

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

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

**SUPPLEMENTAL TESTIMONY  
OF JACQUELINE G. DAVIS, OF APRIL 3, 2014  
G.L. BOOTH, J.G. DAVIS & ASSOCIATES, PLLC  
FOR REFILED GENERAL RATE CASE  
PURSUANT TO INITIAL ORDER 05  
IN DOCKET NO. TG-131794**

1 **I. IDENTIFICATION OF WITNESS**

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

4 A. My name is Jackie G. Davis. My business address is 1516 Hudson Avenue, Suite 201,  
5 Longview, Washington, 98632. I am an owner/shareholder in G.L. Booth, J.G. Davis  
6 & Associates, PLLC. I am testifying on behalf of Waste Control, Inc. (“WCI,”  
7 “Company” or “Waste Control”) in my capacity as chief outside accountant for the  
8 Company in preparing and filing this general rate case.

9 **Q. PLEASE PUT IN CONTEXT THE PREVIOUSLY-FILED RATE CASE AND**  
10 **EXHIBITS AND WHAT YOU ARE SEEKING TO DO WITH THIS**  
11 **SUPPLEMENTAL TESTIMONY FILING PER THE ADMINISTRATIVE LAW**  
12 **JUDGE’S INITIAL ORDER IN DOCKET TG-131794 AT PARAGRAPH 29,**  
13 **PAGE 10 OF THE ORDER OF MARCH 25, 2014, ORDERING REFILEING OF**  
14 **THIS CASE.**

15 A. I am now identifying and enclosing Exhibit No. JD-11 (4/3/14) which provides in  
16 electronic form as well all of the pro forma, restating and other adjustments related to  
17 the original underlying general rate case which we refile as authorized today.

18 **Q. WHAT DOES EXHIBIT JD-11 (4/3/14) ADDRESS?**

19 A. It addresses the additional and revised spreadsheets and workpapers that were contained  
20 in the direct case filing of February 18, 2014 lending support to all accounting issues  
21 raised by the initial general rate case submitted on September 23, 2013 as well as that  
22 being refiled today by our office.

23 **Q. PLEASE GENERALLY IDENTIFY THE MATERIAL TABS AND**  
24 **SPREADSHEETS SET FORTH IN THIS EXHIBIT AND DESCRIBE WHAT**  
25 **THE DOCUMENTS ARE INTENDED TO PRESENT.**

A. JD-11 (4/3/14) includes narrative, quantitative and descriptive explanations for the  
refiled case as well as all pro forma, restating and reclassification adjustments that have  
been previously substantially submitted. Included in this Exhibit are all pertinent

1 schedules, worksheets and calculations linked to the Company's proposed results of  
2 operation and restating, forecast (pro forma) and reclassification adjustments reflected  
3 there and in explanation and summary schedules which are also described in narrative  
4 form below. Also enclosed in the Exhibit is a tab which is the revised Lurito-Gallagher  
5 computation reflecting a proposed revenue deficiency of \$543,250 (which increased  
6 from the Exhibit JD-3B total of \$483,239 due to increased rate case costs and two other  
7 adjustments described below) and proposed priceout pages spreading that revised  
8 revenue requirement over the various classes of service. At the end of the Exhibit are  
9 all relevant linked workpapers supporting the various accounting adjustments and  
10 expense categories and customer count data relevant to rate spread/priceout  
11 computations reflected in the schedule amongst all other compiled data within JD-11  
12 (4/3/14).

13 **Q. PLEASE IDENTIFY THE PREVIOUS COMPANY EXHIBITS SOUGHT TO BE**  
14 **ASSOCIATED WITH THIS FILING TODAY.**

15 A. JD-1T through JD-10 and JW-1 through JW-4 are the previous case exhibits and  
16 testimony that we rely on in support of what amounts to a new "omnibus" general rate  
17 case and which provide context for the substantial audit review which has occurred to  
18 date on this filing.

19 **Q. WOULD YOU PLEASE CHARACTERIZE BRIEFLY THE BASIC**  
20 **RESTATING ADJUSTMENTS TO THE RESULTS OF OPERATION AT THE**  
**BACKDROP OF THIS CASE?**

21 A. Yes, as Schedule 1, Exhibit JD-11 (4/3/14) "Explanation" and "Summary" of Restating  
22 Adjustments set forth, we present a number of specific adjustments in this filing,  
23 including the following on "Schedule 1, page 2 Summary of Restating Adjustments":  
24 R-1, (Column B, lines 87-96), adjusts and reclassifies per books depreciation amounts  
25 to allowable depreciation under the Uniform System of Accounts for WUTC

1 ratemaking purposes. R-2, (Column D, lines 13-15), allocates refunds by revenue  
2 sources which merely involves reallocation to the appropriate class of customer of  
3 various refunds and, as shown, they total \$5,619 for residential and \$1,137 for  
4 commercial and drop box accounts of \$2,987 amounting to \$9,743 in the test period.  
5 R-3, (Column F, line 29), is a \$249,932 reclassification to consolidate payroll taxes and  
6 fringe benefits to one account to allow for more efficient treatment in the expense  
7 matrix and which reclassification has no impact on the results of operations. R-4,  
8 (Column H, line 83), is a removal of \$49,001 for interest expense on debt which is  
9 disallowed under regulated ratemaking theory employed by the Commission. R-5,  
10 (Column J, lines 67-68), reclassifies taxes and licensing fees of \$778 per books to truck  
11 license expense, the support for which is in Workpaper 4 in Exhibit JD-11. R-6,  
12 (Column L, lines 35, 47, 48, 54, 56, 58, 61-65, 70-72, 73, 76 and 80), as with R-4, is a  
13 computation eliminating various non-deductible expenses. As shown in “Schedule 1 –  
14 Explanation of Restating Adjustments” in Exhibit JD-11 (4/3/14) and in Restating  
15 Adjustments R-6A – R-6G, (almost all of which were initially proposed by the Staff in  
16 related form during the review phase and were and are not being currently contested by  
17 the Company), these restating adjustments remove and reallocate to non-regulated  
18 operations, a host of operating expenses such as office supplies, bad debt (“Workpaper  
19 11”), various “other expenses” (“Workpaper 10”) (such as conference attendance  
20 (“Workpaper 5”), legal, computer and employee relations expenses) utilities  
21 (“Workpaper 12”), truck tires (“Workpaper 14”) and property taxes (“Workpaper 15”)  
22 and notes and explanations for such which are contained in the various linked files as  
23 indicated. Finally, in the case of bad debts, this adjustment eliminates various accrual  
24 allowances. R-7, (Column N, line 16), in “Schedule 1, page 2, Summary of Restating  
25 Adjustments” removes a fuel surcharge total of \$44,117 in the test period which should

1 not be included in base revenue. All of the restating adjustments are also compiled in  
2 the “Results of Operations” tab included and broken down by line item in that  
3 spreadsheet for computation purposes within Exhibit JD-11.

4 **Q. DO THE ABOVE GENERALLY DESCRIBE THE RESTATING**  
5 **ADJUSTMENTS THE COMPANY BELIEVES WERE NOT IN DISPUTE AT**  
6 **THE TIME OF FILING ITS DIRECT CASE IN FEBRUARY, 2014?**

7 A. Yes, they do. Our objective here is to give context to those adjustments in supplanting  
8 Exhibit JD-11 (4/3/14) in identifying and describing, for the Commission’s benefit, the  
9 type and kind of adjustments that the Company believes are likely non-controversial,  
10 although the Company is well aware that the Commission Staff, in its prefiled rebuttal  
11 case, is free to dispute any or all of those treatments and characterizations.

12 **Q. CAN YOU ALSO PLEASE SIMILARLY DESCRIBE WHAT YOU BELIEVE**  
13 **TO BE UNCONTROVERSIAL PRO FORMA ADJUSTMENTS IN THE**  
14 **SCHEDULES CONTAINED IN EXHIBIT JD-11 (4/3/14) AT LEAST AS OF**  
15 **THE CASE IN CHIEF FILING ON FEBRUARY 18, 2014?**

16 A. Yes. Pro Forma Adjustment P-2 “Schedule 2 – page 2 Summary of Forecast  
17 Adjustments,” (Column B, lines 24-29, 45 and 46), account for and update rate case  
18 costs and Pro Forma Adjustment P-3, (Column D, line 52 and Column N, line 52),  
19 amortize that expense over four years. As Exhibit JD-1T, pages 19-21 detail, the  
20 Company would qualify P-2 and P-3 as only “potentially” undisputed since it is now  
21 unaware of the Staff’s position on the cumulative costs and amortization period which  
22 were previously totaled in Exhibit JD-9 through 1/31/14 and which are obviously  
23 increasing as documented in updated Workpaper 18, “Rate Case Costs” in Exhibit JD-  
24 11 (4/3/14). Since August, 2013 through March 31, 2014, the Company has incurred  
25 750.5 hours of outside accounting time and 202.8 hours of legal time which, in turn,  
updates the hours reference at Exhibit JD-1T, page 20, line 16 and Exhibit JD-9. Pro  
Forma Adjustment P-4, (Column H, line 36), is a pro forma adjustment for fuel costs

1 and, as detailedly shown in Pro Forma Adjustment 4-A, Schedule 2 – “Explanation of  
2 Forecast Adjustments,” (Columns A-D, lines 17 and 18), allocates that \$2,054 expense  
3 (“Workpaper 9,” line 30) between regulated and non-regulated operations. Finally,  
4 Adjustment P-5, “Schedule 2 – page 2 Summary of Forecast Adjustments,” (Column J,  
5 lines 18, 38 and 41), adjusts pass through disposal fee expense by \$138,598 to account  
6 for the approximate 31% increase in disposal fees (approximately an \$11.70 per ton  
7 increase amount) ordered by Cowlitz County and effective December 1, 2013 and  
8 which is detailed in “Schedule 2 – Explanations of Forecast Adjustments,” (Columns  
9 A-E, lines 21-25).

10 **Q. PLEASE DESCRIBE WHAT “SCHEDULE 3 – SUMMARY OF RECLASS**  
11 **ADJUSTMENTS, PAGE 2,” IS AND THE ACCOMPANYING EXPLANATION**  
12 **WORKSHEET IN EXHIBIT JD-11 (4/3/14).**

13 A. Yes, those two schedules explain how the calculations were arrived at in RC-1,  
14 “Schedule 3, page 2 – Summary of Reclass Adjustments,” (Column B), to remove all  
15 non-regulated revenue and expenses, including in RC-1A, “Schedule 3 – Explanation of  
16 Reclass Adjustments,” (Columns A-F, lines 15-21), removal of revenue/expenses from  
17 the City of Kalama contract operations. RC-2, “Schedule 3, page 2 – Summary of  
18 Reclass Adjustments,” (Column D, lines 24-28 and 45), transfers payroll expenses to  
19 other accounts and allocates a portion of these expenses to non-regulated activity.  
20 Similarly, RC-3, (Column F, lines 38-41), reflects a reclassification of disposal fees to  
21 non-regulated expenses and also has a neutral impact on the overall requested revenue  
22 requirement.

23 **Q. CAN YOU NOW GENERALLY IDENTIFY AND DESCRIBE, BY INDIVIDUAL**  
24 **ADJUSTMENTS TO THE RESULTS OF OPERATIONS, THOSE ITEMS**  
25 **THAT HAVE BEEN PREVIOUSLY DISPUTED OR UNRESOLVED BY THE**  
**PARTIES IN THE ORIGINAL RATE CASE AND WHICH YOU SUSPECT**  
**MAY BE CONTESTED HERE?**

1 A. Yes, and those are broadly identified as: (1) “Land Rent” (Restating Adjustment R-  
2 6E); (2) “Truck Rentals” (Workpaper 19); (3) “Labor Calculations” (Pro Forma  
3 Adjustment P-1), and (4) “Capital Structure” (Workpaper 6).

4 **Q. WHAT IS THE ISSUE RAISED BY RESTATING ADJUSTMENT R-6E IN**  
5 **SCHEDULE 1, “EXPLANATION OF RESTATING ADJUSTMENTS,” JD-11**  
6 **(4/3/14)?**

7 A. This focal adjustment is also thoroughly detailed in Exhibit JD-1T, and on this schedule  
8 again, is labeled “land rent” (rental expense paid to affiliated entities).

9 **Q. AND WHAT IS THE BASIS OF ANY RESTATING ADJUSTMENT DISPUTE**  
10 **ON THIS ISSUE?**

11 A. This was one of the major disagreements between Company and Staff at suspension of  
12 the case in November and continuing at pre-filing of the Company’s case in chief in  
13 February, 2014. Much of the previous disputed land rent/affiliate rental adjustments is  
14 also addressed at pages 17 (lines 16-25) and page 18 (lines 1-11) of Exhibit JD-1T.

15 **Q. PLEASE ELABORATE ON THE DISPARITY OF POSITIONS.**

16 A. Exhibit JD-11 (4/3/14) reflects an original per books rental rate of \$138,000 at line 57  
17 of the “Results of Operations” and an allocation of \$133,601 to regulated operations  
18 after removal of \$4,394 non-regulated operations expense and a restating adjustment of  
19 \$8,429 proposed by the Company for a total pro forma rent proposed of \$125,171 (see,  
20 “Workpaper 13,” line 40). In contrast, as the testimony in JD-1T reflects, and as the  
21 Exhibit JD-7 column “Staff Version 4” total similarly reveals, by December, 2013, the  
22 Staff was proposing an analogous removal of \$90,440 in disallowed rent for the  
23 regulated Company’s test year operations.  
24  
25

1 **Q. AS SHOWN IN EXHIBIT JD-7 AND IN TESTIMONY AT JD-1T, PAGE 10,**  
2 **LINES 15 THROUGH 25, DOES THIS CONTRAST WITH THE TREATMENT**  
3 **OF THE UTC STAFF OF AFFILIATE RENTS IN THE IMMEDIATELY**  
4 **PRIOR GENERAL RATE CASE?**

5 A. Yes, it obviously does. As shown in both testimony and Exhibit JD-7, the Staff  
6 adjusted a total of \$12,000 for rent in the 2009 rate case yet in December, 2013 was  
7 proposing to remove almost eight times that amount in the current case.

8 **Q. WHERE IS THAT 2009 STAFF ADJUSTMENT FOR RENT REFLECTED FOR**  
9 **COMPARISON PURPOSES?**

10 A. In Exhibit JD-8, page 3, column 2, "Restating Adjustments," "Land Rent," which is  
11 offset from a per books amount of \$98,250 and, after a further reduction for Kalama  
12 contract operations of \$5,873 totals \$74,377 for allowed rents in 2009.

13 **Q. AGAIN, CONTRAST THAT WITH THE 2013 RATE CASE POSITION FOR**  
14 **LAND RENTS.**

15 A. Yes, as Exhibit JD-7 as noted shows, for the 2013 general rate case, the Staff had last  
16 proposed to reduce the \$138,000 per books land rental amount by \$90,440, arriving at  
17 an allowed rental expense of \$47,560 and this was despite increased "used and useful  
18 rental properties" in service since 2009 by Waste Control, Inc. (see, Exhibit JD-1T,  
19 page 12, line 10 to page 13, line 3) and substantial improvements to some of the  
20 existing properties in that interval used for regulated operations.

21 **Q. PLEASE NOW DESCRIBE THE PREVIOUSLY-DISPUTED ADJUSTMENT**  
22 **ON TRUCK RENTAL AMOUNTS HERE DETAILED AGAIN IN**  
23 **WORKPAPER 19?**

24 A. We extensively addressed this issue in two contexts in JD-1T beginning at page 8, for  
25 instance, where we describe the effect of commingling of non-regulated affiliate and  
regulated capital structures in deriving an appropriate rent for both real property and



1 operating equipment assets. As explained at JD-1T, page 6, beginning at line 15, the  
2 Company contrasts the tortuous calculation of return on rented assets by the Staff in the  
3 2013 case with that of the Staff in 2009. In the 2009 case, Staff did not apply a return  
4 on investment approach but instead examined the reasonableness of associated  
5 expenses and depreciation in arriving at an allowed increase of \$16,405 to the  
6 Company's overall truck rental expense, raising the allowed truck rental costs in rates  
7 to a figure of \$46,405 and then removing contract operations for a net amount allowed  
8 of \$44,905. In the 2013 case, the former 2009 case amount of allowed rent of \$44,905  
9 was proposed to be reduced to \$14,605 total, despite the fact the three trucks in the  
10 2009 case had all been replaced with newer equipment leased from WCI's affiliate.  
11

12 **Q. DO THESE REDUCTIONS IN AFFILIATE-OWNED ASSET RENTAL**  
13 **AMOUNTS ALSO ENTAIL UNUSUAL ACCOUNTING TREATMENT BEING**  
14 **APPLIED TO RENTAL ASSETS?**

15 **A.** Yes, in our view the calculations by Staff in TG-131794 appear to involve the  
16 commingling or imputation of capital structures of all affiliate entities simply due to the  
17 rental of an affiliate's asset by Waste Control, Inc. As noted in JD-1T, page 8,  
18 beginning at line 8, that accounting treatment also artificially inflates the debt  
19 component in a return on investment scenario which Staff is also attempting to employ  
20 to calculate allowable rents for commonly-used assets which, when the asset is older  
21 and fully depreciated, will necessarily yield a lesser return for ratemaking purposes. As  
22 I previously noted in JD-1T, page 8, line 16, "unilaterally applying the capital structure  
23 of a higher-debt, non-regulated affiliate to a rental asset owned by that affiliate ... will  
24 necessarily yield the most minimal return on that asset available." We then attached an  
25

1 Exhibit, JD-5, demonstrating that point for truck rentals. We also now reference  
2 “Workpaper 7,” JD-11 (4/3/14) which detailedly analyzes all transactions with affiliate  
3 companies in the test period including debt information, interest paid, rental amounts  
4 and affiliate operating expenses.

5  
6 **Q. DID YOU ALSO RELY IN YOUR COMPUTATIONS UPON ANY OTHER**  
7 **GUIDANCE IN CALCULATING AN ALLOWABLE RENT FOR AFFILIATE-**  
8 **OWNED ASSETS IN THIS PROCEEDING?**

9 A. Yes. We reviewed the *WUTC v. Bremerton-Kitsap Airporter*, C-903, TC-001846 (Aug.  
10 2002) (“BKA”) case for computing allowable returns in establishing rent for affiliate-  
11 owned facilities due to the wholesale change in the Staff’s treatment of Company rent  
12 expense. The BKA case is one of the very few Title 81 rate cases to address  
13 appropriate returns on affiliate-owned properties in a Final Commission Order and we  
14 were guided by that decision in calculating appropriate rent accordingly as Exhibit JD-  
15 7, column 3, makes clear.

16 **Q. AND DOES EXHIBIT JD-5 ALSO ENCAPSULATE THE EFFECT FOR**  
17 **RATEMAKING PURPOSES OF USING AFFILIATED COMPANIES’**  
18 **CAPITAL STRUCTURES?**

19 A. Yes, it does and demonstrates graphically how the return on equity approach for rented  
20 assets proposed by Staff in the 2013 rate case greatly diminishes the allowable rent for  
21 ratemaking purposes.

22 **Q. AND WHAT DOES NEW WORKPAPER 19, “TRUCK RENT,” SHOW IN**  
23 **YOUR VIEW?**

24 A. Workpaper 19 shows the return on net book value, plus depreciation expense and  
25 operating costs, which total \$54,457, for the regulated Company’s portion of the rented  
truck usage. The per books rent was only \$36,000 for these trucks, so the Company

1 believes the proposed truck rental allowance is more than established as fair, just and  
2 reasonable as shown in Workpaper 19 and very comparable to the amount calculated by  
3 the UTC auditor in the immediately prior rate case.

4 **Q. TURNING NOW TO THE LABOR COST ISSUE BRIEFLY DESCRIBED AND**  
5 **QUANTIFIED IN YOUR “SCHEDULE 2 – EXPLANATION OF FORECAST**  
6 **ADJUSTMENTS,” WOULD YOU PLEASE TOUCH UPON THIS ISSUE AT**  
7 **LEAST AS IT HAD ARISEN AT OR NEAR SUSPENSION OF THE 2013**  
8 **GENERAL RATE CASE?**

9 A. Pro Forma Adjustment P-1 “Schedule 1 – Summary of Forecast Adjustments” (Column  
10 B, lines 24-29, 45 and 46) is an adjustment totaling \$121,827 to reflect payroll  
11 increases, staff benefit accruals and increases in medical insurance, employment  
12 security and Labor & Industries rates/premiums as of June 30, 2013 and an approximate  
13 10% increase in management fee paid to affiliate Waste Control Equipment (“WCE”),  
14 and again, is keyed to the Pro Forma Adjustments (Column L) in the “Results of  
15 Operations” electronic spreadsheet where the individual effects of the proposed labor  
16 adjustments by operating expense/wages line items are referenced. The P-1 pro forma  
17 adjustment actually encompasses two major issues addressed in Exhibit JD-1T,  
18 beginning at page 21 and continuing to page 24 on the subject of allowable labor costs,  
19 overtime, associated benefits and applicable cost of living adjustments to wages. As  
20 also shown in Exhibit JD-11 (4/3/14), “Schedule 2, page 2 – Summary of Forecast  
21 Adjustments,” these adjustments relate to wages line items for drivers and drop box  
22 drivers, mechanics, supervisors, extraordinary labor, fringe benefits, office salaries and  
23 management fees and involve as well calculations for overtime and cost of living  
24 adjustments. Exhibit JD-1T, pages 22, lines 1-16 discusses the prior Company versus  
25

1 previous Staff-proposed labor expense adjustments and beginning at page 22, line 17 to  
2 page 24, line 3, details the impact of the overtime expense issue “normalization” and  
3 the disallowance in rates which approximates \$23,000 in the test year.

4 **Q. IN ADDITION TO THE CALCULATION ON OVERTIME IN ADJUSTMENT**  
5 **P-1, IS THERE ANY THEORETICAL CONCERN ON THE PART OF THE**  
6 **COMPANY ABOUT ATTEMPTS TO “NORMALIZE” OVERTIME?**

7 A. Yes. As JD-1T, page 23, makes clear, we disagree with any conclusion driving the  
8 restating adjustment on the Staff’s part that overtime was “excessive” and set forth the  
9 reasons therefor. We also think that overtime is an isolated historic occurrence and is  
10 not the type of expense easily susceptible to normalization as we describe in JD-1T,  
11 page 21.

12 **Q. HAVE YOU ALSO PREVIOUSLY PREPARED AN EXHIBIT WHICH**  
13 **ADDRESSES THE LABOR ADJUSTMENTS PROPOSED BY THE COMPANY**  
14 **BY EMPLOYEE AND WHICH ALSO DEMONSTRATES THE COST OF**  
15 **LIVING ADJUSTMENT FORMULA APPLICATION FOR BOTH JULY 1, 2013**  
**AND JULY 1, 2014?**

16 A. Yes, I have, and that is previously set forth in Exhibit JD-10. Also, “Workpaper 3,”  
17 pages 1-3, in enclosed Exhibit JD-11 (4/3/14), provides comparable labor analyses  
18 including analysis of labor cost increases, fringe benefits and proration of cost of living  
19 increases for affected employees that all tie back to the Company’s proposal for labor  
20 expenses that are implicated by Pro Forma (“forecast”) adjustment, P-1.

21 **Q. REGARDING THE CAPITAL STRUCTURE ISSUE (WORKPAPER 6) IN**  
22 **EXHIBIT JD-11 (4/3/14), CAN YOU PLEASE DESCRIBE THAT ISSUE FROM**  
23 **THE COMPANY’S PERSPECTIVE?**

24 A. Obviously, capital structure is a material unknown in terms of how the Staff will view  
25 the revenue requirement calculation driving off the revised proposed debt to equity

1 calculation of the Company's overall revenue requirement. As we noted in our  
2 February 18, 2014 original case-in-chief filing, there have been two significant  
3 accounting adjustments to the Company's capital structure on our part since September.  
4 These issues were addressed at length in JD-1T beginning at page 18, line 15, to page  
5 19, line 15. They also were the source of Exhibits in JD-3(B) and JD-4 and are now set  
6 forth in detail in "Workpaper 6," pages 1 and 2 in Exhibit JD-11 (4/3/14). As noted in  
7 my original testimony, the Company made an adjustment to correct an end of test  
8 period balance in early October, 2013 which obviously impacted the revenue  
9 requirement as did the change driven by the "per books" asset depreciation valuations  
10 under GAAP to those required by the Uniform System of Accounts and Commission  
11 ratemaking. Additionally, if the depreciation methodology involved in the previous  
12 2013 Staff-computed rented asset valuations were to be upheld by the Commission, the  
13 Company would need to adjust all depreciation accounts accordingly for the effect of  
14 commingled or merged capital structures alluded to in the discussion of land rent and  
15 truck rentals, above.

18 **Q. WHAT DO YOU MEAN BY THIS LATTER ADJUSTMENT?**

19 A. For example, utilizing affiliate Heirborne Investments' capital structure as was  
20 described in Exhibit JD-1T, (page 15, lines 1-9), would derive a much higher debt  
21 amount and impact the regulated Company's overall allowable return under the Lurito-  
22 Gallagher formula, an effect explained in Exhibit JD-1T, pages 15, lines 11-22.

24 **Q. HAVE YOU NOW PRESENTED WHAT YOU BELIEVE TO BE THE**  
25 **APPROPRIATE RETURN UNDER THE LURITO-GALLAGHER**  
**RATEMAKING FORMULA?**

1 A. Yes, repeatedly, in the spreadsheet “Luritxpf Avg” within Exhibit JD-11 (4/3/14),  
2 Exhibit JD-3B in the filing of February 18, 2014 and as also detailed in Exhibit JD-4,  
3 which is directed to showing the proposed equity adjustment under Lurito-Gallagher  
4 and Staff-required depreciation methods under the previous revenue requirement  
5 calculations. In the Exhibit JD-11 (4/3/14), “Workpaper 2,” there are also supporting  
6 depreciation schedules relevant to this revised underlying computation which  
7 computations are also presented and analyzed in the Results of Operations in Exhibit  
8 JD-11 (4/3/14), all of which are tied to the ultimate computation under the Lurito-  
9 Gallagher modified operating ratio methodology.  
10

11 **Q. HOW DO THE REVENUE REQUIREMENT RESULTS DIFFER NOW FROM**  
12 **THOSE PROPOSED IN EXHIBITS JD-3B AND 4 IN THE COMPANY’S**  
13 **PREFILED CASE OF FEBRUARY 18?**

14 A. They vary moderately due to the increase in rate case costs since that time amounting to  
15 \$72,492.24, labor costs owing to increased wages and fringe benefits since the  
16 Company’s case was formally suspended effective December 1, 2013 amounting to  
17 about \$27,656, and a slight increase in the average investment calculation under Lurito  
18 due to the shift of a rented asset that was previously in “Construction Work In  
19 Progress” category, amounting to approximately \$1,800 in adjustment value.  
20

21 **Q. DO YOU HAVE ANY FURTHER CONCLUDING COMMENTS ABOUT THE**  
22 **EVIDENCE SUBMITTED IN EXHIBIT NO. JD-11 (4/3/14) AND YOUR**  
23 **INTENTIONS WITH RESPECT TO THE REFILED GENERAL RATE CASE**  
**AND THE ORIGINAL CASE SUBMISSION UNDER DOCKET NO. TG-**  
**131794?**

24 A. Yes, we have promptly refiled the general rate case not only in conformance with WAC  
25 480-07-520(4)(a) as previously and our understanding of Initial Order 05’s directives,

1 but have attempted to describe and explain all restating, pro forma (forecast) and  
2 reclassification adjustments in this case and focused in detail again on the adjustments  
3 believed to be contested. Importantly, consistent with our attempt to preserve the  
4 underlying evidentiary showing in Docket No. TG-131794, we have incorporated that  
5 testimony and those exhibits by reference and in many cases by actual integration of  
6 previous points and exhibits in an attempt to anticipate any questions about the  
7 Company's initial presentation and all the Company-proposed revenue and expense  
8 adjustments to its derived revenue requirement under the Lurito-Gallagher ratemaking  
9 methodology for this new filing. We look forward to expanding upon that presentation  
10 in response to the Staff's case on rebuttal and in actual live testimony and cross-  
11 examination before the Commission.  
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