

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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	WASHINGTON UTILITIES AND)	
3	TRANSPORTATION COMMISSION,)	DOCKET NO. UG-940034
)	
4	Complainant,)	
	vs.)	DOCKET NO. UG-940814
5)	
	WASHINGTON NATURAL GAS)	VOLUME 6
6	COMPANY,)	
	Respondent.)	PAGES 790 - 871
7	-----)	

8 A hearing in the above matter was held on
9 February 1, 1995, at 9:00 a.m. at 1300 South Evergreen
10 Park Drive Southwest before Commissioners RICHARD
11 HEMSTAD, WILLIAM R. GILLIS and Administrative Law
12 Judge LISA ANDERL.

13 The parties were present as follows:

14 WASHINGTON NATURAL GAS COMPANY, by DAVID
15 S. JOHNSON, Attorney at Law, 815 Mercer Street,
16 Seattle, Washington 98109.

17 WASHINGTON UTILITIES AND TRANSPORTATION
18 COMMISSION STAFF, by ROBERT CEDARBAUM and
19 ANNE EGELER, Assistant Attorneys General, 1400 South
20 Evergreen Park Drive Southwest, Olympia, Washington
21 98504.

22 FOR THE PUBLIC, DONALD TROTTER, Assistant
23 Attorney General, 900 Fourth Avenue, Suite 2000,
24 Seattle, Washington 98164.

25 NORTHWEST INDUSTRIAL GAS USERS, by PAULA
PYRON, Attorney at Law, Suite 1100, One Main Place,
101 SW Main Street, Portland, Oregon 97204.

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Cheryl Macdonald, CSR
25 Court Reporter

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APPEARANCES (Cont.)

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SEATTLE STEAM COMPANY, by FREDERICK O.
FREDERICKSON, Attorney at Law, 1420 Fifth Avenue, 33rd
Floor, Seattle, Washington 98101.

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WITNESSES:
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EXAM
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EXHIBITS:
T-131 and
132 - 149
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151

MARKED

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ADMITTED

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1 PROCEEDINGS

2 JUDGE ANDERL: Let's be back on the record.

3 We are convened for another day of hearing in the
4 consolidated dockets UG-940034 and 940814. We'll
5 begin this morning with Mr. Amen who has already taken
6 the stand. While we were off the record we identified
7 his testimony and exhibits for the record. I will do
8 that now for the record. His prefiled rebuttal
9 testimony is Exhibit T-131. His RJA-9 is Exhibit 132.
10 The next exhibit is RJA-1 revised page 3 of 26.
11 That's Exhibit No. 133. Exhibit RJA-10 through RJA-22
12 are then numbered sequentially beginning with Exhibit
13 134 through 146. Exhibit No. 147 is Mr. Amen's RJA-3
14 revised and Exhibit 148 is RJA-23. In addition we
15 have an exhibit 149 for identification which was just
16 distributed this morning. It's a multi-page document
17 entitled Flow Through of Changes from Company's
18 Proposed Cost of Service to Rate Spread and Rate
19 Design.

20 MS. EGELER: I don't have a copy of that.

21 MR. JOHNSON: I gave two to Bob. I will
22 give you another one.

23 JUDGE ANDERL: I would note for the record
24 also that with the exception of the fact that Ms.
25 Arnold is not here today the appearances are the same

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1 as they have been on previous days.

2 (Marked Exhibits T-131, 132 - 149.)

3 JUDGE ANDERL: Mr. Amen, I know you already
4 testified in this matter and I will remind you, you
5 are still under oath. Go ahead.

6 Whereupon,

7 RONALD AMEN,

8 having been previously duly sworn, was called as a
9 witness herein and was examined and testified
10 further as follows:

11

12 DIRECT EXAMINATION

13 BY MR. JOHNSON:

14 Q. Morning. Please state your full name and
15 spell your last name for the record, please.

16 A. My name is Ronald J. Amen, last name
17 spelled A M E N.

18 Q. What is your position?

19 A. I'm director of rates for Washington
20 Natural Gas.

21 Q. Mr. Amen, do you have before you what's
22 been marked for identification as Exhibit T-131?

23 A. Yes, I do.

24 Q. Does that represent your prefiled rebuttal
25 testimony in these proceedings?

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1 A. Yes, it does.

2 Q. Was that prepared by you or under your
3 supervision?

4 A. Yes, it was.

5 Q. Do you have any corrections or changes you
6 wish to make to your rebuttal testimony?

7 A. I have one typographical error. Excuse me
8 for a moment. It's on page 20, line 8. Towards the
9 end of the sentence the word pass should be passed
10 with E D.

11 Q. Are there any other changes you have to
12 your rebuttal testimony?

13 A. No.

14 Q. With that change, is your testimony true
15 and correct to the best of your knowledge?

16 A. Yes.

17 Q. You also have before you what has been
18 marked for identification as Exhibits 132 through 148
19 sequentially?

20 A. Yes.

21 Q. Do those exhibits represent your prefiled
22 rebuttal exhibits that you appended to your testimony
23 in these proceedings?

24 A. Yes, they do.

25 Q. Do you have any corrections you wish to

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1 make to any of the exhibits 132 through 148?

2 A. No.

3 Q. And are those exhibits true and correct to
4 the best of your knowledge?

5 A. Yes.

6 Q. Lastly, Mr. Amen, you distributed a new
7 exhibit that's been marked for identification as
8 Exhibit 149. Do you have that?

9 A. Yes, I do.

10 Q. Could you walk us through that exhibit and
11 explain the basis for the exhibit and the
12 ramifications of the exhibit.

13 A. Certainly. What I've included here as
14 Exhibit 149 is an illustration of how the change
15 in the cost of service, and in this particular case, a
16 change in the cost of service presented by company
17 witness Feingold, how it impacts the rate spread, the
18 resulting margins, and then the rate design, and so
19 what I've done here is to chart the flow through of a
20 change that Mr. Feingold made in the allocation of the
21 system gas costs, and so I've included on the second
22 page of the exhibit a narrative description of the
23 changes. However, I will just highlight a few of them
24 for you. And I might also suggest or tell you that
25 I've tried to also highlight in bold print where

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1 numbers have changed as a result of the flow-through
2 of the changes.

3 The allocation of the cost to gas and the
4 changes that Mr. Feingold made in the cost of service
5 study directly impact the calculation of the command
6 components for the cost of gas. If you look at sheet
7 3 of 10 on the far right-hand column you see those
8 demand components for the cost of gas presented.
9 Those demand components flow through to the next
10 schedule which is the rate spread. In particular, on
11 page 2, column I is labeled Proposed Gas Costs, and
12 that's where the demand and commodity components are
13 applied to the cost terms to provide the gas cost by
14 class.

15 JUDGE ANDERL: Excuse me, Mr. Amen. You
16 said page 2 but is that sheet 5 of 10 of this exhibit?

17 THE WITNESS: That's correct. It's sheet 2
18 of the particular schedule I was referring to.

19 JUDGE ANDERL: Thank you.

20 A. By altering the gas costs as I have done,
21 it impacts the resulting margins to some of the
22 classes, and the primary effect of the allocation
23 changes occurred with respect to the interruptible
24 large volume rate schedules, and the corresponding
25 impact on the residential. That is the result of the

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1 changes that Mr. Feingold made was to raise the
2 average cost of gas for the large interruptible class
3 and reduce it to the residential class. This in turn,
4 because of the amount of revenue involved in the large
5 volume interruptible class, affected the margins. And
6 one of the primary goals I had in the rate spread and
7 the rate design was to, where possible, equalize the
8 margin between similarly situated transportation and
9 sales customers so that choices the customers would
10 make between transportation and sales would be based
11 on the economics of gas supply as opposed to margin
12 differences, so as a result of this allocation change,
13 the margins were affected and in particular rate 85
14 and rate 87 as they compared with their corresponding
15 transportation schedule.

16 If you look in the far right-hand column of
17 this schedule, you will see the average margin per
18 therm by rate schedule. If you go down to rate 85 and
19 rate 58 for example, a sales and transportation
20 combination, sister schedules, if you will, the
21 average margin per therm is shown eight cents for rate
22 85 and 8.2 cents for rate 58. This is after I
23 modified the rate decrease to rate 85. Prior to that
24 change the margin for rate 85 was much lower and not
25 in alignment with rate 58. This is the same -- the

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1 same is true for rate 87 and 57. Without reducing the
2 decrease that these schedules were to receive, the
3 average margin per therm for rate 87 would have been
4 about 1.7 cents, a full penny below rate 57.

5 So in column L, I reduced the percentage
6 decreases to rate 85 and rate 87. I can give you the
7 actual amount of the change in percentage terms. For
8 example, in my initial rate proposal, rate spread
9 proposal, I had shown a rate decrease or revenue
10 decrease rather for rate 85 of 24 and a half percent,
11 and for rate 87 it was 11.4 percent. I've changed
12 that to a reduction of 7.3 percent for 87 and 21
13 percent for rate 85. This in turn allowed me to
14 reduce the rate increase that had been proposed for
15 the commercial schedules, rate 31, 36 and 51. These
16 schedules even after the change are producing a rate
17 of return as shown in column O of slightly in excess
18 of the system average. It allowed me to reduce those
19 increases from about 3 and a half percent on rate 31
20 down to 1.7 percent, likewise for rate 36, and
21 eliminate the increase for rate 51.

22 Q. Mr. Amen, were there any changes made to
23 your proposed rates for the residential schedules?

24 A. No, there were not.

25 Q. Do you have any other comments that you

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1 wish to make about the derivation of this exhibit?

2 A. No, I do not. The only other thing I would
3 mention is that following that is the rate design
4 schedules and they show the flow-through of these
5 rate spread changes into the rate design, and again,
6 the rate schedules that were affected were on page 7
7 of 10, rate 31, 36 and 51, the term or per unit
8 rates, and also the rates on page 8 of 10 for rate 85
9 and 87.

10 Finally, on sheet 10 of 10 I've given an
11 indication here of the margins in the rate blocks for
12 the transportation proposed schedule rate 57 showing
13 by block the amount of margin in each, and then the
14 corresponding margins in rate 85, the smaller sale
15 schedules and rate 87 the larger, to give you an
16 indication of how the margins are comparable by rate
17 block. They're not identical, obviously, because of
18 the different block structure between the sales and
19 the transportation schedule in the latter blocks.

20 Q. Thank you, Mr. Amen. Does that conclude
21 your discussion of Exhibit 149?

22 A. Yes, it does.

23 MR. JOHNSON: Your Honor, I move for
24 admission of Exhibit T-131, Mr. Amen's rebuttal
25 testimony, Exhibits 132 through 148, the exhibits

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1 appended to his rebuttal testimony, as well as Exhibit
2 149 into the record.

3 JUDGE ANDERL: Any objection to those
4 documents?

5 I hear none. Exhibits T-131 through 149
6 inclusive will be admitted as identified.

7 (Admitted Exhibits T-131, 132 - 149.)

8 MR. JOHNSON: Thank you. Mr. Amen is
9 available for cross-examination.

10 JUDGE ANDERL: Thank you. Ms. Egeler, do
11 you have cross for this witness?

12 MS. EGELER: Yes, I do.

13

14 CROSS-EXAMINATION

15 BY MS. EGELER:

16 Q. Morning, Mr. Amen.

17 A. Good morning.

18 Q. If you could look first at what's just been
19 admitted as Exhibit 149 on page 6 and compare that to
20 Exhibit 12, which is RJA-1, on page 3 of that exhibit.
21 I'm looking at your corrections. I guess that would
22 be in your rebuttal and it would be a change on the
23 No. 1 to 133. I guess we're switching the exhibit
24 number on that.

25 A. I'm sorry?

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1 Q. I'm a little confused since you have two
2 different RJA-1's, one in your direct and one in your
3 rebuttal.

4 A. So it's the rebuttal.

5 Q. Looking in your rebuttal RJA-1.

6 MR. TROTTER: Is that Exhibit 133?

7 MS. EGELER: Yes.

8 JUDGE ANDERL: That's not a whole new
9 RJA-1. It's just one page.

10 Q. Do you see where I am yet?

11 A. Yes, just a moment. I'm there.

12 Q. The revision that you filed as Exhibit 133
13 would be the revision to page 3 which is where I want
14 you to be, so are we together?

15 A. Yes.

16 Q. On that exhibit you show a rate for
17 schedule 11, and if you will move down under the rate
18 heading you show a customer charge per month of \$2 and
19 then it states "all therms per month at approximately
20 85 cents per therm." Do you see that?

21 A. Yes, I do.

22 Q. Could you compare that to page 6 of Exhibit
23 149?

24 A. Yes, I could. The rates that appear on
25 sheet 6 of 10 for rate 11 are those that were in

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1 accordance with the rate design that was initially
2 proposed for this schedule, which is just a carryover
3 of the way the rate has always been designed with a
4 two therm minimum bill. However, in my rebuttal
5 testimony I discussed Mr. Lazar's proposal on adding a
6 \$2 customer charge to rate 11 and then altering the
7 rate block accordingly, and what sheet 3 on the
8 Exhibit 133 shows is the effect of that rate design
9 change. I have not gone back and reflected it in this
10 rate design schedule, but I still agree with the
11 change that Mr. Lazar proposed and would propose that
12 the rates as they appear on the tariff sheet be those
13 that were adopted.

14 Q. So what you're proposing is what's shown in
15 Exhibit 133?

16 A. That's correct.

17 MS. EGELER: I'm passing out Mr. Ramirez's
18 revision to Exhibit 58, which would be JR-12, though I
19 don't think it ever did have that heading, and we've
20 made those changes pursuant to the rate document which
21 you provided us with yesterday.

22 JUDGE ANDERL: I'll mark this document for
23 identification as Exhibit No. 150.

24 MS. EGELER: And I'm hoping that we can get
25 this in by agreement of counsel but if not Mr. Ramirez

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1 is available to go back on the stand if that's
2 necessary.

3 Q. If you could look down the page about two
4 thirds of the way, Mr. Amen, to schedule 87, does this
5 properly reflect your proposed margins for schedule 87
6 for over 100,000 therms? Going all the way over to
7 the right column you see a negative margin? Is that
8 what the company is requesting?

9 A. It may appear to be the case, but if you
10 look at the next line, contract volume charge, that
11 represents one cent of margin that applies to all the
12 rate blocks, and in fact I think even irrespective
13 of that, that tailblock should have half a cent in it
14 so that the total margin is a penny and a half.

15 Q. Looking at the contract volume charge, the
16 one cent that you referred to, is that only assessed
17 to firm customers?

18 A. No.

19 Q. Firm requirements?

20 A. No.

21 Q. Is it assessed to interruptible
22 requirements?

23 A. Yes, on all therms.

24 Q. Okay. Could you please turn now to Exhibit
25 13, which is RJA-2, page 1. Are you with me?

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1 A. Is that Exhibit 13?

2 Q. Yes.

3 A. Okay.

4 Q. This page depicts the revenues approved by
5 the Commission in the settlement of docket UG-931405,
6 doesn't it?

7 A. Yes, it does.

8 Q. The total revenue authorized by the
9 Commission in that docket for specific schedules is
10 found in column G of the exhibit, isn't it?

11 A. Yes, it is.

12 Q. Using this exhibit you can determine the
13 margin revenue by subtracting the cost of gas
14 associated with the class, as stated in column C, from
15 the total revenue of the class as stated in column G;
16 is that correct?

17 A. Yes, that's correct.

18 Q. Does the Commission allow the company to
19 adjust the rate it charges its customers to reflect
20 the changes in the cost of gas?

21 A. Yes, it does.

22 Q. And this is accomplished through the PGA,
23 correct?

24 A. That's correct.

25 Q. Since the company recovers its gas expenses

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1 dollar per dollar, the cost of gas does not impact the
2 company's margin, earnings or the authorized rate of
3 return, does it?

4 A. Well, generally speaking in total, gas
5 costs do not impact the margin, and with respect to
6 the classes, if gas costs were to change as depicted
7 by the cost of service study and you were to hold
8 revenues constant, it would affect the margin to the
9 classes.

10 Q. But that's not what happens in the real
11 world, is it, Mr. Amen? Doesn't the Commission allow
12 the cost of gas to flow through and therefore your
13 revenue to increase?

14 A. Well, you're correct in that the PGA
15 mechanism provides the company with an opportunity to
16 flow those gas costs through.

17 Q. And referring back to Exhibit 13, page 1,
18 if the cost of gas shown in column C was to change,
19 the marginal revenues would remain the same, wouldn't
20 they?

21 A. If the total revenues changed in like
22 amount to the gas costs, yes.

23 Q. If you would look now at Exhibit RJA-14
24 which I have as Exhibit 138 of your rebuttal
25 testimony. Are you with me?

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1 A. Yes, I am.

2 Q. This illustrates the duration of the
3 company's gas supply contracts, doesn't it?

4 A. Yes. What this time chart essentially
5 indicates is the length of the majority of the
6 company's long-term contracts.

7 Q. And this illustration does not include the
8 duration or annual cost of the company's pipeline
9 transportation or storage contracts, does it?

10 A. No, it does not.

11 Q. The company's pipeline transportation and
12 storage contracts are an integral part of the
13 company's gas supply portfolio to serve its sales
14 customers, aren't they?

15 A. Very definitely.

16 Q. Looking at Exhibit 135, which is your
17 RAF-11 and turning to page 4 of that exhibit.

18 JUDGE ANDERL: I'm sorry, Ms. Egeler, could
19 you say that again?

20 MS. EGELER: RAF-11.

21 A. Mr. Feingold's exhibit?

22 Q. It's Mr. Feingold's, you're right. So it
23 would be 121.

24 A. What page?

25 Q. Page 4. This shows that approximately 50

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1 million dollars or 65 percent of the company's fixed
2 gas costs are pipeline and storage capacity costs,
3 aren't they?

4 A. Is there a specific number or line that
5 you're referring to?

6 Q. If you would look first under storage
7 contracts, which is about a quarter of the way down
8 the page?

9 A. Yes.

10 Q. And then the total there is about five and
11 a half million?

12 A. Yes, I see it.

13 Q. And then if you look down to the next total
14 line under firm transportation, demand charges. Do
15 you see where I am? There's approximately a 44
16 million dollar figure?

17 A. Yes, I see that.

18 Q. And then the next total down is just under
19 a million dollars?

20 A. Yes.

21 Q. And then adding those up, that's where I'm
22 getting the --

23 A. Okay.

24 Q. Returning back to Exhibit 138, RJA-14, the
25 company uses its pipeline transportation contracts to

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1 move the gas supplies illustrated on this exhibit to
2 its city gate, doesn't it?

3 A. Yes, it does.

4 Q. What are the term lengths of the company's
5 pipeline capacity contracts?

6 A. Well, for example, the company has roughly
7 two contracts of what I call firm pipeline capacity on
8 Northwest Pipeline under their TF-1 schedule, the
9 first of which runs until 2004 and the second of which
10 runs until 2008 and this includes a total MMBTU per
11 day capacity, firm capacity, of 444,533. Now, these
12 are long-term firm capacity commitments that this
13 company has entered into, and incurs cost every month
14 to supply the firm requirements of our system.

15 Q. So generally the terms would be 10 to 15
16 years on these contracts then?

17 A. At a minimum.

18 Q. The company's contracts for pipeline
19 capacity are at fixed levels for the terms of those
20 contracts, aren't they?

21 A. That's correct.

22 Q. The company also uses its storage capacity
23 that it owns and contracts for to inject and withdraw
24 these supplies for system requirements; is that
25 correct?

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1 A. That's correct.

2 Q. Do you know what the term lengths for the
3 company's storage contracts at Jackson Prairie and
4 Clay Basin are?

5 A. Yes. I believe the length of the storage
6 contracts for Jackson Prairie, that portion of Jackson
7 Prairie that the company has no ownership interest in
8 but leases from Northwest Pipeline, is also 2004.
9 Clay Basin, I believe there are two agreements
10 concerning Clay Basin that run from -- that runs to
11 2013 and the other one that runs to 2020. And again,
12 these are the long-term commitments to firm
13 requirements of our system. The Jackson Prairie
14 capacity amounts to some 258,872 MMBTUs per day
15 without which we would be unable to serve our peak.

16 Q. How long is the contract term for Liquefied
17 Storage?

18 A. 2004.

19 Q. And again, the company's contract levels
20 for storage services are fixed levels through the
21 term of the contracts; is that correct?

22 A. That's correct.

23 Q. So while there may be some ability to
24 adjust your gas supply contracting within the two-
25 year time frame proposed by the company, the ability

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1 of the company to adjust its pipeline capacity and
2 storage capacity within such a short time frame is
3 virtually impossible?

4 A. That's also correct, yes.

5 Q. Is it true that during the time the company
6 contracted for its current level of pipeline capacity
7 and storage capacity it had a legal obligation to
8 serve all of its customers' requirements including
9 transportation customers?

10 A. Yes. As a matter of fact, until we
11 separated transportation into a separate schedule at
12 the close of the 920840 case, transportation was an
13 integral part of the sales schedules and the customers
14 could in effect switch back and forth from
15 transportation to sales service at virtually any time.

16 Q. So these customers' requirements were
17 considered when the company entered the long-term
18 agreements; is that correct?

19 A. That's correct.

20 Q. Switching now to a different subject. The
21 company is proposing that imbalance penalties be
22 refunded to sales customers only; is that correct?

23 A. Yes.

24 Q. Is that because the 20 percent portion of
25 Jackson Prairie assigned to transportation customers

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1 was designed to cover their imbalances within the plus
2 or minus 5 percent nonpenalty band?

3 A. Well, the 20 percent of Jackson Prairie
4 really was a function of the storage activity
5 throughout the month on a daily basis that is utilized
6 for balancing the system, both sales and
7 transportation volumes on the company's system. The
8 fact that actions by transportation customers that
9 caused their imbalances to exceed the levels that we
10 identified in the 20 percent allocation will impact
11 our gas procurement and dispatching on a daily basis
12 and thus has an impact ultimately on the sales
13 customer, and the weighted average cost of gas for
14 those customers, so we felt that it was important
15 that any penalty revenues received would flow back
16 through our gas account 181 to those sales customers.

17 Q. Would you say that you generally agree with
18 Mr. Russell's testimony on refunding of imbalance
19 penalties to sales customers?

20 A. Yes.

21 Q. Aren't customers which are directly
22 connected to the pipeline subject directly to
23 Northwest Pipeline penalty provisions?

24 A. Yes, they would be.

25 Q. In contrast transportation customers behind

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1 WNG's city gate are not subject to Northwest Pipeline
2 overrun imbalance penalties, are they?

3 A. No.

4 Q. What benefit do transportation customers
5 receive by being behind WNG's city gate?

6 A. Well, since WNG is the receiving party for
7 all volumes, transport volumes, the customers, as you
8 have just pointed out through your question, are not
9 subject to the requirements of the pipeline, and can
10 fall back on, if you will, the amount of volumes that
11 the company moves on the system.

12 For example, as I believe I pointed out in
13 my testimony, the company works very closely with the
14 pipeline on a day-to-day basis to manage the volumes
15 on the system. We are some 25 percent of Northwest
16 Pipeline's capacity on a given day, so we're
17 constantly in touch with the pipeline and are asked to
18 modify our deliveries, our injections and withdrawals
19 into storage and so on when the system requires it.
20 And so much of this is transparent to the
21 transportation customer. They simply don't see it.
22 They're not involved. The pipeline delivers to us
23 the exact volumes that the customer nominates, and to
24 the extent their load does not match that an imbalance
25 occurs and we absorb it.

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1 MS. EGELER: I have no further questions.
2 Your Honor, I'm not sure how you handled the revision
3 to JR-12. My proposal would be to withdraw the
4 Exhibit 58 that's currently in place and substitute
5 this for that but did you give it a different number?

6 JUDGE ANDERL: I did number it as Exhibit
7 150. I didn't know if you were going to offer it as a
8 separate exhibit or not.

9 MS. EGELER: Whatever you think is most
10 orderly, but I don't want the Exhibit 58 that
11 currently exists to remain in the record since that is
12 inaccurate.

13 JUDGE ANDERL: Would the parties have any
14 objection -- I can renumber this. Doesn't have to be
15 150 if the parties don't object to substituting this
16 as Exhibit 58.

17 MR. JOHNSON: We have no objection. We've
18 looked at the numbers and they seem to be accurate.

19 JUDGE ANDERL: Ms. Pyron.

20 MS. PYRON: I've got some concerns with the
21 accuracy of the proposed new 150 on the margins shown
22 for schedule 87. I think a summary exhibit is real
23 useful for the parties but I don't think that final
24 column, based on my understanding, is necessarily
25 accurate. I would like to be able to verify that.

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1 MS. EGELER: I think it is accurate
2 according to the witness's testimony and he explained
3 why that would not produce a negative amount when he
4 summed the two figures.

5 THE WITNESS: I didn't say it was correct.
6 I said I felt that that negative half a cent should be
7 positive, and if you look at --

8 MR. TROTTER: Your Honor, there's no
9 question pending. Is this colloquy or what?

10 JUDGE ANDERL: I'm letting the witness
11 clarify his answer. Ms. Egeler said he said it was
12 correct. He's now saying, no, I didn't say it was
13 correct, and I'm going to let him finish.

14 MS. PYRON: That's why I was objecting to
15 the exhibit. Not the idea but this one.

16 JUDGE ANDERL: Well, it's a useful exhibit
17 for the record but not to the extent that it's not
18 correct. Perhaps during a couple of minutes off the
19 record the parties could work this out by talking to
20 the witness. I don't know. Let's do that now because
21 I want to address this before we go on to the next
22 person's cross. So let's take three minutes off the
23 record and see if you can figure it out.

24 (Recess.)

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

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1 While we were off the record the parties had an
2 opportunity to discuss what I had previously
3 identified as Exhibit 150. Ms. Egeler, do you want to
4 summarize what counsel has agreed to?

5 MS. EGELER: Yes. We were discussing the
6 fact that there's a negative margin shown for the over
7 100,000 therms for schedule 87, and the fact that the
8 contract volume charge should be added to that which
9 would produce a positive half cent number
10 approximately. As opposed to just having the verbal
11 explanation that Mr. Amen gave in the record, Ms.
12 Pyron would like us to add the actual number onto the
13 official copy of the exhibit so that it will be clear
14 to anyone who later comes across the exhibit and tries
15 to interpret it, so if Mr. Amen could perhaps make
16 that calculation and then if you could add that to the
17 exhibit I think that would satisfy Ms. Pyron's
18 concerns.

19 JUDGE ANDERL: So basically what you're
20 saying is it would just be a net of negative .00554
21 and .01?

22 MS. PYRON: No. I'm sorry, that wasn't my
23 -- maybe we need to go off the record because that's
24 not our understanding.

25 JUDGE ANDERL: I had earlier heard Mr. Amen

00817

1 say he didn't think the .00554 should even be
2 negative.

3 MS. PYRON: Right.

4 JUDGE ANDERL: And that you should add that
5 to the .01 for a one and a half cent per therm total.
6 That's what I heard him say earlier. That's not what
7 I'm hearing Ms. Egeler say now.

8 MS. EGELER: I think that is what I'm
9 saying now but perhaps the witness can just explain it
10 and that would be the simplest thing to do.

11 MS. PYRON: I would agree to the admission
12 of it as long as there's a reference on the original
13 document that says this should be referred to the
14 testimony for correction.

15 MR. JOHNSON: But I think we do need an
16 explanation from the witness.

17 JUDGE ANDERL: That would be fine. So
18 there's a stipulation from counsel that we can
19 substitute this as Exhibit 58 with Mr. Amen's
20 explanation which is going to happen now. Go ahead.

21 THE WITNESS: The basic difference I think
22 here in presentation is that the cost of gas
23 components that staff has reflected in the column
24 immediately to the left has been grossed up for the
25 revenue taxes associated with the gas costs, and this

00818

1 is a different presentation than the company has
2 traditionally made in listing its cost to gas
3 components in its schedule 101. When the PGA
4 calculates the change in the weighted average cost of
5 gas, it's based on the gas cost net of tax, any
6 revenue taxes. We have presented it in the revenue
7 spread schedules to accommodate staff by showing the
8 gross-up of the aggregate gas costs for taxes, so you
9 see the tax portion that's applicable to gas costs, so
10 basically the fact the components in the previous
11 column are grossed up for taxes by staff is the
12 difference between the half cent, so using staff's
13 presentation if you added the contract volume charge,
14 penny, it becomes a positive half a cent. If, as I
15 presented it, you don't gross up the gas cost for
16 taxes, it's a penny and a half, and so that's the
17 difference. It's largely I think just presentation.

18 JUDGE ANDERL: I actually think I
19 understand that. Thank you. Does anyone else have
20 anything they need further clarification on after that
21 explanation?

22 I hear nothing on that. Thank you very
23 much. I'm making a note on this substitute Exhibit 58
24 that any person referring to this exhibit should also
25 refer to the transcript for full explanation of what

00819

1 this exhibit means especially in regard to schedule 87
2 rate. That concludes your cross, Ms. Egeler?

3 MS. EGELER: Yes, it does.

4 JUDGE ANDERL: Ms. Pyron, cross for this
5 witness.

6

7 CROSS-EXAMINATION

8 BY MS. PYRON:

9 Q. Good morning, Mr. Amen.

10 A. Morning, Ms. Pyron.

11 Q. There were a couple of areas that I wanted
12 to go back to from your recent cross with Ms. Egeler,
13 and in your testimony I believe you said that the
14 individual transportation customers make their
15 nominations to the pipeline, and that's not entirely
16 accurate, is it? Doesn't WNG collect the nominations
17 of all of its transporters behind its system and then
18 add to that its own needs for a given day and then
19 make a collective nomination to the pipeline and WNG
20 is then the receiving party?

21 A. Essentially that's true. We flow through
22 -- as you point out, we collect the nominations from
23 the customer and as the receiving party flow them
24 through to the pipeline.

25 Q. So collectively the gas that is nominated

00820

1 is a global collected number; is that correct?

2 A. Yes.

3 Q. And then the gas that's received is a
4 global bunch of molecules. They don't have name tags
5 on them; is that right?

6 A. Well, essentially that's true.

7 Q. And going back to your earlier testimony
8 about the pipeline capacity contracts that Washington
9 Natural Gas has, it's not your testimony, is it, that
10 you bought firm pipeline capacity to serve current
11 interruptible sales and interruptible transportation
12 customers on your system, is it?

13 A. No, it's not. We entered into both
14 capacity and long-term gas supply agreements to serve
15 peak day requirements.

16 Q. Of the firm customers?

17 A. Of the firm requirements customers.

18 Q. And that is based on your least cost
19 planning of projecting for growth and other factors
20 and weather related to what you should buy on the
21 pipeline to serve the firm customers, firm sales
22 customers?

23 A. Yes, it does.

24 Q. Now, as I understand your testimony, Mr.
25 Amen, you recommend that the Commission approve a six

00821

1 block design for schedule 57; is that correct?

2 A. That's correct.

3 Q. And in your Exhibit 149, turning to the
4 last page which is marked at the top sheet 10 of 10?

5 A. Could you give me the other description? I
6 don't have all mine numbered.

7 Q. Oh, I'm sorry. It starts with the page
8 that was added this morning, flow -rough changes from
9 company's proposed cost of service.

10 A. Yes.

11 Q. It's Exhibit 149.

12 A. Yes.

13 Q. And if you go to the very last page of that
14 exhibit which in the corner says sheet 10 of 10 and
15 the top label across it is transportation versus sales
16 margin comparison. Are you with me?

17 A. Yes.

18 Q. Do the sales and transportation schedules
19 remain reasonably comparable, in your opinion, under
20 the company's proposal with the revisions that you've
21 advocated to 85 and 87?

22 A. I believe so, yes. For example, the
23 average margin in the last three blocks of rate 57 is
24 roughly comparable to the margins shown in the over
25 100,000 therm block for rate 87, as an example.

00822

1 Q. If you were to turn with me to what's in
2 the same exhibit, coming up to the page that's marked
3 sheet 5 of 10. That's the revision to RJA-2 revised,
4 sheet 2 of 2?

5 A. Yes.

6 Q. That's the -- in Exhibit 149?

7 A. Correct.

8 Q. In the final column on that page is now the
9 company's proposal for the average margin per therm
10 from each schedule, the bar column that's labeled P as
11 in Peter?

12 A. Yes. Those represent in aggregate what the
13 margins per therm would be for each schedule.

14 Q. Would you agree that the margins now
15 between schedules 57 and 87 are generally more
16 comparable -- and 85 -- than the original filing by
17 the company?

18 A. Well, given the cost of service change made
19 by witness Feingold and the adjustments that I then
20 made, I would say yes. They were pretty comparable in
21 the initial filing as well.

22 Q. Were you here, Mr. Amen, during Mr.
23 Ramirez's cross-examination on Monday?

24 A. Yes.

25 Q. And are you aware of Mr. Ramirez's concerns

00823

1 about comparability of the six block in the proposed
2 transportation schedule 57?

3 A. Generally.

4 Q. In your rebuttal testimony on page 8, which
5 is Exhibit T-131, you suggest, do you not, that Mr.
6 Ramirez's concerns about comparability between the six
7 block of schedule 57 and the sales schedule could be
8 remedied by adding a six block to schedule 87, and you
9 would still agree with that recommendation today,
10 would you not?

11 A. I don't necessarily object to it. It may
12 be somewhat difficult in light of the contract volume
13 charge structure that we have today that produces a
14 penny per therm margin on all volumes moved under rate
15 87, so if you were to reduce the margin in the
16 tailblock or rather provide a tailblock over 300,000
17 therms, let's say, you would almost have to make the
18 margin zero or we will have to modify the application
19 of the contract volume charge.

20 Q. But you would agree that the six block at
21 300,000 therms based on both the costs and the
22 throughput of the customers on that schedule justify a
23 six block for comparison?

24 A. Much more important than that I think is
25 just the economics of that tailblock. The one cent

00824

1 per therm margin in the tailblock of rate 57, as I
2 indicated in my testimony and through a confidential
3 data request, is approaching the marginal cost of
4 serving large volume, high pressure customers through
5 high diameter pipe. So it's a proxy for connecting
6 such a large volume customer directly to the pipeline,
7 and as such, by reflecting the marginal cost in the
8 tailblock goes a long way to prevent a bypass
9 situation, because it's pretty difficult for a
10 customer to justify bypass when economics of our
11 schedule in the rate design approach the marginal cost
12 of serving him, and that's an essential element of
13 this proposal.

14 Q. Mr. Amen, short of redesigning completely
15 schedule 85 and 87, starting over, would you agree
16 that the rates are generally comparable, as you've now
17 designed them in the margins between 57 and 87 and 85?

18 A. Yes.

19 Q. Would you agree that that's demonstrated in
20 your Exhibit 149?

21 A. Yes.

22 Q. On the pages we've discussed?

23 A. Yes, I do.

24 Q. Turning again to your rebuttal testimony at
25 T-131, if you could turn with me to page 14, please.

00825

1 A. Page 14?

2 Q. Line 10 through 12. You make the statement
3 that with regard to one-year contract term proposal of
4 NWIGU that preserving the existing one-year contract
5 term would necessitate realigning transportation
6 service contract termination dates with a date in
7 advance of the company's annual contract renewals. Is
8 that your testimony?

9 A. Yes.

10 Q. In that statement are you suggesting
11 alternatively that the company could plan with a
12 single day in advance with a one-year contract term?

13 A. No, I'm not. I think the -- again the two-
14 year contract term is an essential element of our
15 ability to manage our gas supply to the benefit of our
16 core market, and the additional flexibility that we
17 provided the transportation customers by allowing them
18 to modify their contract renewal dates according to
19 their own budgeting and planning criteria is one
20 element that requires us to insist on a longer term
21 contract.

22 Q. But Mr. Amen, your testimony on page 14 is
23 premised with preserving the existing one-year
24 contract term, contract?

25 A. Certainly one element that would be

00826

1 affected.

2 Q. If you were to preserve the existing
3 one-year contract term, if you were, what would that
4 single date be in advance of or your recommended
5 date be in advance of the company's annual contract
6 renewals? Could you give me a month of the year?

7 A. Well, I think, as I demonstrated in one of
8 my exhibits, with regard to our contracting practices,
9 that is, our gas supply planning horizon, and I think
10 if you look at RJA-13, page 1 -- and again I'm sorry I
11 don't have the exhibit number --

12 Q. That would be Exhibit 137 you're referring
13 to?

14 A. Yes.

15 -- you get a picture of how the planning
16 horizon works, and we need knowledge, for example, by
17 August of the year about certain things. We need
18 knowledge about projected sales demand over the 12
19 months beginning in the heating season in November.
20 We need to have some idea of the following summer's
21 storage injection plan, and at a minimum, we need the
22 kind of notice I think that's represented by this --

23 Q. So would your testimony --

24 A. -- irrespective of contract term.

25 Q. So would your testimony be July then in

00827

1 answering my question? I don't believe I heard a
2 given month. I heard you refer to this exhibit, but
3 referring to this exhibit what month would that be?

4 A. Well, as you recall in our current tariff
5 where we have a one-year contract term we ask for
6 nominations in July.

7 Q. In July, okay. So under my premise of
8 preserving the existing one year contract term then it
9 would still be July, would it not?

10 A. I would think so, yes.

11 Q. Turning to your testimony, the rebuttal
12 testimony on T-131, to page 20. And do you also have
13 your original exhibits and testimony in the case?

14 A. Yes, I do.

15 Q. I believe your testimony on page 20
16 testifies in favor of the company's balancing
17 proposal, your testimony being that there are ways
18 that WNG's system provides greater flexibility to its
19 transportation customers than Northwest Pipeline; is
20 that correct?

21 A. Yes. I think I just discussed those a bit
22 earlier on cross, as a matter of fact.

23 Q. And is one of the justifications for WNG
24 for having different balancing structure than that of
25 the pipeline is that WNG doesn't pass on all of the

00828

1 pipeline entitlements to its transportation customers?

2 A. Very definitely that's true.

3 Q. If you could turn with me, please, to
4 Exhibit 12, RJA-1, page 16 from the company's proposed
5 tariffs.

6 A. Page 16.

7 Q. Page 16 of 26 of Exhibit 12, which is
8 RJA-1. Are you with me, Mr. Amen?

9 A. Yes.

10 Q. Is the declaration of a constraint period
11 for entitlements or system curtailments proposed to be
12 in the sole judgment and discretion of Washington
13 Natural Gas?

14 A. I believe that's what the tariff reads.

15 Q. So there are no limitations within your
16 proposed tariff on when you do and do not at WNG pass
17 on --

18 A. Absolutely not. We're not talking about
19 passing on anything. We're talking about entitlements
20 on WNG's system.

21 Q. Turning to your proposed tariffs, Exhibit
22 12, page 18, if you would. Could you review for me
23 the paragraph marked 4 on page 18 of Exhibit 12.

24 JUDGE ANDERL: Slowly.

25 MS. PYRON: I didn't mean for him to read

00829

1 it out loud. I mean give him the opportunity to
2 review.

3 A. Yes. I've read it.

4 Q. Would you agree, Mr. Amen, that this
5 proposed tariff provision provides for WNG to hold its
6 customers liable for any penalties assessed against
7 WNG that are attributable to a transportation
8 customer?

9 A. That's generally what the provision
10 provides.

11 Q. And Mr. Amen, I handled out, and you should
12 have up on the table in advance, an exhibit that we
13 need to have numbered.

14 JUDGE ANDERL: At the top it states
15 schedule No. 57. I will mark that for identification
16 now as Exhibit 150, and I hope that the record is
17 clear that the earlier marked Exhibit 150 became
18 substitute Exhibit 58. And so this schedule No. 57
19 is now Exhibit 150 for identification.

20 (Marked Exhibit 150.)

21 Q. Mr. Amen, have you had a chance to review
22 the document entitled schedule No. 57 that's been
23 labeled Exhibit 150?

24 A. Well, I have turned to the page with the
25 same relative paragraph.

00830

1 Q. If you could, anticipating my question
2 then, you recognize Exhibit 150 as the company's
3 current tariffs for schedule 57 service; is that
4 correct?

5 A. Well, actually this is a replica. It's not
6 the tariff. It's merely a reproduction of the
7 provisions of that schedule, but generally reflects
8 the tariff.

9 Q. And turning to sheet 5 of 6 in Exhibit 150,
10 does the company have in its current tariffs, as well
11 as in the proposed from Exhibit 12, the same provision
12 to pass through penalties assessed against the company
13 to the customer -- that are attributable to the
14 customer?

15 A. Yes. I believe that's numbered paragraph
16 5.

17 Q. Mr. Amen, you would agree that Exhibit 150
18 is an accurate representation of the company's current
19 terms for schedule 57 service; is that correct?

20 A. I'm sorry? Schedule 150?

21 Q. Exhibit 150 is an accurate representation
22 of the current summary sheets of the schedule 57
23 tariff service?

24 A. Yes, it appears to be.

25 MS. PYRON: I would move for the

00831

1 admission of Exhibit 150.

2 JUDGE ANDERL: Is there any objection?

3 MR. JOHNSON: No objection.

4 JUDGE ANDERL: Exhibit 150 will be
5 admitted.

6 (Admitted Exhibit 150.)

7 Q. Mr. Amen, if you could turn with me to your
8 Exhibit 141.

9 A. Give me the page.

10 Q. RJA-17 page 1 of 1.

11 A. Thank you.

12 Q. Which is the summary of the balancing
13 proposals. Mr. Amen, would you agree that the company
14 is proposing to make its balancing penalties greater
15 for monthly balancing than is currently provided in
16 the tariffs for the 5 to 10 percent range of
17 imbalances?

18 A. Well, I think it's a combination of two
19 things. First of all, the company is removing the
20 current cashout provisions for that range of imbalance
21 on a monthly balance and replacing it with a 30 make-
22 up day period with 5 and 10 percent that wasn't there
23 before, so correspondingly, then once the customer
24 has had 30 days to clear the imbalance we believe that
25 the penalty, which by the way is the same penalty I

00832

1 believe that Northwest Pipeline levies for a balance
2 after the makeup period of a dollar per therm, is
3 appropriate. The penalty amount for the excess of 10
4 percent level remains unchanged.

5 Q. But the difference between your current
6 tariffs, you have 150 percent of WACOG for an overrun
7 of 5 to 8 percent?

8 A. Yes, and that's for an immediate cashout at
9 the end of the month.

10 Q. And a 200 percent WACOG for 8 to 10 percent
11 and then your current tariffs provide for a buyout
12 respectively at 67 and 50 percent of WACOG; is that
13 correct?

14 A. Yes, that's correct.

15 Q. And the company's proposal is to, after the
16 proposed one month to clear on the 5 to 10 percent
17 imbalances, is to charge \$1 per therm separately on
18 WNG's system and is to confiscate or take title to the
19 gas for an underrun of the 5 to 10 percent magnitude;
20 is that correct?

21 A. That is correct.

22 Q. Would you agree that one dollar and
23 confiscation of the gas is a much higher penalty than
24 the percentage of WACOG buyout and the percentage of
25 WACOG penalty that's embodied in the current tariffs

00833

1 for those level of imbalances, that dollar-wise there
2 is a difference?

3 A. Most definitely. I would, though, not
4 characterize the percentage of WACOG figures
5 necessarily as penalties. They may have been referred
6 to in our tariff as charges. They're at a level at
7 which the customer can make a choice to run an
8 imbalance, if that makes economic sense to him,
9 whereas a penalty is designed to modify their behavior
10 and especially in light of our more lenient makeup
11 period I think it's appropriate.

12 Q. Do you think it's appropriate on any cost
13 basis, Mr. Amen, is there any cost justification for
14 \$1 and \$2 per therm?

15 A. No. I think my testimony addresses that.

16 Q. Is it your testimony that that is a chosen
17 penalty levied for a deterrent effect only?

18 A. Yes.

19 Q. But under WNG's current tariff provisions
20 the penalty revenues that have been generated are
21 detailed in one of your exhibits, are they not?

22 A. Yes. In RJA-19, page 1 of 1.

23 Q. RJA-19 for the record would be Exhibit 143.
24 And that Exhibit 143, RJA-19, Mr. Amen, that's a
25 representation of all penalties assessed to all

00834

1 transportation customers since January of 1994, is
2 that correct, or actually it goes back to December; is
3 that correct?

4 A. Yes. And I think I indicated in my
5 testimony that that represents I think some 520
6 imbalance statements. I don't recall exactly the
7 number. I think there were only two to four cases
8 over that period where someone actually exceeded 10
9 percent and I don't think any of them exceeded 12.

10 Q. Mr. Amen, if you could turn with me -- I
11 know you don't have a number. It's Exhibit 140.
12 That's RJA-16 on page 1 of 7. And I believe you
13 discuss this exhibit on page 17 of your prefiled
14 rebuttal which is Exhibit T-131. And the data
15 represented on your Exhibit 140, the RJA-16, is for
16 balancing by transportation customers for January
17 1994; is that correct?

18 A. Yes.

19 Q. Was January 1994 the first month of
20 operations that were effective for the balancing
21 provisions ordered by the Commission in 920840 in that
22 docket?

23 A. Yes, I believe it was. We were given the
24 flexibility in implementing the tariff to allow our
25 customers a couple of billing periods to get their

00835

1 balances in alignment so that they wouldn't experience
2 penalties right off with the initiation of the
3 schedule.

4 Q. And in the percent imbalance column
5 you have reflected by customer count by meter the
6 monthly imbalance of each customer; is that correct?

7 A. Yes.

8 Q. Is it also correct, Mr. Amen, that your
9 exhibit under the percent imbalance column doesn't
10 reflect the fact that some of these customer accounts
11 were subject to aggregation under WNG's current
12 tariffs?

13 A. I believe you're right. I don't believe we
14 aggregated any -- they're at account level detail.

15 Q. They're at account level detail. But the
16 customers who have been have been operating -- if a
17 customer had a meter under one account number and
18 under another account number would have been operating
19 under the aggregation provision so some of these
20 numbers may in fact be slightly overstated, they would
21 be added together?

22 A. Right. If those two commonly-owned
23 accounts were behind the same city gate that would
24 have been aggregated.

25 If you would refer to Exhibit 150 current

00836

1 tariffs, and turn to sheet 4.

2 MR. JOHNSON: This is a summary sheet, to
3 clarify.

4 Q. If you would turn to the summary sheet of
5 the provisions on sheet 4, that provides for the
6 current tariffs that governed at the time for January
7 1994 to have had that aggregation language. That's
8 the third paragraph; is that correct?

9 A. Yes.

10 Q. Do you have Mr. Lavigne's prefiled rebuttal
11 up on the stand with you which is Exhibit T-81?

12 A. Just a moment. Okay.

13 Q. If you could turn to page 14 of Mr.
14 Lavigne's rebuttal which is Exhibit T-81. And do you
15 see the chart represented on that page 14? Are you
16 with me?

17 A. Yes, I do.

18 Q. If we were to compare the actual percentage
19 imbalance at the meter to your Exhibit 140, would you
20 accept subject to check that the customer account
21 numbers shown under actual percentage imbalance at the
22 meter correspond to your Exhibit 140?

23 A. Yes, I would, and would be glad that they
24 did.

25 Q. Would you also accept subject to check that

00837

1 pursuant to the aggregation of the same customer
2 accounts that are represented on the next column
3 labeled Actual Aggregate Imbalance under the Tariffs,
4 taking into account aggregation to those that were
5 subject to aggregation, that the percentages for those
6 customer accounts would result in the numbers shown,
7 the 3.45 percent through 5.09 percent for those
8 accounts?

9 A. Yes, I would accept that subject to check.

10 Q. Final area. Switching topics, Mr. Amen to
11 your Exhibit 148. It's RJA-23. And your RJA-23, that
12 is your proposed implementation plan, is that correct
13 -- suggestion?

14 A. Yes. Given the assumption that I start off
15 with that a Commission order would be received by May
16 15.

17 Q. And in looking at the date referenced, June
18 15 of '95, refer to the activity column, you have an
19 indication of customer letter of intent regarding
20 transportation service and then you have the
21 compliance rates being filed 6-21. Are you with me on
22 the chart?

23 A. Yes.

24 Q. By the letter of intent you are not
25 suggesting that customers have to elect before they

00838

1 know the final rates, are you?

2 A. Well, I anticipate that if, as we've
3 proposed, that the margins are relatively equivalent
4 between transportation, and sales and whether our
5 proposal is adopted in its entirety or not, that there
6 would be enough information for the customer to give
7 us an indication of their requirements. What we're
8 trying to understand by this is how much, if any, say,
9 migration may occur between transportation and sales.

10 Q. So by your implementation plan, you're
11 suggesting that by June the 1st of '95, you would have
12 sufficient information on the rates and the terms of
13 services to convey to the customers such that they
14 could give you an indication. You're not suggesting
15 by this order that customers would be bound to
16 something and not know the price?

17 A. That's true.

18 Q. Just wanted to clarify.

19 MS. PYRON: I have no further questions.

20 JUDGE ANDERL: Thank you. Mr.

21 Frederickson.

22

23 CROSS-EXAMINATION

24 BY MR. FREDERICKSON:

25 Q. Good morning.

00839

1 A. Good morning, Mr. Frederickson.

2 Q. I have a few questions for you regarding
3 RJA-16 which is Exhibit 140 and starting with page
4 7. This is a graph showing the actual metered volumes
5 and daily nominations for customer 782 for January
6 1994. Do you have that page in front of you, sir?

7 A. Yes, I do.

8 Q. Based on Mr. Young's testimony, Exhibit 76,
9 I will represent to you that customer 782 is Seattle
10 Steam, and I will refer to it as Seattle Steam. Is
11 that all right?

12 A. Okay.

13 Q. What I would like is some help in the
14 interpretation of this graph. Would you please tell
15 me from the graph how many days during January 1994
16 Seattle Steam had daily nomination in excess of
17 metered volumes?

18 A. Okay. If you would count the boxes that
19 appear above the black line, the bold black line, you
20 can determine that. The 13 or 14 -- one is sort of
21 right on the line.

22 Q. And the one that's on the line is
23 approximately, what, about the 21st, 22nd of January?

24 A. Yes. Probably 20th or 21st.

25 Q. Then conversely by the subtraction process

00840

1 the difference would be the ones that are below
2 metered volumes; is that right?

3 A. Yes.

4 Q. So, in other words, for this month there
5 was a relatively equal number of days of overtakes
6 and undertakes for customer Seattle Steam?

7 A. Yeah. I think the numbers would work out
8 to be 13 or 14 above and 17 or 18 below, depending on
9 your eyesight.

10 Q. Would you turn to page 1 of RJA-16 which is
11 Exhibit 140. Now, if I'm reading this chart correctly
12 -- let me just ask you the question. What's the
13 cumulative imbalance for customer Seattle Steam for
14 the month January 1994?

15 A. Again, is that 767? Is that the customer
16 number?

17 Q. 782, sir.

18 A. Oh, 782. You want the percentage or the
19 amount?

20 Q. Why don't you give me both.

21 A. It would be 12,669 or .77 percent.

22 Q. And the 12,669, those are therms, correct?

23 A. I believe it is although it's not indicated
24 on here. It's either therms or decatherms but
25 probably therms.

00841

1 Q. I'm going to read you a question and then
2 take you through it step by step, if I might, because
3 it involves several of the customers. Starting on
4 page 2 of Exhibit 140, which again is RJA-16, please
5 tell me in order for customers 27, 103, 109, 290 and
6 767, the number of days these graphs indicate the
7 daily nominations exceeded the metered volumes.
8 Having given you the question, let's go back and start
9 with customer 27 which is on page 2 of 7.

10 A. And again if I just understand your
11 question, you want me to count the number of boxes
12 above the metered volume bold line for the daily
13 nominations for that customer?

14 Q. Right. If you will just take me through a
15 couple of these. Let's just do the first one and the
16 last one so we don't spend a lot of time counting
17 boxes, but I want to make sure I understand and the
18 record is clear on how these graphs operate.

19 A. And again the first one, early in the month
20 is almost on the line, but let's say if we count it I
21 get 14 or 15 for customer 27.

22 Q. And then by the subtraction process we
23 could subtract from 31 and get the number of days in
24 which they did not exceed metered volumes; is that
25 correct?

00842

1 A. That's correct.

2 Q. Let's do it for customer 767 and then we'll
3 pass on the rest of the counting exercise. That's on
4 page 6 of 7 of RJA-16.

5 A. Yes. And I've counted about 23 of the
6 boxes above the line.

7 Q. Would you agree -- and we can limit it to
8 Seattle Steam, customer 27 and customer No. 767 --
9 that none of these customers graphed had overtakes on
10 each and every day of January 1994?

11 A. That's correct.

12 Q. Can you find Exhibit 99 which is JL-7?

13 A. One moment, please. Is that in the direct
14 or the rebuttal?

15 Q. I think it's in the rebuttal. My question
16 is this, and perhaps you already know the answer,
17 whether the questions shown on page 2 through 7 of
18 Exhibit 140, which is RJA-16, are the same customers
19 that Mr. Lazar selected and graphed in Exhibit 99
20 which is JL-7.

21 A. I believe they are.

22 Q. Switching you again through the record,
23 could you take a look at RJA-12 which is Exhibit 136?

24 A. Are we done with JL-7?

25 Q. Yes, sir.

00843

1 JUDGE ANDERL: I'm sorry, that exhibit
2 reference again, Mr. Frederickson.

3 MR. FREDERICKSON: Exhibit 136 which is
4 RJA-12.

5 A. I have it.

6 Q. Is that a complete listing of each and
7 every day of curtailment which occurred on the WNG
8 system in 1994?

9 A. No, it's not. I think Mr. Davis testified
10 yesterday there is a degree of self-curtailment that
11 occurs on our system from certain customers who
12 monitor the pressure at the locations and at the
13 appropriate time or temperature. Many of them have
14 enough working knowledge and experience with
15 temperature variations that they know at about, say,
16 30 degrees it's time to start curtailing, and those
17 are not represented here. These are merely those that
18 showed up in the dispatcher's logbook.

19 Q. In addition to the self-curtailment -- and
20 I think Mr. Davis spoke about what the practices at
21 the University of Washington were where the University
22 of Washington people see the meter hit a certain level
23 and know they have to curtail and just automatically
24 start doing it to help the system. But what I'm
25 driving at here in addition is just the records. Do

00844

1 your records reflect each and every curtailment that
2 occurred on the system?

3 A. No, they do not. We try and record through
4 the dispatching operation when interruptions occur but
5 some of them are made on the fly, so to speak, and
6 there are times when they don't all show up in the
7 logbook.

8 MR. FREDERICKSON: Thank you, Your Honor.
9 I have no further questions.

10 JUDGE ANDERL: Thank you, Mr. Frederickson.
11 Mr. Trotter, you have some cross for this witness.

12

13 CROSS-EXAMINATION

14 BY MR. TROTTER:

15 Q. Turn to Exhibit 149, the flow-through of
16 changes, page 6 of 10. Do you have it?

17 A. Yes.

18 Q. And this sheet and the next couple of
19 sheets you show each class revenue calculations, et
20 cetera?

21 A. Yes.

22 Q. Just looking at rate 23, you show 1.199
23 million billed; is that right?

24 A. Yes.

25 Q. And if we divide that number by 12 we would

00845

1 have the average customers for that rate scheduled?

2 A. Yes.

3 Q. And that same methodology could be used for
4 each of the schedules?

5 A. That's correct.

6 Q. Like to ask you a series of subject to
7 checks from your annual report. Do you have your '94?

8 A. I'm sorry I do not.

9 Q. You report in your 1994 annual report that
10 you had in 1993 383,291 residential customers and in
11 1994 403,632 customers. Would you accept that?

12 A. Yes.

13 Q. And residential for the annual report is
14 comprised by which schedules?

15 A. 23 and 24. We no longer have rate 55.
16 There are residential customers in rate 11 and 16, a
17 few.

18 Q. And your commercial schedule in 1993 you
19 have 35,951 and in 1994 37,112?

20 A. Yes, subject to check.

21 Q. And what schedules would that apply to?

22 A. That would be, generally speaking, rate 31
23 and 36, and then our commercial elements in rate 41
24 and 51.

25 Q. But predominantly the first two schedules?

00846

1 A. You're right, the first two.

2 Q. Industrial customers, 2,844 in 1993 and
3 2,824 in '94. Would you accept that subject to check?

4 A. Yes, I would.

5 Q. What schedules?

6 A. Again, rate 41 would have industrial
7 customers and then the vast majority of them are in
8 85, 86, 87, 57 and 58.

9 Q. Well, maybe --

10 A. Did you say industrial?

11 Q. I said industrial and I'm getting to
12 interruptible.

13 A. I'm sorry. I thought you meant all
14 industrial.

15 Q. Well, you separate industrial from
16 interruptible and your interruptibles in 1993 were
17 1,056 and in 1994 1,045. Would you accept that
18 subject to check.

19 A. Yes, I guess so. I think right now we have
20 somewhere in the neighborhood of 1200 interruptible
21 customers.

22 Q. I don't know why subject to check. I will
23 just stand here and show it to you.

24 A. I will accept that these are the numbers
25 you've read.

00847

1 Q. Could you just tell me what rate schedules
2 would be in that interruptible category?

3 A. That would be rate 85, rate 86, rate 87 and
4 rate 57 and 58.

5 JUDGE ANDERL: Mr. Trotter, I would just
6 like to interject and get a clarification while we're
7 right on this subject. Are those interruptible
8 customers part of the earlier mentioned industrial and
9 commercial or are they separate from?

10 THE WITNESS: No, they're a part of.

11 JUDGE ANDERL: So a subset?

12 THE WITNESS: Yes. And those interruptible
13 customers have a certain nominated level of firm
14 service as well, many of them.

15 Q. And is the general nature of customer
16 growth reflected between 1993 and 1994 via the numbers
17 we just talked about, is that continuing?

18 A. Yes, it is. I believe it's in the
19 neighborhood of 5 percent.

20 Q. Has the company estimated the amount of
21 total revenue it will collect in the next year at
22 current versus proposed rates due to faster growth
23 among the classes getting rate increases under your
24 proposal than among those classes getting rate
25 decreases?

00848

1 A. No, we have not. Regardless of the revenue
2 shifts between classes, the tremendous growth in the
3 residential market is putting a severe strain on the
4 company because of the amount of nonrevenue-producing
5 assets that we have to put into the ground to cover
6 the growth.

7 Q. Is that due to your line and main extension
8 policies, sir?

9 A. No, it's not. For example, we just filed a
10 supplemental budget request recently for the city of
11 Olympia where we're experiencing about 8 percent
12 growth and it's all residential, and that in excess of
13 2 million dollars reinforcement was for high diameter
14 12 and 16-inch pipe to reinforce the system which is
15 not a revenue-producing asset, but in order to support
16 the firm requirement of this tremendously growing
17 residential market we're required to make these kinds
18 of investments.

19 Q. And those customers are not going to be
20 paying any bills?

21 A. They're paying bills at average cost as we
22 currently find it.

23 Q. Have you made any proposed changes to your
24 main extension policy to reflect these impacts?

25 A. We have a proposal before the Commission

00849

1 currently on main extensions.

2 Q. Turn to Exhibit 132, which is RJA-9, and
3 then also your testimony rebuttal on page 5, and on
4 page 5 you are asked a question what type of customers
5 are served on schedule 11 and you refer us to RJA-9.

6 A. I believe I'm following you, yes. Are we
7 talking about rate 11 here?

8 Q. Yes. And then turning to Exhibit 132, your
9 testimony referred to the types of customers on this
10 schedule and you weren't intending to show us the
11 whole population of that schedule, were you, because
12 you show total customers on Exhibit 132 of around 2700
13 whereas your rate 11 on sheet 6 of Exhibit 149 would
14 show approximately 4600 customers, so this isn't a
15 population of schedule 11 on Exhibit 132, is it?

16 A. This is the group of customers that we have
17 SIC code information on.

18 Q. So your answer to my question is no, this
19 isn't a population?

20 A. No, I don't believe it is.

21 Q. And you're showing for the residential
22 customers served on this class average monthly therm
23 take of 40.6 therms and an average bill of 31.66, is
24 that right, in the bottom right-hand portion of the
25 page?

00850

1 A. Yes.

2 Q. And at proposed rates those therms would be
3 rated in your proposed rates at 85 cents a therm plus
4 a \$2 customer charge for approximately \$36.50 a month?

5 A. Well, I would accept that subject to check.
6 I've actually performed a similar calculation for the
7 1,464 four-unit apartment dwellers and their average
8 consumption that would indicate it's about \$1.54 per
9 month.

10 Q. What is \$1.54 a month?

11 A. The impact of my proposal.

12 Q. I'm just saying is 40.6 therms rated under
13 your proposed schedule the equivalent of around \$36.50
14 a month? I'm just focusing on those numbers of
15 therms. Do I just multiply 40 therms times 85 cents
16 and add \$2?

17 A. Per customer, yes.

18 Q. Okay, that's all I'm getting at. Please
19 turn to page -- your Exhibit 19 otherwise known as
20 RJA-8, page 4.

21 A. Okay.

22 Q. Instead of sheet 4 let's go to sheet 3, I'm
23 sorry. And this is your rate 23, residential rate; is
24 that correct?

25 A. Yes.

00851

1 Q. And if we look at 40 therms on this sheet
2 at your proposed rates, the customer would pay
3 approximately \$26.02, right?

4 A. Yes.

5 Q. Now, schedule 11 customer can move to
6 schedule 23 at their own option, can they not,
7 residential customer?

8 A. Well, in fact a new customer would be put
9 on 23 because rate 11 is frozen.

10 Q. Is the company doing anything to notify
11 schedule 11 customers that are residential customers
12 that they -- if they're taking an average of 40 therms
13 a month that they would be much better served on the
14 schedule 23 price-wise and --

15 A. Not presently we aren't. We haven't
16 concluded this proceeding yet.

17 Q. Do you have any plans to do so?

18 A. I haven't really considered it.

19 MR. TROTTER: No further questions. Thank
20 you.

21 JUDGE ANDERL: Thank you, Mr. Trotter.

22 Do the Commissioners have any questions for this
23 witness?

24 COMMISSIONER HEMSTAD: I don't.

25 COMMISSIONER GILLIS: I have a couple.

00852

1

2

EXAMINATION

3 BY COMMISSIONER GILLIS:

4 Q. Could you sketch out for me real briefly
5 the factors that you consider when you do planning for
6 future capacity and your long-term resource
7 acquisition for projected firm load? How do you
8 project that? Just briefly.

9 A. Well, of course the forecasting techniques
10 we employ in our least cost plan gives us an
11 indication of the long-term projected demand based on
12 our design peak and serving the firm requirements of
13 the system. I recall a conversation, I believe you
14 had with Mr. Davis yesterday, where you were
15 discussing this, and the evidence of this I think
16 appears every time we file a PGA. We're showing in
17 the PGA documentation, and I think there's a work
18 paper in this proceeding that indicates the firm peak
19 day requirements, so forth, that we use for planning
20 purposes.

21 Q. Over the past couple of years, have you
22 experienced current firm sales customers that have
23 elected to become transportation customers?

24 A. No. Generally speaking, they were large
25 volume interruptible customers with perhaps a portion

00853

1 of their requirements being firm because of their
2 plant requirements.

3 Q. So for the most part -- I guess what I'm
4 getting at, what I would like you to answer is kind of
5 walking me through the costs that are associated with
6 a company that's a current sales customer becoming a
7 transportation customer, and I'm particularly
8 interested in how it might impact the fact that you
9 potentially made some commitments to long-term
10 capacity and long-term resource commitments.

11 A. Well, given what we talked about here this
12 morning about our planning criteria of reflecting the
13 aggregate firm demand and working that into both the
14 long-term gas supply agreements and capacity
15 agreements that I've included in my testimony and the
16 system requirements, depending on the size, let's say
17 of that firm requirement, if a large group of firm
18 customers of some size were to switch to
19 transportation that would, depending on when that
20 occurred, definitely have an impact on how much firm
21 supply we would contract for and how much firm
22 capacity we would be looking at in the future or ways
23 of meeting that firm demand. Because of the large
24 amount of firm growth we have on our system we can't
25 absorb some migration like that. The problem is if

00854

1 it's a good deal for one customer it tends to be a
2 good deal for a lot of customers, and so you don't
3 tend to see one or two go. You tend to see quite a
4 few. And that's what impacts our planning, more
5 importantly.

6 Q. Would it be a correct statement to say that
7 when a sales customer that has at least some firm
8 nominated supply leaves or changes to become a
9 transportation customer that there are costs it
10 imposes on the system because you've made commitments
11 to supply that firm demand that you no longer have?

12 A. That's correct.

13 Q. And under your current proposed
14 transportation tariffs, are those costs accounted for
15 to the transportation customer?

16 A. No, they're not.

17 Q. Where do they go?

18 A. The sales customers would essentially
19 absorb those.

20 Q. Those costs wouldn't be associated with
21 interruptibles?

22 A. Yeah.

23 Q. The other question I had for you involves
24 how are your DSM acquisitions currently allocated to
25 customer classes?

00855

1 A. We don't have very many DSM acquisition
2 resources, but we are as a matter of fact getting
3 prepared to file for a few additional programs. And
4 they are generally associated with the class of
5 customers that they -- that the programs are geared
6 towards. So like a water heater residential,
7 efficient water heater program would be attributable
8 to the residential class, generally speaking.

9 Q. So you try to make it class-specific?

10 A. Yes.

11 COMMISSIONER GILLIS: That's all the
12 questions I have.

13 JUDGE ANDERL: Thank you. Mr. Amen, I have
14 a couple of questions for you regarding compressed
15 natural gas.

16

17 EXAMINATION

18 BY JUDGE ANDERL:

19 Q. You may recall yesterday Mr. Berdan
20 referred a question to you regarding company use of
21 CNG for its own vehicles?

22 A. Yes.

23 Q. And I believe the question from
24 Commissioner Hemstad was how are the revenues or
25 imputed revenues, I guess maybe, booked? Does the

00856

1 company use appear as CNG revenues in the cost of
2 service study? Can you address that?

3 A. Yes. It's a good question because it
4 really goes to the point of actually who is
5 subsidizing who here when we're talking about CNG. We
6 account for the volumes of gas, compressed gas, that
7 go into our fleet vehicles by the variable cost of
8 gas, essentially the commodity WACOG. It's about 18
9 and a half cents, so that's what's booked as an
10 expense for the fleet. However, in the cost of
11 service and in my rate design I have included all of
12 the volumes of the company fleet in the calculation of
13 the rate, so what that amounts to is for every therm
14 under that rate, our shareholders are subsidizing this
15 service.

16 And just to give you an example of how it
17 works, we've got a margin in our proposed rate 50 of
18 about 40 cents. If you subtract that 18 or 20 cents
19 commodity cost of gas that leaves you about 20 cents a
20 therm left over that will go uncollected, and since
21 our fleet volumes are about half of the total volumes,
22 that amounts to a 20 cent per therm subsidization of
23 the schedule by our shareholders and that's about
24 \$120,000. That's higher than the so-called subsidy in
25 the current rate.

00857

1 Q. Thank you. Just to be sure that we do
2 understand what you're saying, your testimony is that
3 the volumes for the company's CNG vehicles, the
4 volumes of gas are included in Mr. Feingold's cost of
5 service study under the rate 50?

6 A. Yes.

7 Q. Great. Finally, on CNG in your testimony
8 on page 25, and you probably don't have to turn to it,
9 but you say that the company intends to leave the CNG
10 refueling market when that market is competitive, and
11 my question is, how will the company know?

12 A. I think the company will know when we see
13 that there are independent third party providers that
14 are conveniently located throughout our service area
15 that customers have a ready available source of
16 compressed natural gas. I can't tell you exactly when
17 that will be.

18 Q. Does the company intend to create or offer
19 a separate sales schedule of CNG for uncompressed
20 natural gas for compression so that you might be able
21 to track that?

22 A. Well, your question is a good one because
23 it points out probably the only reason I would.

24 Q. So you can track it?

25 A. Because I have a number of rate schedules

00858

1 that we've talked about here today that are
2 uncompressed gas that are available to all of those
3 customers, including transportation, so -- and we do
4 have some that I think are separately metered so we
5 can track some of the volumes now, but where they're
6 included with the metered volumes of other uses, say,
7 it's less easy, but I think a lot of those
8 combinations are on company -- excuse me -- customer
9 fleet sites where they're providing CNG for their own
10 use, whereas if it were a public refueling station,
11 for example, it would be separately metered anyway,
12 even if it was uncompressed under one of our other
13 schedules.

14 Q. You would know because you would have to
15 extend service to that --

16 A. Exactly.

17 JUDGE ANDERL: Thank you very much.

18 Redirect.

19 MR. JOHNSON: I have a few questions of Mr.

20 Amen.

21

22 REDIRECT EXAMINATION

23 BY MR. JOHNSON:

24 Q. In response to questions from Judge Anderl,
25 you referred to the -- these were your words -- a

00859

1 so-called subsidy under the current or proposed rate
2 for CNG service; is that right?

3 A. Yes.

4 Q. Were you here yesterday to hear Mr. Davis
5 and Mr. Lazar also talk about that subsidy?

6 A. I was.

7 Q. And would it be a fair characterization of
8 their testimony that they thought that that level of
9 the subsidy was a rounding error?

10 MR. TROTTER: I will object to the
11 question. It's not necessary to ask every company
12 witness the same question.

13 JUDGE ANDERL: That has been asked and
14 answered. I think the record is clear on that. You
15 can just remind him about that but if you have another
16 question to follow up.

17 Q. Mr. Amen, given that there is the level of
18 the so-called subsidy as you refer to in your
19 testimony, is it your position that you believe that
20 the company's proposal is reasonable notwithstanding
21 the level of that subsidy?

22 A. Yes, I do. As I mentioned in my discussion
23 with Commissioner, for those reasons, as I listed
24 there, and also we're faced with this somewhat by the
25 way we've treated these costs in the cost of service.

00860

1 That is, we've included all the direct plant and
2 expenses of our compression facilities in this
3 schedule and as Mr. Davis mentioned eight of those
4 facilities are solely -- have been purchased and
5 installed for servicing our fleet. The fact that we
6 make them available to customers to experiment with
7 CNG improves their utilization but it doesn't change
8 the basis upon which those facilities were installed.

9 And by virtue of the CNG customer paying
10 for these facilities through their rate, they're
11 really covering costs that would otherwise be borne by
12 the remaining customers, because if it weren't a
13 separate class, as we've treated it in our cost of
14 service, it would just be part of general plant and
15 all customers would be paying those costs. So to the
16 extent of that and the other points I made earlier, I
17 think it's fair.

18 Q. Shifting to another area. Earlier in your
19 cross-examination, Ms. Egeler asked you some questions
20 about Jackson Prairie. Do you recall those?

21 A. Yes, I do.

22 Q. And would it be correct that Jackson
23 Prairie -- a purpose of Jackson Prairie is to store
24 gas, purely and simply?

25 A. That's true.

00861

1 Q. So does the company buy lower cost summer
2 gas for use in the winter and store that gas in
3 Jackson Prairie?

4 A. Well, that's one use of Jackson Prairie.
5 It's one of about four, and increasingly it's one of
6 the least important ones because of the volatility in
7 the gas market today. It's not always the case where
8 supplies of gas on the market will necessarily be
9 cheaper in the summer in all cases, but there's about
10 three other uses of Jackson Prairie that we've talked
11 about, I think, or various witnesses have talked
12 about, the primary one being to meet the winter season
13 peak demand of the system, the firm requirements
14 customers.

15 Secondly, we use it also increasingly now
16 to help improve the load factor on our long-term firm
17 contracts. As I mention in my testimony we
18 redetermine those load factors each year for pricing
19 purposes and this allows us to, when consumption on
20 the system is reduced, to use storage to help improve
21 the load factor, and then the third item that we
22 talked about here at some length is its use for
23 balancing the system.

24 Q. Ms. Egeler also asked you about the
25 company's gas supply contracts and referred you to one

00862

1 of your exhibits where you indicated the time line for
2 those long-term contracts. Do you recall those
3 questions?

4 A. Yes, I do.

5 Q. So under the contracts that the company has
6 I take it that the company spends -- actually incurs
7 costs under those gas supply contracts; is that
8 correct?

9 A. Most definitely.

10 Q. And I think in response to questions from
11 Commissioner Gillis you also referred to the costs
12 that -- the cost that the company incurs under its gas
13 supply contracts; is that correct?

14 A. Yes. We talked about the planning and the
15 level of firm demand that we're seeking to serve and
16 talked about the use of in our PG's.

17 Q. Mr. Amen, do you have Exhibit 126 in front
18 of you?

19 A. Is that the work paper book?

20 Q. Yes.

21 A. Yes, I do.

22 Q. In response to a question from Commissioner
23 Gillis you refer to a work paper. Like to refer you
24 to the very last page of this book, if you could,
25 please.

00863

1 A. Okay.

2 Q. And it's the page that has Washington
3 Natural Gas company on the top Adjusted for WNG
4 Rebuttal Proforma on the upper right. Do you see
5 that?

6 A. Yes.

7 Q. Is this the exhibit that you were referring
8 to?

9 A. Yes, it is.

10 Q. And can you refer down to the middle of the
11 page, Total Gas Supply Equals Sales is the reference.
12 Do you see that?

13 A. Yes, I do.

14 Q. And there's a number directly to the right
15 under peak day DTH. Is that decatherms?

16 A. Yes.

17 Q. And what's the number there?

18 A. 699,900.

19 Q. And what is that number?

20 A. That represents our firm peak day
21 requirements.

22 Q. And then skipping over to the right-hand
23 column, there are dollar figures corresponding to that
24 total gas supply line, are there not?

25 A. Yes.

00864

1 Q. Can you indicate the significance of those
2 numbers?

3 A. Well, as you see in the total cost column
4 there's 156 million, and these again are in the supply
5 section of this schedule. Commodity then is a portion
6 of that total cost and demand the remaining column of
7 26,725,642. These are the costs that we incur on a
8 monthly and annual basis, as indicated in this PGA
9 work paper to serve those requirements.

10 Q. Ms. Egeler also asked you a question about
11 -- referencing again those long-term contracts --
12 questions about whether transportation sales were
13 included in those long-term contracts. Do you recall
14 those questions?

15 A. Yes.

16 Q. Are transportation sales included in
17 long-term contracts to the extent that they are firm
18 or are they included in long-term contracts if they
19 are not firm?

20 A. Well, I think you said transportation and
21 sales in the same phrase. The sales requirements are
22 included in the supply, firm supply contracts, and
23 relate to the deliverability of those contracts and
24 the amount we paid for the deliverability, say, during
25 the winter season. Their requirements are also then

00865

1 part of the firm capacity contracts.

2 MR. JOHNSON: Just one moment.

3 Q. Let me rephrase the question possibly.

4 Again, referring to that answer, does the company or
5 did the company buy gas only to meet firm loads or did
6 it also buy gas under those contracts to meet
7 interruptible loads?

8 A. Well, again, we -- the long-term firm
9 requirements contracts are for the firm load on the
10 system. We are able to -- because we have those
11 supplies we are able to utilize interruptible sales
12 from time to time to help improve the load factor on
13 those contracts when it's available.

14 Q. But the purpose of those long-term
15 contracts again is not to meet interruptible?

16 MR. TROTTER: I'm going to object.

17 JUDGE ANDERL: I'm going to sustain.

18 MR. TROTTER: This is the 100th time.

19 JUDGE ANDERL: I even know the answer to
20 that. Were you through, Mr. Johnson?

21 MR. JOHNSON: We're fine, thanks.

22 JUDGE ANDERL: Ms. Pyron, any recross?

23 MS. PYRON: No.

24 JUDGE ANDERL: Mr. Frederickson?

25 MR. FREDERICKSON: No.

00866

1 JUDGE ANDERL: Ms. Egeler, do you have any
2 cross?

3 MS. EGELER: Yes.

4

5 RECROSS-EXAMINATION

6 BY MS. EGELER:

7 Q. Mr. Amen, if you could look at Exhibit 136
8 which is RJA-1 and turn to page 18 of that. It's not
9 136. I'm sorry. It's RJA-1.

10 JUDGE ANDERL: Revised page or the
11 original?

12 MS. EGELER: No. It would be the original.

13 JUDGE ANDERL: In that case it's Exhibit
14 12.

15 Q. Page 18 of that?

16 A. Okay.

17 Q. In response to a question from Ms. Pyron
18 you answered that the company has the ability to
19 assess transportation customers imbalance penalties
20 the company incurs from the pipeline. Do you remember
21 that line of questioning?

22 A. Yes, I do.

23 Q. Isn't it true, however, that a
24 transportation customer that takes gas directly from
25 the pipeline is at a much greater risk of incurring

00867

1 imbalance penalties than transportation customers that
2 are behind WNG's city gate?

3 A. Most definitely. They don't have the
4 cushion of all the volumes that we move on the system
5 that they can sort of get lost in. I think Ms. Pyron
6 indicated --

7 Q. Can you describe what that cushion that WNG
8 experiences is? Explain that a bit more.

9 A. It's a function of the fact that they're
10 included with the volumes that we move on a daily
11 basis for all customers, both sales and
12 transportation.

13 Q. And isn't it also because of the company's
14 gas supply portfolio resources?

15 A. Yes.

16 Q. Mr. Amen, aren't both firm and
17 interruptible loads considered when determining the
18 appropriate load factor utilization of your supply
19 contracts and storage operations? And I'm looking at
20 on an annual basis.

21 A. Yeah. I think, generally speaking, as I
22 indicated in my testimony, we try and get -- as we
23 look at our procurement needs year to year, we try and
24 look and predict, if you will, the amount of
25 interruptible load we will likely see so that we can

00868

1 address our load factors accordingly when we have an
2 opportunity to modify them.

3 Q. So knowing interruptible sales volumes is
4 very important to the company, isn't it?

5 A. Certainly.

6 MS. EGELER: I have nothing further.

7 JUDGE ANDERL: Mr. Trotter, recross.

8

9 RE-CROSS-EXAMINATION

10 BY MR. TROTTER:

11 Q. Turn to the last page of Exhibit 126, the
12 work paper tome. You were asked a question about the
13 peak day figure for total gas supply equals sales of
14 699,900. Do you recall that?

15 A. Yes, I do.

16 Q. Those are your firm day peak day resources,
17 not your firm day peak day requirements; is that
18 correct?

19 A. That's the deliverability --

20 Q. Let me ask it this way. Is that your
21 requirements or is that your resources?

22 A. It's the resources.

23 Q. One question about CNG. Make it two. Do
24 the unregulated subsidiaries of Washington Energy
25 Company use CNG in their vehicles?

00869

1 A. I do not believe so.

2 MR. TROTTER: No further questions.

3 JUDGE ANDERL: Anything further for this
4 witness?

5 I think not. Thank you, Mr. Amen, for your
6 testimony. You may step down. Does that conclude the
7 company's rebuttal presentation?

8 MR. JOHNSON: Yes, it does.

9 JUDGE ANDERL: Let's be off the record for
10 just a minute then.

11 (Recess.)

12 JUDGE ANDERL: Let's be back on the record.
13 While we were off the record we identified the public
14 exhibit that will be offered on Friday as Exhibit 151.
15 We agreed that should company offer a stipulated
16 exhibit based on the record requisition outstanding it
17 will be identified and admitted as Exhibit 152. To
18 the extent that it's offered but not stipulated the
19 parties will deal with that in correspondence to me
20 after the hearing. Briefs are due on March 3rd.
21 That's received and there's a 60-page limit on those
22 according to Commission rule. That 60 pages applies
23 to the consolidated dockets in this matter.

24 Is there anything else we talked about that
25 I'm leaving out?

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1 (Marked Exhibit 151.)

2 MR. JOHNSON: Your Honor, I have two other
3 things that we didn't talk about off the record but I
4 will mention them here. We have subject to check
5 questions several of which were asked, transcript
6 corrections maybe we can provide for that, and lastly
7 during the pre-hearing conference the issue was raised
8 I think by Ms. Pyron, of possible oral argument at the
9 end of these these proceedings and I was thinking in
10 particular since Chairman Nelson hasn't been here to
11 hear the presentation on rebuttal and cross rebuttal
12 that it might be appropriate -- I'm not sure when,
13 we can talk about that -- to have oral argument. I
14 would be interested in your thoughts.

15 JUDGE ANDERL: Usually the Commission likes
16 to read the briefs and see if they feel that oral
17 argument would be helpful after reading the parties'
18 written presentations. There seems to be enough time
19 here in the schedule to do that that way this time.

20 COMMISSIONER HEMSTAD: We can defer on
21 that. I would think that briefs would be sufficient
22 but we can defer.

23 MR. JOHNSON: Fine.

24 MR. TROTTER: Your Honor, in that regard we
25 would be glad to contribute to that effort but we also

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1 know the floodgates are open on filings before this
2 Commission and should consider the resource impact.

3 JUDGE ANDERL: And the subject to check
4 responses, the rule covers those.

5 MR. JOHNSON: That's fine.

6 JUDGE ANDERL: Then we'll stand in recess
7 today. We'll reconvene at 1:30 on Friday for public
8 testimony.

9 (Hearing adjourned at 11:25 a.m.)

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