

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND	)Docket No. TO-011472
TRANSPORTATION COMMISSION,	)Volume XXVII
Complainant,	)Pages 3093 - 3166
	)
vs.	)
	)
OLYMPIC PIPE LINE COMPANY,	)
INC.,	)
Respondent.	)
_____	)

A hearing in the above matter was held on June 26, 2002, at 11:30 a.m., at 1300 S. Evergreen Park Drive Southwest, Olympia, Washington, before Administrative Law Judge ROBERT WALLIS, Chairwoman MARILYN SHOWALTER, Commissioner RICHARD HEMSTAD, and Commissioner PATRICK OSHIE.

The parties were present at follows:

OLYMPIC PIPE LINE COMPANY, INC., by Steve Marshall, Attorney at Law, One Bellevue Center, Suite 1800, 411 108th Avenue, N.E., Bellevue, Washington 98004.

Paula McCain-Suckie, CCR  
Court Reporter

3094

1                               TESORO, by Robin Brena, Attorney at  
2 Law, 310 K Street, Suite 601, Anchorage, Alaska 99501.

3

4                               TOSCO CORPORATION, by Ed Finklea,  
5 Attorney at Law, 526 N.W. 18th Avenue, Portland, Oregon  
6 97209.

7

8                               THE COMMISSION, by Donald Trotter  
9 and Lisa Watson, Assistant Attorneys General, 1400  
10 Evergreen Park Drive S.W., P.O. Box 40128, Olympia,  
11 Washington 98504-0128.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

3095

1

2

---

INDEX OF WITNESSES

---

3

4

5

WITNESS:

PAGE:

6

7

BRETT A. COLLINS

8

Direct Examination by Mr. Marshall

3101

9

Cross-Examination by Ms. Watson

3105

10

Cross-Examination by Mr. Brena

3115

11

Cross-Examination by Mr. Finklea

3132

12

13

14

15

16

17

18

19

20

21

22

23

24

25

3096

1

2

---

3

INDEX OF EXHIBITS

4

---

5 EXHIBIT: MARKED: OFFERED: ADMITTED:

6 701 - 708C 3101

7 709 - 711 3101

8 712 - 716 3101

9 723 3101

10 724 3101

11 725 3101

12 726 3101

13 727 3101

14

15

16

17

18

19

20

21

22

23

24

25

3097

1

2

3

JUDGE WALLIS: Let's be on the record,  
please, for our Wednesday, June 26, 2002 session in  
the matter of Commission Docket No. TO-011472. By  
way of preliminary matters this morning the Company  
has advised us that Errata Sheet for Mr. Collins's  
rebuttal testimony, BAC-6T, has because of  
formatting vigories of word processing software  
some changes in line designations and the witness  
will call those to our attention when he  
authenticates his exhibits.

13

14

15

16

17

18

19

20

21

22

23

24

25

In addition, Mr. Brena has advised us that  
he intends to file on behalf of Tesoro a Motion  
relating to the appearance of Mr. Beaver as a  
witness in this document. He's on our witness list  
and is likely to appear sometime tomorrow. So when  
that motion is filed other parties will have an  
opportunity to exam it and we will schedule an  
appropriate time for discussion about it. At this  
time the Company has designated Brett A. Collins as  
Witness on it's behalf.

Mr. Collins, would you please rise and raise  
your right hand. Do you solemnly swear or affirm  
that the testimony you're about to give in this

3098

1 proceeding be the truth, the whole truth, and  
2 nothing but the truth, so help you?

3 THE WITNESS: Yes.

4 JUDGE WALLIS: Please be seated.

5 Mr. Marshall has Olympic Response to the  
6 Motion that will be filed. The Commission is  
7 interested in the application, if any, of the Rules  
8 of Professional Conduct to the State Bar to the  
9 situation and would can Olympic to address whether  
10 those provisions are applicable, and if so, how?.

11 MR. MARSHALL: Yes, we have already  
12 researched that. We do have a memorandum with  
13 respect to that. I think Mr. Brena's motion the  
14 way he related that actually goes beyond that into  
15 an area of privilege as well. But we have looked  
16 at the Rules of Professional Conduct with regard to  
17 testimony and these kinds of areas, and Mr. Beaver  
18 and his firm had looked into that and are prepared  
19 to respond to that portion right away. I don't  
20 know what other portions Mr. Brena will have, but  
21 we'll take a look at that Motion also.

22 THE COURT: And Counsel will have an  
23 opportunity to examine it and then we will schedule  
24 a time.

25 In conjunction with Mr. Collins's

1 appearance here today Olympic has provided a number  
2 of prefiled documents, and those document are  
3 listed on our Exhibit Sheet and the Rebuttal  
4 Testimony BAC-6T, which is Exhibit 701-T through  
5 708-C. And Exhibit 716 through 723 -- Exhibit 716  
6 is a Cost of Service, Fully Allocated Cost document  
7 presented by Olympic.

8 In addition, documents designated as 709-C  
9 through 711 are exhibits that were proposed by  
10 Commission Staff for possible use during the  
11 examination and I am correct that it's Exhibit 712  
12 through 716 that the Company is offering as direct  
13 testimony and exhibits of this witness.

14 In addition, Tesoro has presented some  
15 documents for possible use on cross-examination of  
16 this witness. These are listed as Exhibits 717  
17 through 722 in our Exhibit List. 723-C is a  
18 schedule presented by Staff for possible use in  
19 cross-examination. And Exhibit 724 is a document  
20 provide by the Company as errata for Mr. Collins'  
21 Rebuttal Testimony.

22 And I will ask the reporter to pick up the  
23 descriptions of Exhibit 716 through 724 from your  
24 Exhibit List and for inclusion in the record and  
25 would ask a Company to offer oral corrections to

3100

1 the Errata Sheet when Mr. Collins begins his  
2 testimony.

3 With that, let's proceed, Mr. Marshall.

4 MR. BRENA: Your Honor, if I may. The  
5 deposition that we took of Mr. Collins on Monday,  
6 Tesoro will also be offering as an exhibit in this  
7 proceeding.

8 THE COURT: Very well. Are copies  
9 available of that deposition?

10 MR. BRENA: Yes, it is.

11 MR. FINKLEA: And, Your Honor, on Monday  
12 Tosco distributed tables that we will use as  
13 cross-examination exhibits that have been -- it's  
14 marked as Tosco Cross-examination Exhibits  
15 distributed 06/25/02. This is a series of summary  
16 tables.

17 THE COURT: Have those been distributed to  
18 the Bench, Mr. Finklea?

19 MR. FINKLEA: They were distributed on  
20 Monday, Your Honor, by Mr. Stokes. I have extra  
21 copies of this --

22 JUDGE WALLIS: Let's be off the record for a  
23 minute.

24 (Discussion off the record.)

25 (Back on the record.)



3101

1                   JUDGE WALLIS:  Let's be back on record  
2                   please.  In addition to the documents previously  
3                   described in conjunction with this witness's  
4                   appearance his deposition of June 24, 2002  
5                   is marked as 725 for identification and a series of  
6                   documents designated as tables are marked  
7                   collectively as Exhibit 726 for identification, and  
8                   a single-page document entitled Rebuttal Case  
9                   Presentation is marked as 727 for identification.

10                  Now, Mr. Marshall.

11                  MR. MARSHALL:  Thank you, Your Honor.

12                  (Exhibits 701-708, 709-711, 712-716, 723-727  
13                  marked.)

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

15  BY MR. MARSHALL:

16                  Q.           Will you please state your name for the  
17                  record.

18                  A.           Brett Collins.

19                  Q.           Mr. Collins, what is your business address?

20                  A.           332 Pine Street, Suite 600, San  
21                  Francisco, California 94104.

22                  Q.           And what is your present position?

23                  A.           I'm a principal with the Regulatory  
24                  Economics Group.

25                  Q.           Are you testifying today on behalf of the

3102

1 Olympic Pipe Line Company?

2 A. Yes, I am.

3 Q. Did you prepare Exhibits No. 701-T and  
4 supporting Exhibits 702-C to 708-C, and Exhibits No.  
5 712-T and supporting Exhibits 713 to 716?

6 A. Yes, I did.

7 Q. Do you have any corrections or additions to  
8 make to that testimony?

9 A. Yes.

10 Q. And are those contained in an Errata Sheet  
11 that was supplied as Exhibit 724?

12 A. Yes, and I have some corrections to that  
13 724.

14 Q. Would you please make those corrections now.

15 A. On Item No. 4 where it refers to page 10,  
16 line 1, it should be page -- I'm sorry, where it refers  
17 to page 10, line 2, it should be page 10, line 1.  
18 Where number of -- correction No. 5, where it talks  
19 about page 13, delete lines 1 through 3. That is now  
20 page 12; delete lines 21 and 22; and on page 13 delete  
21 line 1.

22 On item number 6, at -- the word "delete"  
23 should be deleted. So it should read, page 13; and  
24 where it says line No. 7, that should now read, Line  
25 No. 5. Correction No. 8, where it says page 14, line 5

3103

1 -- I mean line 7, it should read page 14, line 5.  
2 Errata No. 9, where it says page 14, line 8, it should  
3 now read page 14, line 6.

4 And there was one additional item that was  
5 not on this list. On page 7, line 14, you should  
6 replace 2.5 with 2.6.

7 Q. Did your rebuttal testimony also make  
8 correction to certain calculations and data in your  
9 direct testimony?

10 A. Yes, my rebuttal testimony addressed certain  
11 corrections to the calculations contained in my direct  
12 testimony and those are addressed in my rebuttal  
13 testimony.

14 Q. With those additions and changes do you  
15 adopt that testimony as your own here today?

16 A. Yes.

17 Q. The witness is available for  
18 cross-examination.

19 MR. OSHIE: Before we go forward, Mr.  
20 Marshall, can you have your witness walk through  
21 changes that were made to your No. 6.

22 MR. MARSHALL: On the Errata Sheet?

23 MR. OSHIE: On the Errata sheet, yes.

24 MR. MARSHALL: Thank you.

25 THE WITNESS: Where it says page 13, delete

3104

1 line 7. That should now read page 13, line 5. The  
2 word "delete" was a type-o and then the line number  
3 had changed.

4 MR. OSHIE: Thank you.

5 THE COURT: Did you wish to offer the  
6 exhibits at this time, Mr. Marshall?

7 MR. MARSHALL: Yes, we move the admission of  
8 the exhibits.

9 THE COURT: Is there any objection? Let the  
10 record show that there is none, and Exhibit 701-T  
11 through 708-C, Exhibits 712 through 716, and  
12 Exhibits 724 are received in evidence.

13 MR. MARSHALL: Thank you.

14 MS. WATSON: Good morning. At this time I'd  
15 like to move the deposition taken of Mr. Collins on  
16 April 25th 2002, and the corresponding Exhibits and  
17 those are marked as 709 through 711 into the  
18 record.

19 THE COURT: Is there an objection?

20 MR. MARSHALL: The only objection I would  
21 have is just to wait to see which of those  
22 materials would be used and then to for just the  
23 sake of bulk record use those pages that get  
24 referred to.

25 MS. WATSON: Your Honor, we're offering of

3105

1 the deposition to cut down on cross-examination  
2 time.

3 THE COURT: Yes, we understand, and they're  
4 all the depositions -- two depositions and two  
5 deposition exhibits; is that correct?.

6 MS. WATSON: Yes, that's correct.

7 THE COURT: Very well.

8 MR. MARSHALL: I'm all in favor of cutting  
9 down on time. So if that would cut down on time, I  
10 don't have an objection. I was looking at it the  
11 other way around to cut down on the amount of paper  
12 if there were certain parts of the depositions that  
13 were to be referred to and not others.

14 THE COURT: Very well. For today's purposes  
15 we will receive the Exhibits 709-C, 710, 711 and  
16 725. Mr. Brena, you don't mind that Commission  
17 Staff is offering your exhibit?

18 MR. BRENA: No.

19 MR. MARSHALL: They are actually offering  
20 his earlier deposition and not the deposition that  
21 I'm offering, which was taken --

22 THE COURT: Thank you. So 709-C, 710, 711  
23 are received.

24

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

3106

1

2 BY MS. WATSON:

3 Mr. Collins, I'd like to refer you to what's  
4 been marked as Exhibit No. 727?

5 A. I have that.

6 Q. The test here Olympic is using is the 12  
7 months ending September 2002, correct?

8 A. The test period or rate year -- one thing  
9 just to -- I think there may be some confusion in the  
10 terminology that may be discussed in my testimony,  
11 which I think uses what I call "FERC terminology" and  
12 what the W.T.C. uses. Maybe I could kind of clarify to  
13 the extent there's references and just to, you know,  
14 hopefully minimize any misunderstanding.

15 I think both the FERC and the W.T.C. apply  
16 the same concept where they will take a recent 12  
17 months of actual data as the basis for a starting point  
18 and to that data they will make adjustments that would  
19 reflect a perspective looking period as the basis for  
20 which to evaluate rates.

21 The FERC uses the first period, and they  
22 call that the "base period"; and the "perspective  
23 period" is the test period. I think the W.T.C. calls  
24 the "first period" the "test period" and the "forward  
25 looking period" the "rate year." But, anyways, I just

3107

1 wanted to just address that because this may be a  
2 source of confusion.

3           The test period that I have used takes --  
4 makes adjustments beginning in -- at the end -- after  
5 the end of the base period, which the base period -- my  
6 -- the base period or the 12 months of actuals ended.

7           In September of 2001 we made prospective  
8 adjustments known and measurable within nine months of  
9 that, which would be through June of 2002, and, you  
10 know, we would analyze that. So to get -- to take  
11 those nine months of data and reflect a full year,  
12 you'd have to have 12 months. So in a sense you could  
13 say that would include July through September, but I  
14 just wanted to explain kind of how it's been discussed  
15 in my direct and rebuttal testimony.

16       Q.       (By Ms. Watson) Okay. But would it be fair  
17 to say that Olympic is using the 12 months ending  
18 September 2002 as the basis for citing rights?

19       A.       That's a reasonable way to characterize it.

20       Q.       And in order to determine those 12 months  
21 you first use seven months of actual data from October  
22 2001 through April 2002, correct?

23       A.       Yes, I think to a large degree Ms. Hammer  
24 had provided actual data for that seven month period.

25       Q.       And that's reflected on Exhibit 727, Column

3108

1 A, lines 1 through 7?

2 A. Yeah, that identifies -- it labels the  
3 months October 2001 through April 2002 as "Actual" and  
4 then it shows May and June labeled as "Budget Amounts"  
5 and then July through September as "Average," and I  
6 think in her testimony there are certain exceptions.  
7 This is not globally applied to all data, but as a  
8 general matter, that's the general approach.

9 Q. So in order to get the 12 months you use the  
10 seven months of actual data, plus two months of  
11 budgeted data, and, plus three months of annualized  
12 data?

13 A. Plus three months that would have been based  
14 on the average of those nine months.

15 Q. Let's talk a little bit about the  
16 calculation to find the average for the lost three  
17 months. In order to calculate that, you added seven  
18 months of actual data and two months of the budgeted  
19 data for nine months and divided by 9 to get the  
20 average, and that average was used for each month, July  
21 through September?

22 A. Yes, I believe that to be correct.

23 Q. And then six adjustments were made to the  
24 test period to get the adjusted test period, correct?

25 A. I think there was -- as I recall there were



3109

1 -- there's six adjustments listed here that relate to  
2 adjustments through operating expenses. These I think  
3 -- there may be other adjustments as well, but these  
4 six that I know here are all related to adjustments to  
5 operating expenses, and those adjustments all were made  
6 to that data.

7 MR. MARSHALL: And by when you say "noted  
8 here," you mean Exhibit 727?

9 A. That's correct.

10 MR. MARSHALL: Just so the record's clear.

11 Q. (By Ms. Watson) And those adjustments were  
12 for oil losses, transition costs, litigation costs,  
13 other experience, fuel and power costs, and remediation  
14 costs?

15 A. Yes.

16 Q. And that's listed in Column B on Exhibit  
17 727?

18 A. Yes.

19 Q. And you were asked questions about the  
20 details of those adjustments during your deposition on  
21 Monday; would this be correct?

22 A. Yes.

23 Q. So the adjusted test period is the 12 months  
24 ending September 2002 with those six adjustments,  
25 correct?

3110

1           A.       I think with respect to operating expenses  
2 that would be a reasonable way to describe it at a  
3 conceptual level.

4           Q.       Now what Olympic calls "the base period" is  
5 the 12 months ending September 2001; is that correct?

6           A.       Yes, that's correct.

7           Q.       And the base period uses actual data for all  
8 12 months as reflected in Exhibit 727, Column D,  
9 correct?

10          A.       That's correct.

11          Q.       And no adjustments were made to the base  
12 period?

13          A.       Well, there are -- no, there are other  
14 adjustments that I made that I think are outlined in my  
15 Exhibits 702 and 703, which contained two sets of cost  
16 of service calculations. There would be some  
17 additional adjustments that were made beyond those  
18 listed in Column B.

19          Q.       Okay. Could you please turn to Exhibit  
20 703-C.

21          A.       I have it.

22          Q.       And schedule 21 shows 17 adjustments that  
23 Olympic used to determine test year operating expenses,  
24 correct?

25                   MS. SHOWALTER: Can you wait until we get to

3111

1 where we need to go?

2 MS. WATSON: Yes, sorry.

3 MS. SHOWALTER: Exhibit 703, schedule what?

4 MS. WATSON: 21.

5 Q. (By Ms. Watson) It should be page 49 of the  
6 Exhibit.

7 A. Yeah, I have it.

8 Q. Okay. Now, Schedule 21 shows 17 adjustments  
9 Olympic used to determine test year operating expenses;  
10 is that correct?

11 A. Yes, there's 17 footnoted adjustments on  
12 this schedule.

13 Q. Are those the adjustments that you were just  
14 referring to earlier?

15 A. These -- I think -- I believe this kind of  
16 characterizes all of the adjustments that were made to  
17 operating expenses and some of those were made to base  
18 period amounts and some of those were made to test  
19 what's been characterized in your exhibit as a test  
20 period. I know in the deposition we were focusing  
21 primarily on the revised test period data and so I  
22 think that's what the six amounts in Column B related  
23 to.

24 Q. Now the 17 adjustments that are shown on  
25 schedule 21 of Exhibit 703, those were determined by

3112

1 subtracting the base year from the adjusted test  
2 period, correct?

3 A. The amount -- some could -- could you repeat  
4 the question?

5 Q. Sure. In order to determine the 17  
6 adjustments shown on schedule 21 that was determined by  
7 subtracting the base period from the adjusted test  
8 period, correct?

9 A. No, actually I think the schedule supporting  
10 21 -- 21, 1 through -- give me a moment -- through 21,  
11 12 contained the adjustments. The adjusted amounts  
12 were added to the base period to get to the test  
13 period.

14 Q. Okay. If you're looking at your Exhibit 703  
15 and you have a column labeled "Test Period" and you  
16 have a column labeled "Base Period" and in-between you  
17 have "Base Period Adjustment" and "Test Period  
18 Adjustment," in order to find the information listed  
19 under "Base Period Adjustment" and "Test Period  
20 Adjustment" do you subtract the numbers from the base  
21 period column from the numbers in the test period  
22 column?

23 A. No.

24 Q. No? Please turn to page 52 of that same  
25 exhibit.

3113

1 A. I'm there, sorry.

2 Q. Okay. I'm going to refer to lines 1 through  
3 3, and there it states "The test period less the base  
4 period equals test period adjustment;" is that a fair --

5 A. Yeah, I think in this case what you've said  
6 is true. I would say it's not true for all of the  
7 adjustments. Maybe as an example to go to 21.5, which  
8 is two pages beyond page 54 of 75, and in this case  
9 there are test period amounts but there are other --  
10 several other adjustments made to the amounts that's  
11 simply not taking a test period amount and a base  
12 period amount and the adjustment's the difference.  
13 There are other adjustments here, for example dealing  
14 with remediation costs, and transition costs for two  
15 examples, so there -- I think in some cases what you've  
16 said is correct, but it's not true in the case of every  
17 -- every category of expense.

18 Q. Okay. Looking at page 54, the schedule that  
19 you referred us to, 21.5, line 16 show the adjustment  
20 for outside services, correct?

21 A. Give me a minute just to confirm that. Yes,  
22 I believe that amount is the amount of the adjustment.

23 Q. And this is one adjustment where Olympic  
24 took the test period and subtracted the base period  
25 from that to get the adjustment, correct?

3114

1           A.       Well, in this case the test period amount  
2 for outside services is contained on line 8 and there  
3 were other adjustments to that made. In this case  
4 there were adjustments related to transition costs and  
5 remediation. So there were -- this is where there was  
6 a test period amount and there were some adjustments  
7 made to that before we get to the amount on line 16.

8           Q.       Would you please turn to Exhibit 701-T,  
9 which is your rebuttal testimony.

10                   MS. SHOWALTER: Before you do, I just don't  
11 want to leave that last question that I just don't  
12 understand it.

13                   THE WITNESS: Okay.

14                   MS. SHOWALTER: On line 16, it says in the  
15 column under "Source," I think that "LN" refers to  
16 "Line," 8 minus 5. Does that mean that you  
17 subtract line 5 from line 8? Is that how you got  
18 to figure on line 16?

19           A.       No, I think actually this is something we  
20 noted in our discussion last Friday of the kind of  
21 technical conference we had, and I think it was noted  
22 that the "Source" column was incorrect, and I  
23 apologize, it slipped my mind. I believe -- give me a  
24 second. I think it's just a referencing error.

25                   I believe what the Source for Line 16 should

3115

1 be is -- I believe, and again this is subject to check,  
2 but I believe it is 15 minus Line 7. I believe that's  
3 -- yeah, it appears to be that.

4 MR. BRENA: Could I ask a clarifying  
5 question for the sake of the record just because  
6 I'm confused? Would that be permissible?

7 JUDGE WALLIS: Mr. Brena.

8

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

10

11 BY MR. BRENA:

12 Q. Mr. Collins, with the exception of the six  
13 adjustments that you identified earlier: Oil losses,  
14 transition, litigation, other expenses, fuel and power,  
15 remediation, are all of your adjustments to the base  
16 period the subtraction of the test period from the base  
17 period?

18 A. Well, I didn't identify these six  
19 adjustments. This is a Staff Exhibit. And I would say  
20 that, as I think I answered -- explained earlier, that  
21 all my adjustments are not the difference between the  
22 test period and the base period. So I would say, no,  
23 that's not the case.

24 Q. With the exception of those six adjustments,  
25 are there any other adjustments which are not either

3116

1 the subtraction or the six that have been discussed?

2 Are there any other adjustments to your test period?

3 A. Are you talking about to operating -- I  
4 mean, we've been talking about operating expenses. Are  
5 you referring to operating expenses or to all data?

6 MR. MARSHALL: Operating.

7 Q. (By Mr. Brena) Yes, operating expenses.

8 A. I think there are other adjustments. I  
9 think as was discussed a few questions ago, the total  
10 adjustments to operating expenses are summarized on  
11 Schedule 21, and I believe there's 17 that are  
12 identified there. And I think some of the  
13 corresponding subschedules like, for example, the  
14 outside services, there are adjustments within those,  
15 so -- but I think that's how their explained, and  
16 that's consistent with how these were prepared in the  
17 direct case that was filed last December.

18 MR. BRENA: I'm afraid I didn't accomplish  
19 my goal so well, so I apologize, and I'll take it  
20 up when it's my turn.

21 Q. (By Ms. Watson) Mr. Collins, could you  
22 please turn to your rebuttal testimony, Exhibit 701-T,  
23 page 3.

24 A. I'm at page 3.

25 Q. And looking at lines -- I'm sorry, lines 9



3117

1 through 11, you state that Olympic has filed 3 tariff  
2 increases supported by a FERC cost of service  
3 presentation; is that correct?

4 A. Yes.

5 Q. If there were other filings in addition to  
6 the three you referred to, they would not have been  
7 filed pursuant to the FERC methodology?

8 A. I was aware of three that were filed  
9 pursuant to the FERC methodology. That's what I state  
10 here.

11 Q. Are you familiar with the tariff surcharge  
12 Olympic filed for recovery of the Sea-Tac rack facility  
13 in Docket No. To-961053?

14 A. Yes, I'm generally familiar with that  
15 tariff for a specific -- for shippers at Sea-Tac  
16 generally.

17 Q. Was that one of the three tariff filings you  
18 referred to in your testimony?

19 A. No, it was not.

20 Q. That filing was not based on the FERC  
21 methodology, was it?

22 A. No, it was not.

23 Q. Are you aware of any order of this  
24 Commission adopting the FERC methodology for any  
25 purpose?

3118

1           A.       I'm not aware of any order.  I haven't  
2   asserted that in my testimony.  No, I'm not aware of  
3   any order.

4           Q.       Did you advise Mr. Batch that all of  
5   Olympic's costs filings used the FERC methodology?

6           A.       I don't believe I advised Mr. Batch of any  
7   such thing.

8           Q.       Now, referring back to page 3 of  
9   Exhibit 701-T.  I'm looking at lines 12 through 13, and  
10  there you say that "The filings were accepted."  Do you  
11  mean that they were not rejected but that they went  
12  into effect without suspension?

13          A.       Yeah, I believe each of these tariff filings  
14  went into effect -- the rates contained to those  
15  filings went into effect.

16          Q.       And when you say, "the filings were  
17  accepted," do you mean anything other than that it went  
18  into effect without suspension?

19          A.       That's what I think what I meant here.  That  
20  they were filed, they went into effect.

21          Q.       And they went into effect without  
22  suspension?

23          A.       I'm not aware procedurally how they were  
24  implemented.  I just know that those tariffs went into  
25  effect.

3119

1 Q. Now in Exhibit 701-T, the bottom of page 2  
2 and the top of page 3, you state that you would not  
3 agree with the contention that the use of a total  
4 company cost of service is improper for setting  
5 intrastate rates, correct?

6 A. That's correct.

7 Q. Is it your testimony that it is appropriate  
8 for this Commission to set intrastate rates using total  
9 company results which includes interstate results?

10 A. I think what in the direct case we were  
11 looking at contemplating across-the-board rate increase  
12 to all of the rates and that we were using a one rate  
13 methodology, and so -- that that was appropriate in  
14 this case. Issues regard allocations and so forth were  
15 addressed by Dr. Schink in his testimony.

16 Q. Is it appropriate for this Commission to use  
17 overall rates that results from that analysis for  
18 intrastate purposes?

19 A. I believe it's appropriate to use a -- it's  
20 appropriate to use a total company presentation to  
21 evaluate rates. If you're taking into consideration  
22 all costs and all volumes, I believe it's an  
23 appropriate approach.

24 Q. Now if FERC uses one method to calculate  
25 revenue and this Commission uses another, how would you

3120

1 suggest that be taken into account by this Commission  
2 if it uses a total company cost of service?

3 A. Well -- I'm sorry, could you restate the  
4 question?

5 Q. Sure. If FERC uses one method to calculate  
6 revenues and this Commission uses a different method to  
7 calculate revenues, how would you suggest that the two  
8 different methods be taken into account if this  
9 Commission uses a total company cost of service?

10 A. Well, I think what you could do is if you  
11 were looking at a rate increase, you could take the  
12 preexisting rates and -- one way would be just to  
13 assume a, you know, global rate increase to all rates  
14 and that would allow a means to compare whether the  
15 revenues based on that increase were appropriate.

16 I think when we had done this we  
17 contemplated using, you know, the same increase for all  
18 rates. So I think that's one way you could look at it.

19 Q. Referring back to your rebuttal testimony,  
20 Exhibit 701-T on page 4, lines 11 through 12. You  
21 state Olympic had updated some of its adjustments  
22 through April 2002, and I quote, I believe the use of  
23 this test period is appropriate for evaluating the  
24 results in my prepared direct testimony, unquote. Do  
25 you see that?

3121

1 A. Yes, I do.

2 Q. And when you say, "Test period," you're  
3 referring to the test period ended April 2002?

4 A. No, I'm not. I'm referring to the  
5 prospective period -- FERC uses the concept "Test  
6 Period," and as I said, I believe this Commission calls  
7 it a "Rate Year". It would be the forward looking  
8 period. The actual data through April 2002 were a  
9 component of the data that were used to develop the  
10 rate year or test period data that I refer to here,  
11 which is the prospective period, but it does not end in  
12 April.

13 Q. I think I may have misspoke on that one. I  
14 think I meant to say that it ended September 2002; is  
15 that correct?

16 A. I think, yes, given how we've characterized  
17 how to define this period in your exhibit, that would  
18 be I think a reasonable way to explain or understand  
19 that period.

20 Q. Now, when you say the use of this test  
21 period is appropriate for evaluating the results in  
22 your prepared direct testimony, do you mean Olympic is  
23 still relying on the results you testified in in your  
24 direct testimony?

25 A. I think -- I'm sorry, could you state that

3122

1 question again, too? I was reading.

2 Q. Is Olympic still relying on the results you  
3 testified to in your direct testimony?

4 A. No, I think in the rebuttal we made clear --  
5 maybe I can point you to it -- and then we've updated  
6 the analysis both for revisions to data and certain  
7 corrections to my calculations. Give me a second, I  
8 can cite you to what I -- I believe the case in -- 703  
9 contains the case that we are putting forth in the  
10 rebuttal, which is simply updating data and making some  
11 corrections.

12 Q. So I guess it would be fair to say then  
13 that --

14 A. I'm sorry, and I think to point people so  
15 there's no confusion, this is on page 9, lines 8 and 9  
16 of the rebuttal testimony is where we're drawing this  
17 conclusion of that. That's the basis that we're using  
18 to evaluate the rates.

19 Q. So by your testimony on page 4, lines 11  
20 through 12 you did mean to say then that Olympic is  
21 relying on your testimony in the direct case?

22 A. Well, I think it's true -- I think it's true  
23 that that period was appropriate for the direct  
24 testimony. It's also true for the rebuttal. It may be  
25 a bit confusing how it's worded, but I think it's true.

3123

1 I mean, the same test period is appropriate. We felt  
2 the same period is appropriate when we filed this in  
3 December, and we're not changing the period. We're  
4 using the same period that we used back then.

5 Q. What same period are you referring to?

6 A. The period characterized on your Exhibit 727  
7 that we discussed previously as -- what you've referred  
8 to in Column A as the test period.

9 Q. Is that the same test period that you used  
10 in the direct case?

11 A. Yes.

12 Q. Now, Exhibit 703-C updates and replaces  
13 Ms. Hammer's Exhibit 819; is that correct?

14 A. I'm sorry, let me return to my Index and  
15 you can continue.

16 Q. 819 is the one that was marked as CAH-4,  
17 that might help things.

18 A. Okay. Say that again.

19 Q. Do you know which Exhibit I'm referring to?

20 A. I know 819 is CAH-4. I'm familiar with  
21 that.

22 Q. Okay. And my question is whether your  
23 Exhibit 703-C updates and replaces Ms. Hammer's  
24 Exhibit 819?

25 A. Yes.

3124

1 Q. Now you provided the calculations for  
2 Olympic's cost of service, not Ms. Hammer, correct?

3 A. Yeah, I think my direct and rebuttal  
4 testimony made clear that I performed those  
5 calculations.

6 Q. And Ms. Hammer provided you data that you  
7 used to make those calculations; is that correct?

8 A. Yes, Ms. Hammer had provided me data that I  
9 used for my calculations.

10 Q. Did you review the data Ms. Hammer gave you  
11 for accuracy?

12 A. Ms. Hammer and I had spent a long period of  
13 time going through -- I'd done a careful review of the  
14 data and Ms. Hammer and I spent a lot of time on the  
15 phone and both with me in her office had gone through  
16 the data at great length.

17 Q. What kind of review did you make of the  
18 data?

19 A. Well, I would go through reviewing amounts,  
20 looking at how amounts may track month by month to see  
21 if there were anything that looked, you know, kind of  
22 stood out as looking not typical in terms of patterns  
23 of spending.

24 I Checked to make sure that the amounts were  
25 consistent with what amounts reported in for 6 both for



3125

1 2000 and 2001, compared to what we had filed previously  
2 and just -- it was a lot of checks in the data and we'd  
3 ask questions. I'd ask her about -- anything I had  
4 questions about would ask her about.

5 Q. Did you make adjustments to the data that  
6 she provided you?

7 A. Yes, we made several adjustments, some of  
8 which we've discussed earlier.

9 Q. Now, when -- I might be a little unclear  
10 with my terms but did you mean that you made  
11 adjustments to the data before making the calculations?

12 A. I'm sorry, before making what calculations?

13 Q. When I'm using "calculations" I guess I'm  
14 talking about the adjustments that were made to  
15 determine costs of service. So it's a little  
16 confusing with the terminology, and I apologize. But  
17 I'm looking at the raw data that Ms. Hammer gave you  
18 before making any of the adjustments. Did you make any  
19 restating or proform adjustments to the raw data?

20 A. I don't believe -- I wouldn't agree with the  
21 term "raw data." Ms. Hammer provided me with company  
22 financial statements, income statements, and balance  
23 sheets, and I made adjustments to those data, and I  
24 think those are discussed in the rebuttal testimony.  
25 Some of those adjustments with -- I mean with respect

1 to operating expenses are outlined in your Exhibit 727,  
2 but I would not say that she provided me with raw data.

3 Q. In the workpapers that were provided to  
4 parties at the end of last week did you include the  
5 analysis of the review that you just spoke of?

6 A. I'm sorry, could you -- I don't understand  
7 the question exactly.

8 Q. Earlier you said --

9 A. If you could just --

10 Q. I'm sorry.

11 A. Go ahead. If you could just rephrase it.

12 Q. Sure. Earlier you testified that you made a  
13 review of the data that Ms. Hammer provided to you.  
14 Did you provide in your workpapers the analysis that  
15 you conducted in reviewing the data?

16 A. I think there were papers that contained  
17 adjustments that were made. I mean there was no  
18 cataloging of all the hours we spent on the phone  
19 talking about things, I think. But the papers  
20 contained would have started with data that would have  
21 been provided by Ms. Hammer and then adjustments that  
22 we felt were appropriate to make for rate making  
23 purposes.

24 When you say workpapers are you referring to  
25 the workpapers 1 through 10 that were talked about last

3127

1 Friday with Mr. Colbo, Twitchell, Mr. Grasso, and  
2 Mr. Brown?

3 Q. Yes, the workpapers that were provided to us  
4 I believe last Friday.

5 A. Yeah, I would say those contained  
6 adjustments that were made to data from Ms. Hammer that  
7 were not contained in the exhibits that were filed.

8 Q. Did Ms. Hammer provide you with adjusted  
9 data other than fuel loss and oil loss -- I'm sorry,  
10 power expense and oil loss?

11 A. When you say -- I'm not sure by "adjusted  
12 data," I mean Ms. Hammer provided me with, you know,  
13 income statements and balance sheets. You know, to  
14 that we made adjustments. I asked her to make  
15 adjustments to oil losses, as we've talked about. We  
16 made some adjustments to other miscellaneous operating  
17 expenses as contained in those workpapers.

18 She had used -- she made some adjustments to  
19 compute fuel and power costs, and I think other than  
20 that there were other adjustments that were made that I  
21 think I would have made. Those are the ones that come  
22 to mind immediately in terms of adjustments. I can't  
23 speak for any other adjustments she may or may not have  
24 made.

25 MR. MARSHALL: Now that the witness has

1 answered the question, I would just object to the  
2 premise of the question on oil losses because that  
3 was an acceptance by Staff's proposed adjustment to  
4 oil losses.

5 So I think the question assumes that this  
6 was an adjustment made by Ms. Hammer when the  
7 papers reflect that this was an adjustment  
8 accepting what Staff's responding case  
9 had suggested.

10 MS. WATSON: Well, be that as it may, they  
11 did have to look at the calculation and decide to  
12 accept or reject it.

13 MR. MARSHALL: I just wanted the record to  
14 reflect --

15 THE COURT: You're clear. Very well.  
16 You're not asking to strike the answer?.

17 MR. MARSHALL: No, I'm not. I just wanted  
18 the premise to be clear --

19 THE COURT: Your observation is noted for  
20 the record. Thank you, Mr. Marshall.

21 Q. (By Ms. Watson) Mr. Collins, no adjustments  
22 were made to account for any increased costs to comply  
23 with State or Federal or safety regulations either  
24 present or proposed; is that correct?

25 A. I can't answer that. That's not something I

3129

1 addressed to my testimony.

2 Q. Are you aware of any such adjustments?

3 A. I'm just aware of the adjustments that were  
4 provided to me. I couldn't speak to the specifics of  
5 what particularly, you know, expenses relate to. I  
6 mean that's outside of the scope of what I've testified  
7 to.

8 Q. Would it be fair that such an adjustment  
9 would be appropriate to determine costs of service?  
10 I'm sorry. Would it relate to costs of service?

11 A. I'm sorry, what adjustment?

12 Q. To account for any increase that might occur  
13 to comply with state or federal regulations, safety  
14 regulations?

15 A. I think as a general rate making matter you  
16 know what to the extent you're making adjustments to  
17 levels of costs, I mean the ideas that you're looking  
18 at trying to adjust for making sure that you have a  
19 recurring level of cost. I mean to some degree you may  
20 have a cost that you incur one year for one specific  
21 activity; you may not have that activity occur next  
22 year but maybe on some other part of their system  
23 there's another activity that would represent that same  
24 level of costs. I think the whole idea concerned about  
25 your normalizing costs or not relates to if the level

3130

1 of costs is going to change year to year. And so  
2 that's what I think more of my concern was looking at  
3 making sure that the level of costs was appropriate and  
4 reflective of what you'd expect to have prospectively  
5 for a rate year.

6 Q. I guess I want to make sure that I'm clear  
7 on the answer. So you're not aware then of any  
8 adjustments that were made to take into account  
9 increased costs to comply with safety regulations?

10 A. I'm not aware of any specifics regarding --  
11 that's not anything that I would address to my  
12 testimony.

13 MS. WATSON: If I could have just a moment.

14 Q. (By Ms. Watson) Okay. I just have a few  
15 more questions. Mr. Collins, Ms. Hammer gave you the  
16 income statement and balance sheet information,  
17 correct?

18 A. Ms. Hammer provided me income statement and  
19 balance sheet information; that is correct.

20 Q. And she also provided you in that data  
21 adjustments for oil losses and power costs, correct?

22 A. Yeah, I had asked -- I had requested her to  
23 make the adjustment to oil losses as discussed in my  
24 rebuttal testimony, but it included that. And I know  
25 she did make -- she made adjustments for fuel and power

3131

1 separately, and those were included -- she provided me  
2 with those data, yes.

3 Q. And did Ms. Hammer make any other  
4 adjustments to the income statement or balance sheet  
5 data she provided?

6 A. I think she may have. I mean those are the  
7 ones that I'm aware of. I think, you know, we talked  
8 about the -- well, I think those are the only ones that  
9 I'm aware of with regard to operating expenses.

10 MS. WATSON: Your Honor. Those are all of  
11 my questions. This may be an appropriate time to  
12 take a break, and I'd also like to move Exhibit No.  
13 727 into the evidence.

14 THE COURT: Is there an objection?

15 MR. MARSHALL: No.

16 THE COURT: Exhibit 727 is received and we  
17 are in recess for our noon recess. We'll reconvene  
18 at 1:30.

19 MR. BRENA: Your Honor, just one procedural  
20 matter. We had marked 725, Mr. Collins's  
21 deposition of June 24th. It has also an Exhibit 1  
22 to it. I think we've been identifying the exhibits  
23 with separate numbers. I don't know what your  
24 preference is to how to handle that.

25 JUDGE WALLIS: Very well. I think that we

3132

1 have -- well, let's take a look at it over the noon  
2 our. Thank you.

3 (Recess.)

4 (Back on the record.)

5 THE COURT: Are we ready to proceed?.

6 MR. MARSHALL: Yes.

7 THE COURT: Very Well. Mr. Brena, am I  
8 right that you're up next?.

9 MR. BRENA: We can go either way. I could  
10 start.

11 JUDGE WALLIS: Following our noon recess,  
12 Mr. Finklea, are you going to begin the examination  
13 of this witness?

14 MR. FINKLEA: Yes.

15

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

17 BY MR. FINKLEA:

18 Q. Good afternoon, Mr. Collins. I am Ed  
19 Finklea, and I'm representing Tosco in this proceeding.  
20 We have marked for identification an Exhibit 726, and  
21 do you have that before you? It's a series of charts?

22 A. Yes, I have Exhibit 726.

23 Q. If you could turn to page 1 of -- there's a  
24 six page exhibit, and it's a series of tables, and I'll  
25 be asking you questions off of these tables.



3133

1           First of all, would you agree with me that  
2 all else equal a higher volume estimate results in a  
3 higher test period cost of service due to the higher  
4 fuel and power costs associated with moving the  
5 incremental volumes?

6           A.       Yes, I would agree all else equal if volumes  
7 are higher and variable cost would also be higher, and,  
8 therefore, costs would be higher.

9           Q.       And the primary variable cost we're focused  
10 on is fuel and power; is that correct?

11          A.       Yeah, I believe there are two -- yes. Well,  
12 there are two costs: Fuel and power, and there's also  
13 drag reducing agent or D.R.A. as it's referred to.

14          Q.       I'd like your help in making sure that I've  
15 calculated some of these estimates correctly, and if  
16 you would first turn to page 1 of 727 -- 726 and  
17 there's a column that's marked Olympic's Proposed Test  
18 View.

19          A.       I see that column.

20          Q.       And in that it's correct that your rebuttal  
21 case is based on an annual throughput of 103,165,081  
22 barrels; is that correct?

23                 MR. MARSHAL: I just have to object to the  
24 form of the question. The actual test year as we  
25 use that term here in Washington State we refer to

3134

1 the "Example Staff Test Year" is the year 2001,  
2 calendar year 2001. And that test year the barrels  
3 would be 83 million. This is an adjustment to a  
4 Staff test year basis. So the Column is and what  
5 you're trying to refer to here I think is  
6 potentially confusing.

7 MS. SHOWALTER: I'm going to agree. After  
8 the explanation of the witness on the terminology I  
9 have to say I'm somewhat confused. I think we've  
10 got to be bilingual here, and I think it's probably  
11 going to help most if we identify both the FERC  
12 term and the U.T.C. term in what may mean by it.

13 It's fairly clear what "base year" means and  
14 "rate period," but this use of the word "test" to  
15 apply in the State's case to the "look-back year"  
16 and in the FERC instance the "look-forward year" is  
17 genuinely confusing. And I think I'm going to be  
18 confused but the record will also be confused. And  
19 I think we're just going to have to try as often as  
20 possible to repeat or state both terms that, you  
21 know, "That is," you know, the "FERC Base Year" or  
22 the "U.T.C. Test Period".

23 MR. MARSHALL: I agree.

24 MS. SHOWALTER: It's very confusing.

25 MR. MARSHAL: And, you know, subject to

3135

1 check the Staff could confirm the use of their test  
2 year, which is calendar year 2001 -- January 2001  
3 to December 2001 has a volume throughput level of  
4 roughly 83 million barrels; is that correct?.

5 MS. WATSON: That's correct on an actual  
6 basis.

7 MR. MARSHAL: Right. And Olympic's  
8 adjustment to that test year is also based on actuals  
9 to the point where we have it and then an annualized  
10 amount for the month or two -- couple of months that we  
11 don't have actuals up until now.

12 MR. BRENA: Your Honor, and Chairwoman  
13 Showalter, if I could make one point. They filed  
14 the identical testimony here and they used --

15 MS. SHOWALTER: I can't hear you. Turn on  
16 your --

17 MR. BRENA: Okay. I'm sorry, I haven't  
18 turned it on. They filed the identical testimony  
19 here and at FERC. They've used all the FERC  
20 terminology in their case. So what's going to make  
21 me confused is if we start taking their case before  
22 this commission, which uses the FERC terminology.  
23 I Don't know whether or not the test year at FERC  
24 has as it's intended to be used by FERC equals a  
25 rate year as this Commission uses a rate year.

1 They haven't asserted that. So, I mean, there's  
2 nowhere in their case that the identify of what the  
3 State's rate year is. All they've done is file a  
4 FERC case here.

5 So I'm going to get real confused real fast  
6 if what we do is impose on their case concepts that  
7 aren't in the testimony.

8 MS. SHOWALTER: All right, that's fine.  
9 Then, how about this? If instead of "Test Year" it  
10 says "FERC Test Year?" Would that be okay? In  
11 other words I just need to know which linguistic  
12 universe I'm in when we're talking about it, and  
13 it's fine if it says "FERC Test Year" and maybe the  
14 way to do this is to confirm through the witness  
15 the appropriate caption for whatever column or row  
16 we're talking about.

17 MR. FINKLEA: Commissioner, we have called  
18 this "Olympic's Proposed Test Year." I believe based  
19 on the examination that Staff just did around  
20 Exhibit 727 to keep things consistent if we called  
21 it Olympic's Proposed Test Period. I believe and I  
22 can ask the witness to confirm that the volumes  
23 that I'm showing as Olympic's in the 726 as  
24 Olympic's Proposed Quote Test Year conforms with  
25 the time period that is shown and Staff's

3137

1 Exhibit 727 as the quote test period under  
2 Column A.

3 MS. SHOWALTER: Well, I don't know. All I  
4 can tell you is if a title has the word "test" in  
5 it, I am genuinely not going to know what it is  
6 because we use I think both "Test Period" and "Test  
7 Year" in our lingo, whereas to me something very  
8 different than what FERC means by the word "Test  
9 Year" or "Test Period."

10 And so this is Olympic's Proposed  
11 "Whatever", but if the "Whatever" is the FERC  
12 concept, we've got to get that clear because  
13 otherwise I really -- either the witness and the  
14 Counsel may or may not know that they're talking  
15 about the same thing, I wouldn't know, but I can  
16 assure you that I will not know what the witness or  
17 the Counsel is actually asking about if we don't  
18 take panges to clarify this somehow.

19 MR. FINKLEA: May I try a few questions to  
20 see if we can clear this up?

21 Q. (By Mr. Finklea) Mr. Collins, on page 1 of  
22 what's been marked for identification as Tosco 726, we  
23 have shown volumes of 103,165,081 barrels. Is that  
24 what your company is proposing to use for throughput to  
25 determine rates in this proceeding?

3138

1           A.       Yes, the volume number is the volume  
2       assumption that we have used and is contained in  
3       Exhibit 703, which is our case.

4           Q.       And were you asked a series of questions by  
5       Commission Staff around Exhibit 727 and in particular  
6       Column A referred to a test period that involved actual  
7       data for October 2001 through April of 2002, budgeted  
8       data for May and June of 2002 and then an average  
9       derived from those nine months in order to estimate  
10      July, August, and September being the last three months  
11      of what the Staff in it's labeling called the test  
12      period? Is that the 12 month period that corresponds  
13      to the 103 million barrel throughput estimate that's  
14      being used by the company for purposes of presenting  
15      it's recommendations for how rates should be  
16      established?

17          A.       No, I would describe it a little  
18      differently. When we were talking this morning with  
19      staff I tried to make clear that the adjustments and  
20      the approach that was described in 727 was how  
21      operating expenses to a large degree were adjusted and  
22      it related to operating expenses.

23                    The volume assumptions, and, I think as  
24      discussed in Ms. Hammer's rebuttal testimony, were  
25      developed in a different manner than taking actuals for

3139

1 seven months, budgets for two months, and then taking  
2 an average for the remaining 9 months. The volumes  
3 were done in a different manner. I think that's  
4 described in her rebuttal testimony.

5 Q. And just to help us clear on the record,  
6 what 12 months are being used then to develop the 103  
7 million figure?

8 A. It was my understanding that for purposes of  
9 volumes what Olympic had looked at was -- they had  
10 looked at the period July 2001, which coincided with  
11 the  
12 16 inch line segments being put back into service and  
13 that was really in essence the system was back in  
14 operation in total with exception of the 80 percent  
15 operating pressure restriction. So that was really the  
16 first period of time where they had the system  
17 operating as it is operating today.

18 So I believe when Ms. Hammer had used for  
19 volumes when she looked at the actual data beginning in  
20 July of 2001 and looked through the actual data through  
21 April of 2002. So that gave ten months of volume data.  
22 Then she prepared estimates for April and May and that  
23 was the basis for how the one number 103,165,081 barrel  
24 number was arrived at. And, again, that's something  
25 that she discusses in her testimony.

3140

1 Q. And just to correct the record you stated  
2 April twice. Did you mean the estimated months are May  
3 and June?

4 A. Yeah, I'm sorry if I misspoke. The  
5 estimated months are May and June.

6 Q. And is that 12 month period that you  
7 proposed to use for establishing throughput in order to  
8 establish rates?

9 A. That was the throughput projection that she  
10 developed and I used that throughput projection, 103  
11 million.

12 Q. In light of that, if we could turn back to  
13 page 1 in the column that I have labeled "Olympic's  
14 Proposed Quote Test Year." Do you -- would it be more  
15 accurate to label that column "Olympic's Proposed Test  
16 Period?"

17 MR. MARSHAL: I would just object to the  
18 question. I think the explanation has been that  
19 what's happened is the test period used by Staff of  
20 calendar year 2001 has been adjusted for known and  
21 measurable conditions based on actuals with the  
22 best data available. It doesn't represent a FERC  
23 test period or another test period. It's an  
24 adjustment to data used in the period that Staff  
25 had call the test period.



3141

1           MR. BRENA: Your Honor, if I could briefly  
2 address the use of talking objections. It's not  
3 helpful to have opposing Counsel give testimony  
4 with regard to the purpose of that. And as I  
5 understood that objection he just explained what  
6 the witness should be explaining directly. So I  
7 would just ask if there's an objection, then just  
8 state what the objection is and then let's argue  
9 the objection and then allow the witness to  
10 testify, please.

11           THE COURT: I can understand Mr. Marshall's  
12 enthusiasm in his desire to take shortcuts, but I  
13 think that in terms of an objection if you want to  
14 identify the issue and then we'll let Counsel  
15 follow-up with the witness or you can.

16           It is as we noted earlier a matter of  
17 confusion, and we want to thank you for bringing  
18 that to our attention.

19           Mr. Finklea, do you have enough ammunition  
20 now to continue?

21           MR. FINKLEA: Yeah, I believe I have enough  
22 to continue.

23           Q.       (By Mr. Finklea) If we labeled the column  
24 "Olympic's Proposed Volumes" for purposes of  
25 establishing rates, would that be accurate?

3142

1           A.        I mean, it's your Exhibit, but I would agree  
2   that number, the 103,165,081 is the volume number that  
3   we've used in our rebuttal case. I mean, it's your  
4   Exhibit so I can't say, but I would say that would be a  
5   correct characterization of what we've used.

6           Q.        So just to keep the record straight --

7                   MR. FINKLEA: And, Your Honor, I'd be happy  
8   to substitute these Exhibits after, but while  
9   conducting questions on these I will propose to use  
10  the terminology Olympic's Proposed Volumes for  
11  purposes of establishing rates and that will be the  
12  label on Column A so that we keep the record very  
13  straight on what the 103 million figure is.

14                  MS. SHOWALTER: Well, Mr. Finklea, it's not  
15  just a proposed volume, it's the volume within a  
16  year, right? A year period?

17                  MR. FINKLEA: Yes. I mean all -- now I'm  
18  testifying.

19                  MS. SHOWALTER: I mean I'm talking about the  
20  label.

21                  MR. FINKLEA: In my understanding of the  
22  rates you always use an annualized figure in order  
23  to establish throughput for any utility, and you  
24  have to have 12 months figure to use 11 months  
25  figure.

3143

1 MS. SHOWALTER: Right, but these other terms  
2 we're talking about generally are a year or a  
3 period or something whereas if we start to label it  
4 "This is the volume we mean," well, the volume for  
5 what? For the period we're talking about, however  
6 that is termed -- I --

7 MR. FINKLEA: We've already established that  
8 there is a mismatch between the period that's being  
9 used to determine volumes and the period that's  
10 being proposed by the company for determining  
11 costs.

12 Q. (By Mr. Finklea) Is that statement correct,  
13 Mr. Collins?

14 A. No, I would not say that is correct. I  
15 would say the volume projection was based on ten months  
16 of actual data that represent what are known and  
17 measurable that the pipe lines's volumes are likely to  
18 be at that level. I mean they have this 80 percent  
19 pressure restriction and so given that, there was no  
20 other period where the lines's been operating in this  
21 manner that that was a reasonable way to, you know, to  
22 use to develop representative volume levels going  
23 forward.

24 I wouldn't characterize it as a mismatch.  
25 It's slightly different than how the majority of

3144

1 operating expense adjustments are made. There are a  
2 variety of things done differently. Just because  
3 they're different, I don't know that I'd characterize  
4 them as a mismatch.

5 Q. (By Mr. Finklea) Withdrawing the word  
6 "mismatch," is it correct that for purposes of  
7 calculating the volumes that you recommend to determine  
8 the throughput to establish rates that you are  
9 proposing twelve months beginning with July of 2001 and  
10 ending with June of 2002 and as we were discussing with  
11 Staff the figures you're using for July, August, and  
12 September for purposes of establishing expenditures are  
13 averages based on figures from the previous nine  
14 months? You're not proposing to use the expenditures  
15 from July, August, or September of 2001; is that  
16 correct?

17 A. I'm sorry, I was kind -- maybe -- it  
18 sounded like there may have been more than one  
19 question. If that can be read back or you can restate  
20 it?

21 Q. Yeah, I think it can be read back, and I do  
22 believe it's just one question.

23 A. Okay.

24 (Record read as requested.)

25 A. I am not proposing to use the expenditures

3145

1 from -- by expenditures, I assume that to mean  
2 operating expenses or it could be capital as well --  
3 from July, August, or September of 2001. Maybe stating  
4 it in a different way would be helpful to clarify the  
5 confusion.

6 I think there's been some discussion of  
7 Ms. Hammer's direct testimony about the seasonality of  
8 volumes. And I think given the unique nature that  
9 Olympic does not have a historical period where it has  
10 operated as it is currently with the system in it's  
11 complete configuration of this pressure restriction  
12 that it has, you know, to come up with an annual figure  
13 we had looked at the only ten months of actual data  
14 that were available. And maybe another way to think of  
15 this, if this will be helpful, was that you could  
16 assume that July 2002 through September 2002 would be  
17 equivalent to the actual experience for July through  
18 September of 2001.

19 But I think to answer the question, I did  
20 not use -- or we did not use July through September  
21 2001 costs in the forward looking period rate year or  
22 FERC test period.

23 Q. Thank you. If we could return to page 1 of  
24 6 of what's been marked as 726. Am I correct that the  
25 cost of service figure that you're recommending is

3146

1 shown at the bottom of what I have marked as Column A  
2 of Table 1, and it would be a test year cost of service  
3 of 56,535,000?

4 A. Yes, I would agree that the amount that's  
5 shown on Line 4 of Column A of 56,535,000 is our  
6 recommended cost of service for the FERC test year or  
7 rate period.

8 Q. And then if you would move over to the next  
9 column, I have shown a higher volume figure -- just an  
10 arbitrary figure of 110 million barrels and then in the  
11 next two columns are respectively shown 120 million and  
12 130 million. And I want you first of all to agree with  
13 my map that if we go from the company's proposed  
14 volumes to 110 million barrels that the incremental  
15 volume would be 6,834,919?

16 A. I would agree with that subject to check it  
17 appears that that it is correct.

18 Q. And then if we could go to the next row in  
19 my chart, it shows the cost of service increase that  
20 results from the higher volume level. And for purposes  
21 of our calculation we have used a unit cost of fuel,  
22 and power and within fuel we do include the drag  
23 resistant agent I believe, and our incremental expense  
24 figure is 8.78 cents per barrel. And what I'd like you  
25 first to do is confirm with me that that's an accurate

3147

1 way to look at the incremental cost of moving an  
2 additional barrel of product.

3 MR. MARSHALL: I would object to the  
4 question at this time because Mr. Finklea is  
5 testifying about what he thinks it includes. I  
6 don't think he's said that he knows whether it  
7 includes drag reducing agent or not. And I don't  
8 see the purpose of having a witness like this do  
9 that kind of math when he has his own witness  
10 available do it when he could have asked for a data  
11 request earlier. This isn't anything new. This  
12 could have been done earlier.

13 I think those assumptions and premises are  
14 not in evidence and asking this witness to try to  
15 make some assumptions and then do some math is not  
16 an appropriate use of our time.

17 THE COURT: Mr. Finklea.

18 MR. FINKLEA: Your Honor, if we go to  
19 Mr. Collins' Exhibit 8-C at Schedule 22.6, nothing  
20 on this chart isn't taken right out of Mr. Collins'  
21 own exhibits. And if we want to do this the long  
22 and hard way, which is apparently what Mr. Marshall  
23 is suggesting, I'd ask the witness to turn to what  
24 was premarked as BAC-8C, otherwise known as Exhibit  
25 703-C, and if you'd go to schedule 22.6 of that

3148

1 Exhibit.

2 A. I'm there.

3 Q. Go to page 2 of 2 of that.

4 A. I'm there.

5 Q. Make sure everybody else gets there.

6 MS. SHOWALTER: Schedule 26 did you say?.

7 MR. FINKLEA: Schedule 22.6. I believe it's  
8 page --

9 MR. TROTTER: 71. 71.

10 MR. FINKLEA: 69 of 71.

11 Q. (By Mr. Finklea) Mr. Collins, am I correct  
12 that these -- the figures shown on Schedule 22.2 of  
13 Exhibit 703-C, also known as page 64 of that exhibit,  
14 shows the fuel and power?

15 A. I'm sorry, did you mean 22.6? I think you  
16 said 22.4.

17 Q. Yes, you're right, 22.6.

18 A. But to answer your question, yes, I believe  
19 the fuel and power and D.R.A. costs contained in this  
20 schedule are -- we've used in our calculations.

21 Q. If you add the power and D.R.A. costs per  
22 barrel figure shown in the total row of that exhibit,  
23 am I not correct that the per barrel cost is 8.78 cents  
24 per barrel?

25 A. It appears -- subject to check that appears



3149

1 just doing the math in my head that that would be  
2 correct.

3 Q. So you agree that if we go back to my Table  
4 1 that in Row 3 I show that the incremental  
5 fuel power expense of 8.78 cents per barrel that that  
6 comes from your Exhibit 703-C?

7 A. Yes, I would -- I'm sorry. I would agree  
8 that the 8.78 cents per dollar per barrel amount is  
9 consistent with what's shown on schedule 22.6.

10 Q. So then doing the math across if we had --  
11 if the company experiencing an increase in throughput  
12 of 6,834,919 the incremental expenditure, which I've  
13 shown in the third column in second row is -- the third  
14 row -- the third row in second column is \$589,000,  
15 which I have rounded up for purposes of this Exhibit to  
16 be 600 thousand. Would you agree subject to check that  
17 that's the right math?

18 A. I would agree with the math taking the  
19 volume times that number is correct, but I wouldn't  
20 agree -- I guess I wouldn't agree first that that would  
21 be a linear relationship. That's not my area of  
22 expertise.

23 I guess second, I wouldn't agree in terms of  
24 making just arbitrary adjustments to volume assumptions  
25 that that some how is going to correlate to -- you can

3150

1 just flow through that to a test period cost of  
2 service.

3 I mean we were attempting to use changes  
4 that are known, measurable, and effective within nine  
5 months, and I don't think any -- I wouldn't agree that  
6 -- I think just making hypothetical volume assumptions,  
7 one, is appropriate to take to the data I'm using; and  
8 two, even if it were, I don't think you could just  
9 simply take that amount -- I believe that those costs  
10 would go up at a greater rate than that.

11 But that's, again, just my general  
12 understanding of how variable costs increase as a pipe  
13 line gets closer to capacity.

14 Q. It's your testimony that as additional  
15 volumes increase that the incremental cost of power and  
16 drag resistant is not what's shown in Exhibit 703-C at  
17 page 68 of 71 of 8.78 cents?

18 A. Well, again, that's outside of my area of  
19 expertise. I'm not testifying as a hydraulic engineer,  
20 but I --

21 Q. But your exhibit does show that as the  
22 incremental -- if we take the two figures from page 68  
23 that is what you would show as the incremental cost of  
24 fuel and power; is that correct?

25 MR. MARSHALL: I would object to the form of

3151

1 the question because it's at one volume and not at  
2 a much higher volume. I think the question is  
3 trying to relate to linearity of a lower volume  
4 with a higher volume.

5 I think the question is confusing and  
6 improper.

7 MR. FINKLEA: I don't think there's anything  
8 confusing or improper about it. We've taken two  
9 figures from this witness's own calculations of the  
10 -- of these costs of fuel and power, and for an  
11 illustrative purpose attempted to isolate what the  
12 incremental effect of additional volumes would be.  
13 So we're not -- we're not offering Exhibits 726 for  
14 the purposes of determining the precise cost of  
15 additional fuel and power but rather for the  
16 purpose of trying to isolate what the effect of  
17 additional volumes are on at least one component of  
18 the company's cost of service for illustrative  
19 purposes.

20 MR. MARSHALL: The problem is that the  
21 exhibit that he's referring to shows that average  
22 of the fuel and power for one year at one specific  
23 volume level, i.e. 103 million barrels. He then is  
24 trying to extrapolate that average cost for fuel  
25 and power to a much different level, and it's

3152

1           inappropriate.

2                   THE COURT:  And I think that's correct, and  
3           I think that Counsel is asking the witness how  
4           proper it is to do that and what the effect is.  
5           Mr. Finklea, is that what you're about here?

6                   MR. FINKLEA:  I am about attempting to  
7           establish if we isolate on that aspect of the case  
8           that as volumes go up there is an incremental cost  
9           associated with those increased volumes.  And I'm  
10          trying to get -- I'm trying to discuss with the  
11          witness and have as this illustrative exhibit what  
12          based on the testimony of this witness and his  
13          exhibits what the effect is of the increased  
14          volumes.

15                   THE COURT:  Very well.

16                   MS. SHOWALTER:  Can I clarify?  Isn't your  
17          question if there were a linear relationship  
18          between cost established on the prior exhibit,  
19          "Would the incremental cost be as shown on your  
20          Exhibit?"

21                   MR. FINKLEA:  Yes, commissioner.  In that --

22                   MS. SHOWALTER:  Ask if he knows that.

23                   MR. FINKLEA:  Yes, in that I'm not putting  
24          forward 8.78 cents as anything other than the  
25          result of the addition of the two figures that are

1 shown on his exhibit. And if the record based on  
2 his answers reflects that while that is the figure  
3 that he isn't here to testify that that would be  
4 exactly the precise incremental cost of additional  
5 fuel and power, I think the record will reflect  
6 that without making it impossible to go through  
7 these tables and establish at least a relatively  
8 accurate range of what the effect is.

9 THE COURT: Very well. The objection is  
10 overruled. Mr. Finklea, you may proceed.

11 Q. (By Mr. Finklea) So, Mr. Collins, if I add  
12 approximately 600 thousand in incremental fuel and  
13 power associated with the additional approximately 6.8  
14 million barrels, am I correct that the next column down  
15 would show --

16 THE COURT: Let's be off the record for a  
17 few moments please.

18 (Discussion off the record.)

19 (Back on the record.)

20 JUDGE WALLIS: Let's be back on the record,  
21 please.

22 Q. (By Mr. Finklea) if we could, Mr. Collins,  
23 next focus on the 4th column which is in my Table 1  
24 labeled Total TOC cost of service?

25 A. Do you mean 4th row?

3154

1 Q. No, I mean -- I mean -- yes, 4th row and  
2 second column, the column under 110 million would show  
3 a cost of service of 57,135,000 associated with a  
4 volume estimate of 110 million barrels. Do you agree  
5 with the math first of all?

6 A. Subject to check it appears that if you add  
7 600 to 56,535,000 you do get 57,135,000. I think just  
8 to make it clear I haven't characterized in my  
9 testimony where I believe what incremental expenses are  
10 22.6 doesn't identify incremental expense, but setting  
11 that aside for illustrative purposes, your multiplying  
12 the 8.78 cents times those volumes appear to -- the  
13 math appears to -- I would agree with the math subject  
14 to check.

15 Q. Moving to the next column that has as a  
16 volume figure 120 million barrels, do you also agree  
17 subject to check that the math under that column is  
18 correct? In that I have done 2 things. I have added  
19 ten more million barrels to the second row under  
20 Incremental Volume and then taken that ten million  
21 barrels and multiplied it by that same 8.78 cent per  
22 barrel incremental fuel and power expense and added  
23 that incremental cost to the original cost of service  
24 to have a new cost of service of 58,013,000?

25 MR. MARSHAL: May I just have a continuing

3155

1 objection on the premises?

2 THE COURT: Yes.

3 MR. MARSHALL: Thank you.

4 A. Yeah, I would agree -- I think I would agree  
5 with the math subject to check for the results in the  
6 column that starts with the 120 thousand -- 120 million  
7 barrels as well.

8 Q. (By Mr. Finklea) And do you, going to the  
9 next column over that starts with 130, do you agree  
10 that what we have done here is shown an additional ten  
11 million in volume, multiplied that additional ten  
12 million by the same 8.78 cent per barrel incremental  
13 fuel and power expense to derive a cost of service  
14 figure of 58,891,000?

15 A. I would agree the math appears to be  
16 correct.

17 Q. Could you next turn to page 2 of the same  
18 exhibit?

19 A. I'm there.

20 Q. And focus on the column that has the 103  
21 million barrels and the row that's labeled Total DOC  
22 Cost Of Service, and I would like you to confirm from  
23 what's been marked for identification as B --  
24 originally it was marked as BAC-11C, and I believe that  
25 is now Exhibit 706-C?

1 JUDGE WALLIS: Yes.

2 Q. (By Mr. Finklea) And if you go to Schedule  
3 22 of that exhibit, I believe we have accurately  
4 reflected the effect of using the depreciated original  
5 cost -- method of cost of service rather than the  
6 trended original cost. And we show there a cost of  
7 service figure of 50,020,000. Is that a correct figure  
8 first of all?

9 MR. MARSHAL: I would just object to all of  
10 these exhibits as speaking for themselves. If  
11 Mr. Finklea wishes to introduce them through his  
12 witness, that's one thing. But just asking this  
13 witness if the math is okay and if it comes from  
14 these schedules is I think a less productive use of  
15 our time than would ordinarily be the case. And  
16 you can just ask him to make these assumptions if  
17 he wants rather than have him try to verify math.

18 MR. FINKLEA: Your Honor, I would like to  
19 verify that the figures that are shown in this  
20 column come from this witness's exhibit so that we  
21 have a starting point from which to do what I am  
22 trying to accomplish on cross-examination, which is  
23 to continue to isolate what the impact of higher  
24 volumes is on the company's cost of service.

25 THE COURT: Could we ask the witness to



3157

1 accept subject to his check that figures on your  
2 proposed exhibit are taken from his exhibit?.

3 MR. FINKLEA: That works for me.

4 THE COURT: Would that work for you,  
5 Mr. Marshall?

6 MR. MARSHAL: It would with the added  
7 provision that this witness has yet to agree with  
8 Mr. Finklea that there is a linear relationship  
9 between the cost of fuel and power to these  
10 increases in numbers so that the entire premise  
11 is --

12 THE COURT: I'm not certain that at this  
13 point anyone is contending that there is a linear  
14 relationship.

15 MR. MARSHALL: The document does by it's  
16 assumptions contend that there's a linear  
17 relationship. That's just the way the math works.  
18 So the premise of buying into the document is the  
19 premise that there is a linear relationship.

20 THE COURT: We understand that you object to  
21 what's shown on the exhibit.

22 MR. MARSHALL: Right, and with that then I  
23 think we can probably move this along.

24 THE COURT: Very well.

25 Q. (By Mr. Finklea) If you would accept subject

3158

1 to check that the effect of using the depreciated  
2 original cost method rather than the trended original  
3 cost method is to reduce the company's costs of service  
4 from what is shown on page 1 of my illustrative exhibit  
5 as 56,535,000 and it reduces that figure down to  
6 50,020,000, if you would just accept that subject to  
7 check?

8 A. Yes, I would agree that subject to check,  
9 and it appears that's the only difference between these  
10 two pages. The resulting remaining math is consistent  
11 between those two and the amounts before is just --  
12 simply reflects the same logic that you had on page 1.  
13 So that appears to be the only difference between these  
14 two schedules.

15 Q. And then otherwise what we have done is,  
16 again, isolating on volumes at 110, 120, and 130  
17 million shown the additional expenses incurred assuming  
18 that the incremental cost of fuel and power is 8.78  
19 cents per barrel?

20 A. Yes, I would agree with the assumption that  
21 the incremental cost is 8.8 cents per barrel, that the  
22 math works out that that's how the cost of service  
23 would change.

24 Q. If you would turn to the next page, page 3,  
25 am I correct that the column that has the 103 million

3159

1 figure as the volume that is labeled -- I have a row  
2 that is labeled Revenue Under Prior Rates, and, again,  
3 coming from your own Exhibit 703, am I correct that the  
4 revenue under prior rates, if the company were to  
5 experience the 103 million barrel throughput figure, is  
6 \$35,457,000?

7 A. Yes, I would agree that the revenues under  
8 the prior rates is labeled on Row Number 3 is  
9 consistent with what shows up on schedule 22.2 and my  
10 Exhibit 703.

11 Q. And would you also agree with me subject to  
12 check that the percentage figures shown in Row 2 of the  
13 percentage increase in revenue associated with the  
14 increases in volume are 6.63 percent if the volume is  
15 110 million, 16.32 percent if the volume is 120, and  
16 26.01 if the volume is 130, and that's millions of  
17 barrels?

18 A. Subject to check -- it's not as easy to do  
19 it in my head, but I will agree that subject to check  
20 that the amounts in Row 2 reflect the increases as  
21 indicated in this table.

22 Q. And then if we could turn finally to page 5  
23 of my charts exhibit I have what's been labeled Table 3  
24 TOC, which we mean the Trended Original Cost Method,  
25 and am I correct that first of all, the proposed column

3160

1 was 103 million barrels accurately reflects what the  
2 company is proposing as a rate increase based on its  
3 cost of service figure of 56,535,000 in its proposed  
4 throughput of 103,165,081 million?

5 A. I would agree that the 103,165,081 is the  
6 volume assumption we've used as shown on page 1. There  
7 was a part of your statement prior to that I wasn't  
8 sure what else I was supposed to be --

9 Q. Do you agree just working down the rows that  
10 the next row shows a total cost of service of  
11 56,535,000 and that is the company's recommended cost  
12 of service in the rebuttal case, correct?

13 A. Yes, that's correct, as we've said when we  
14 discussed page 1.

15 Q. And the next row, the 35,457,000 is an  
16 accurate portrayal of the revenue the company would  
17 receive under rates prior to the interim rate increase  
18 if 103,165,081 was the annual volume throughput?

19 A. Well, I might say it a little differently.  
20 This would be assuming that none of the rates FERC nor  
21 WTC were changed, as is shown -- which is what is  
22 reflected on schedule 11, 22.2. That's what I would  
23 say row 3 reflects.

24 Q. So the next column we've used the term  
25 "Revenue Shortfall." Am I correct in stating that the

3161

1 company's asserted revenue shortfall is 21,078,000.

2 A. Yes, I would agree with that?

3 Q. And that's the basis of the rebuttal case  
4 proposed 59.4 percent increase in rates?

5 A. I believe we used a figure of 59.5 percent,  
6 but I'm sure that's just due to rounding numbers here.

7 Q. That's pretty close for lawyer math, right?  
8 In the next column over we have attempted to show  
9 bringing the figures forward from the previous columns  
10 that -- previous pages we were discussing the impact of  
11 isolating on increases in volumes and the incremental  
12 costs of that, and I would like you to accept subject  
13 to check that if the trended original cost method is  
14 used and volumes increase and the volume assumption is  
15 110 million rather than 103 that percentage increase  
16 goes to 51.1 percent using the same cost of service.

17 A. I would say the math works if you were to  
18 assume the volume levels showing this table of 110  
19 million, 120 million, 130 million that the math works  
20 out this way. But I would not agree that those are  
21 appropriate adjustments to make to the volumes. I mean  
22 we're -- all of the data that we've used to compute our  
23 test period cost of service was based on taking data  
24 that were from our 12 month period of actuals and  
25 making perspective adjustments for things known and

3162

1 measurable and effective within nine months. And it's  
2 my -- I'm not the person who provided the testimony on  
3 the volumes, but I don't believe it's appropriate -- I  
4 don't think there's any basis to assume volumes higher  
5 than that. I mean there's nothing that we've -- I  
6 would believe that would suggest that making -- taking  
7 that adjustment, which I would not believe is known,  
8 measurable, and effective within the perspective rate  
9 period or FERC test year would lead to a volume  
10 assumption of 130 million or 120 million or 110 million  
11 for that matter and would suggest that the increases  
12 that are shown on Line 5 are, in fact, correct.

13 Q. So the record's very clear, Mr. Collins, I'm  
14 not asking you to agree that 110 or 120 or 130 are  
15 figures that you would use. You are aware, however,  
16 that there is controversy in this proceeding about what  
17 the proper volume figure is to use for purposes of  
18 calculating ranges?

19 A. Yes, I would agree there's controversy, and  
20 subject to check I would agree with the math contained  
21 on -- I think in Exhibit 726. I agree with the math.

22 Q. And then going to the last page of this  
23 exhibit, this is page 6 of 6 I've labeled as Table 3,  
24 DOC, do you agree that the -- first of all, start with  
25 under the column that has a volume of 103,165,081 that

3163

1 if the DOC method is used for cost of service, that the  
2 cost of service figure decreases to 50,020,000 and as a  
3 result of that, the increase in rates necessary to  
4 eliminate the revenue shortfall is 41.1 percent rather  
5 than the 59 percent figure shown on page 5?

6 A. Yeah, subject to check I would agree with  
7 the math in the first column of numbers.

8 Q. And then going across that same table that  
9 with 110, 120, and 130 million barrels as throughput  
10 figures that we have shown the increase to be necessary  
11 to eliminate the necessary shortfall and that those  
12 figures are 33.9 percent, 24.9 percent, and in the  
13 event that the throughput figure is 130 million, the  
14 increase is 17.2 percent. And I just would ask you to  
15 accept those subject to check?

16 A. I would agree with the math subject to  
17 check.

18 MR. FINKLEA: Your Honor, Tasco would offer  
19 Exhibit 726, and I have no further questions.

20 THE COURT: Mr. Marshall, do you object on  
21 the bases you earlier stated?.

22 MR. MARSHALL: I object not only because I  
23 think Mr. Finklea said he would change labels on  
24 columns, and for that reason alone I would object  
25 to this document coming in this form. All the

1 pages have the incorrect labeling on them.

2 And I also object that it makes assumptions  
3 not in evidence, which is that there is a linear  
4 relationship between the cost of power DRA and  
5 increased throughput.

6 This witness states affirmatively that he  
7 doesn't believe the linear relationship exists. He  
8 does have a Bachelor of Science Degree in Petroleum  
9 Engineering, as his testimony shows, so it's not  
10 just an idle hypothesis on his part that there is  
11 no linear relationship. So for those two reasons  
12 alone I would object.

13 A.

14 THE COURT: Mr. Finklea, can you provide a  
15 substituted label.

16 MR. FINKLEA: Absolutely, Your Honor. We  
17 can certainly do that, and I could regarding the  
18 whole controversy about using the 8.78 incremental  
19 fuel and power number, I have already represented  
20 that is simply a number we've taken from the  
21 Witness' own exhibits without -- we're not asking  
22 the witness to assume that every incremental  
23 movement of product has the same figure, but we  
24 have used this for illustrative purposes.

25 THE COURT: We understand that. We overrule



3165

1 Mr. Marshall's objection on that basis, and we'll  
2 accept a substituted Exhibit of 726. When will you  
3 have that for us.

4 MR. FINKLEA: We can certainly have it  
5 tomorrow morning. We'll try to have it --

6 THE COURT: Very well. Tomorrow morning  
7 will be fine.

8 MR. FINKLEA: And the label I will use to  
9 make sure that we've got the right label for it is  
10 Olympic's Proposed Volumes for Purposes of  
11 Establishing Rates.

12 THE COURT: Will that work for everyone?.

13 MR. MARSHALL: I think he added before, July  
14 2001 to June 2002 in his earlier description, which  
15 would probably be best.

16 MR. FINKLEA: I can certainly do that if  
17 that helps.

18 THE COURT: Very well. Okay. With that the  
19 substituted exhibit will be received.

20 MR. FINKLEA: Thank you, Your Honor. No  
21 further questions.

22 JUDGE WALLIS: Mr. Brena.

23 MR. BRENA: I first would like to move  
24 Exhibit 725 into the record, which is Brett  
25 Collins' deposition of June 24th. And there is --

1           THE COURT: Excuse me, Mr. Brena, could you  
2 move the microphone forward, please. Turn it on  
3 and holler at it.

4           MR. BRENA: Maybe I'll swap this one out for  
5 a longer cord. I would like --

6           THE COURT: Yeah, if you'll remind us at the  
7 break, I think we can adjust it for a longer cord.

8           MR. BRENA: I would like to move Exhibit 725  
9 into the record, which is a deposition of Brett  
10 Collins dated June 24th. And I would just note  
11 that there is an exhibit to the deposition  
12 captioned Additional Work Papers for Brett Collins,  
13 which I'm happy to leave in as part of 725 or  
14 independently number whatever --

15          THE COURT: In that regard I've looked at  
16 that exhibit and it consists of ten separate  
17 tables, some of which are multipage, and there are  
18 no page numbers. So as we ask how to identify this  
19 let me ask you if you plan to ask any questions  
20 about the document in the course of your  
21 examination today?

22          A.       Perhaps. Likely. Yes.

23          THE COURT: Let me ask how the -- let's be  
24 off the record for and administrative discussion.

25                 (Discussion off the record.)

3167

1