- or by our calculations, $1,250 in monthly rent, then, which would be allowed, because you -- you'd multiply -- you'd divide, rather, 15,000 by 12 and get 1,250 per month; is that correct? Are my numbers correct?

   A. Subject to check.

   Q. Okay.

   A. I can agree to that, subject to check.

   Correction: The question appears to have confused accounting terminology. Staff's annual recommended affiliate land rents are calculated by adding allocated annual depreciation expense plus allocated annual operating expenses plus the calculated annual return. The $1,250 represents the monthly return, not the allowable rent, assuming that opposing counsel means to say that the property has $100,000 worth of average net investment instead of "a property is worth" and the hypothetical landlord's capital structure was 100 percent equity, thus zero percent debt.

3. Statement: Page 196, lines 21 through Page 197, line 14 documents my response to accept subject to check calculations for a hypothetical scenario described by opposing counsel. Below is a true and correct excerpt of Page 196, line 21 through Page 197, line 14.

   Q. Going back to Mr. Demas's table, where you said you're not impressing a hypothetical capital structure, isn't it true that the Staff has, in turn, advocated calculations that the test -- that would return

approximately 6.33 percent equity percentage with a 12.5 percent on equity -- 12.52 percent on equity and a concomitant 93.67 percent of debt incurred using a 1.93 percent of cost of debt?
And I'm cal- -- I'm asking you to look at the calculations in Table 1 on the left side, which source the assumptions as Staff Data Request Response No. 5.

A. So, yes, Staff is advocating a 6.33 percent for equity.

Q. For the sake of discussion -- and again, subject to check -- is it true that the scenario you have advocated would then result, under the numbers that I just showed you, in allowable rent for that same $100,000 building of $2,600 per year? Subject to check.

A. Sub- -- I can -- subject to check.

Correction: Staff's annual recommended affiliate land rents are calculated by adding allocated annual depreciation expense plus allocated annual operating expenses plus the calculated annual return. The $2,600 referenced in opposing counsel's question represents the return, not the allowable rent.

4. Statement: Page 197, line 15 through Page 198, line 3 documents my response to accept subject to check calculations for a hypothetical scenario described by opposing counsel. Below is a true and correct excerpt of Page 197, line 15 through Page 198, line 3.

Q. Okay. Do you have any reason now to doubt that calculation? You're willing -- you're free to do it right now.

A. Well, I -- I would have to look at what you're looking at and then do the calculation.

Q. Yeah. I'm not looking at a computation. I'm just looking at a question that I wanted to ask you about this, and I'm saying: $100,000 building at your -- at 6.33 equity per -- return, you would get allowable rent of 2,600 per year?

A. $100,000 building at 6.33 percent --

Q. -- returns $2,600 per year under your recommendation?

A. Again, subject to check.

Correction: Staff's annual recommended affiliate land rents are calculated by adding allocated annual depreciation expense plus allocated annual operating expenses plus the calculated annual return. The $2,600 referenced in opposing counsel's question represents the return, not the allowable rent.

5. Statement: Page 198, line 25 through Page 199, line 9 documents my response to accept subject to check calculations relating to a hypothetical scenario described by opposing counsel. Below is a true and correct excerpt of Page 198, line 25 through Page 199, line 9.

    Q. So that $100,000 building, Ms. Cheesman, has $2,600 per year in allowable rent, and divided by 12, that would be $216 a month, wouldn't it?

    A. Yes.

    Q. Okay. Would you agree that that's a 2.6 -- you agree, then, that's a 2.6 return, calculated on a monthly basis now of $216, under my scenario?

    A. You said 2.6 return --

    Q. $216 a month allowable rent under your formula?

    A. Right, subject to check.

    Correction: Staff's annual recommended affiliate land rents are calculated by adding allocated annual depreciation expense plus allocated annual operating expenses plus the calculated annual return. The $216 represents only the monthly return, not the allowable rent. Based on Staff's recommendation in the above scenario, the return would be 2.8 percent, which reflects the underlying cost of capital.

6. Statement: Page 222, lines 1 through 14 documents my statement describing my prior written testimony, subject to check. Below is a true and correct excerpt of Page 222, lines 1 through 14.

    Q. While you critique the Company's allocation of costs based on the number of entities sharing the facility as overly simplistic, how is your use of net book value of aggregated fixed assets better when it's clear that many of those assets are not shared, have differing lives, and in many cases, have no relationship to each other in terms of fixed assets and a completely different entity?

    A. So, in my testimony, I don't say that it's overly simplistic, and that's subject to check. I do use the adjective "unsupported," and the reason why, again, I used -- I don't think it's overly simplistic to use the book value of assets because it does take into account that they're -- each company, on its books, has different assets that aren't shared.

Correction: Staff's testimony at Exhibit MC-13T, page 3, Footnote 3, characterizes the Company's proposed allocation as "overly simplistic."

7. Statement: Page 233, lines 19 through 25 documents my statement recalling the amount of utilities expense paid by WCR. Below is a true and correct excerpt of Page 233, lines 19 through 25.

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Q. Didn't allocate utility expense that WCR paid for
WCI in the three months in Utility Workpaper 12?

A. Oh, the -- yes. The 6,000 of -- and this is
subject to check -- approximately 28,000 of the expense
that the Company provided during settlement, Staff did not
change its initial position based on information provided
in settlement.
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Correction: Staff's statement "approximately 28,000" is a misstatement. The correct value should read "approximately 59,000."

DATED at Olympia, Washington, and effective this 18th day of March 2015.

MELISSA CHEESMAN