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1 BEFORE THE WASHINGTON UTILITIES AND
2 TRANSPORTATION COMMISSION

3 THE WASHINGTON UTILITIES AND)
4 TRANSPORTATION COMMISSION,) DOCKET NO. TC-001846
5) Volume IV
6) Pages 225 to 347
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10 A hearing in the above matter was held on
11 December 13, 2001, at 9:30 a.m., at 1300 South Evergreen
12 Park Drive Southwest, Room 206, Olympia, Washington,
13 before Administrative Law Judge MARJORIE SCHAEER and
14 ROBERT DAMRON.

15 The parties were present as follows:

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Joan E. Kinn, CCR, RPR
25 Court Reporter

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1 P R O C E E D I N G S

2 JUDGE SCHAER: We're here today for a second
3 day of hearing in Docket Number TC-001846. This is a
4 complaint case in which the Staff of the Commission is
5 seeking to reduce the rates of Bremerton-Kitsap
6 Airporter. Today is December 13th, 2001, and I'm
7 Marjorie Schaer, the Administrative Law Judge assigned
8 by the Commission to this proceeding.

9 I would like to start taking brief
10 appearances. Again, if counsel would just give your
11 name and your client's name, please, starting with
12 Mr. Thompson.

13 MR. THOMPSON: Jonathan Thompson representing
14 the Commission Staff.

15 MR. WILEY: Dave Wiley representing
16 Respondent Bremerton-Kitsap Airporter, Inc.

17 MR. SELLS: Your Honor, thank you, James
18 Sells, also representing Respondent.

19 JUDGE SCHAER: Okay, as we begin this
20 morning, I believe that the witness who was before us
21 yesterday, Mr. Colbo, has re-taken the stand.

22 I would remind you, Mr. Colbo, that you are
23 under oath in this proceeding.

24 And did you have any redirect, Mr. Thompson?

25 MR. THOMPSON: I do.

00230

1 JUDGE SCHAER: Go ahead.

2

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

4 BY MR. THOMPSON:

5 Q. Mr. Colbo, Mr. Wiley yesterday asked you if
6 you thought that a 2.44% revenue margin was sufficient
7 to allow the company to pay taxes and also to provide
8 them with a reasonable profit. And as I recall, you
9 said yes. But he also asked you if you had done any
10 calculations to support that conclusion, and have you?

11 A. I have done some on Exhibit RC-6, page 1,
12 lines 67 through 78.

13 Q. Okay. Could you be a little more specific
14 and sort of walk us through what that calculation
15 involved and which lines we should be looking at
16 specifically?

17 A. Yes, the net income before tax in column H,
18 line 68, is \$34,078. The federal income tax effect on
19 that taxable income is \$5,012, leaving a bottom line net
20 income on line 70 of \$29,967. That comports to a 97.56
21 operating ratio on line 72 and a return on -- and a
22 return on line 76 of 8.29%.

23 Q. And that 8.29% represents return on
24 investment?

25 A. It represents the return on investment and

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1 the return on equity as well since there is no debt for
2 this company.

3 Q. Mr. Wiley also asked a number of questions
4 about what the company should have done with excess
5 profits or excess revenue and whether it would have been
6 better to distribute them as dividends or to pay
7 Mr. Asche a bonus. What concerns do you have about
8 excess profits?

9 A. Well, I'm -- whether you're talking about
10 excess profits or excess revenues or excess owner's
11 compensation or whatever, if rates are set on a fair,
12 just, and reasonable basis, there shouldn't be any
13 excesses, and the rates would be set on a reasonable
14 level of expense, and the return would provide a
15 reasonable return on the investment. So the goal is to
16 set rates that are fair, just, and reasonable, and if we
17 do that, there won't hopefully be any excesses, at least
18 on a sustained basis.

19 Q. Mr. Wiley asked you some questions about your
20 adjustment RA-4, which concerns the refund from L&I and
21 the other organization I can't recall the name of right
22 now, but I think Mr. Wiley was asking you some questions
23 about the company's concern that these refunds might not
24 occur again. Do you agree that the refunds might not
25 occur in the future?

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1 A. I'm not sure that they will or they won't.
2 What I have done in this case is to amortize them over
3 what I feel is a reasonable period, and I have set three
4 years. This is an item that's if there are no
5 additional credits in the future, the company can come
6 in and file for a rate increase to make up that
7 differential whenever they want using either a 93 or
8 depending on the operating ratio that the Commission
9 sets in this case. It's similar to the rate case
10 treatment for rate case costs.

11 And that -- what normally happens is when
12 the, for a deferred charge for rate case costs or
13 something else, that the standard Commission practice is
14 to amortize those as well. And normally when that
15 amortization period ends, we normally don't have the
16 companies come in and saying our expenses are now less
17 so we're going to lower rates. But in this case, the
18 company does have the option of coming in and saying
19 that the amortization of the credit has now ended, and
20 our expenses are higher, so they can file for another
21 rate case if they want to.

22 Q. How did the Staff conclude that the company
23 was overearning for the last five years?

24 A. The basis of that conclusion is my Exhibit
25 15, page 1.

00233

1 Q. And could you just summarize, at the risk of
2 repeating I suppose your pre-filed testimony, just to
3 clarify what was the analysis there?

4 A. Well, it's a recap of the information
5 supplied to the Staff by the company in response to Data
6 Request Number 16 and 17. I have moved charter and
7 baggage revenue up into revenue as an operating revenue
8 and therefore included it in effect above the line. I
9 have moved fuel taxes on line 12, fuel tax credits on
10 line 12 above the line also to be included.
11 Depreciation on line 29 is as recorded by the company.
12 For a more definitive approach, it may be proper to use
13 the depreciation that the Commission finds, the
14 depreciation expense that the Commission finds
15 appropriate in this case at least calculated on a
16 straight line basis and four years on line 29. And I
17 have used rent as recorded by the company on line 40.
18 There again, depending on what the Commission rules in
19 this case, rent might be a different number. And then,
20 of course, owner's allowance is at issue on line 16. I
21 have included -- I have taken the officer's compensation
22 as recorded by the company and then split it on line 47
23 between the base amount and the bonus amount on line 51.
24 But on the Exhibit 15, line 1 is what I used to reach my
25 conclusion that the company has been overearning.

00234

1 Q. Okay. There were also a lot of questions
2 from Mr. Wiley about CEO salary or what's sometimes
3 referred to I guess as owner allowance. Could you
4 please explain generally what would be included in the
5 owner's salary?

6 A. Yes, I think as I testified yesterday,
7 owner's allowance is a function of principally the
8 duties performed and the time it takes to perform those
9 duties.

10 Q. Well, let me give you sort of a hypothetical
11 and get your reaction. For a small company with a total
12 revenue around say \$100,000, would you expect that
13 company and that the -- well, yeah, that company would
14 require a full time CEO job rate?

15 A. I think --

16 MR. WILEY: Your Honor, I object to the form,
17 it's so vague. I mean is it a transportation company?
18 Can we have a little more specifics to the hypothetical?

19 JUDGE SCHAER: Mr. Thompson, the objection is
20 that there are not enough specifics to the hypothetical.

21 MR. THOMPSON: Well --

22 JUDGE SCHAER: So are you going to ask a
23 different question, or do you want to respond to the
24 objection?

25 MR. THOMPSON: I guess I didn't intend any

00235

1 more specificity. It could be a -- it could be a
2 restaurant or an espresso stand or what have you. It's
3 just a general question about compensation for
4 executives by businesses generally.

5 JUDGE SCHAER: Okay, then I'm going to allow
6 the witness to answer that hypothetical, and I'm not
7 certain what relevance it would have for this situation,
8 but go ahead and respond, Mr. Colbo.

9 MR. THOMPSON: Well, let me -- I will
10 rephrase the question.

11 BY MR. THOMPSON:

12 Q. Let's say for a small regulated
13 transportation company with revenues of \$100,000 a year,
14 would you expect that that company would require a
15 full-time CEO?

16 A. No, I think the mix of CEO type duties and
17 other duties would depend on the size and complexity of
18 the company.

19 Q. Mr. Wiley asked if in your analysis you
20 provided a risk premium or provided something extra for
21 in recognition of I think entrepreneurial risk to
22 compensate the officer for managing his own funds. Does
23 the amount a person is paid for CEO duties depend on
24 whether that person is the owner or a third party?

25 A. No, I think the primary function is what the

00236

1 duties are and not who is doing them, a CEO or an arm's
2 length employee.

3 Q. Mr. Wiley also asked you if you could provide
4 examples where the Commission had decreased rates for
5 auto transportation companies and went through the
6 examples that you provided in your testimony, but has
7 the Commission ever reduced rates for a regulated
8 company of any sort that's filed a general rate
9 increase?

10 MR. WILEY: Objection, that's outside the
11 scope of my cross. Mine was purely and strictly limited
12 to either auto transportation companies or
13 transportation companies.

14 JUDGE SCHAER: I'm going to allow the witness
15 to respond if there is something in his admitted
16 testimony or exhibits that relates to this.

17 With that limitation, go ahead, Mr. Colbo.

18 A. I would refer you to Exhibit 16, page 3.

19 BY MR. THOMPSON:

20 Q. And what's the information you have
21 summarized there?

22 A. Those are examples of utility cases where the
23 cited company asked for a rate increase in the initial
24 request column, and upon final Commission order shown in
25 the disposition column actually received decreases.

00237

1 Q. Yesterday you indicated that if it hadn't
2 been for the past five years of overearning by the
3 company that Staff would not be advocating a 97%
4 operating ratio over the next three years. Do you mean
5 that Staff would never advocate for a 97% operating
6 ratio for a company, or does that refer just to this
7 case?

8 A. That referred to this case. There have been
9 cases that I can think of, the Rabanco solid waste
10 filing, where Staff set rates using a 98% operating
11 ratio. It was a garbage case, and it involved an east
12 side garbage company. I don't have the docket number in
13 front of me, but I can provide it along with the Staff
14 memo. And in that case, due to the heavy debt of the
15 parent company, that made the return requirement less,
16 and we set rates based on a 98 something operating
17 ratio.

18 Q. Similarly on the 97% operating ratio
19 question, would -- is the 97% proposal from Staff the
20 only reason why rates -- Staff is advocating for a
21 reduction in rates in this case, or would a reduction be
22 appropriate even at a 93% --

23 A. My position is that this company is
24 overearning whether you use a 93 or a 97. If you use a
25 93, the increase in the Pierce County military routes

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1 would be more, and the reductions in the Bremerton
2 routes would be less, but there would still be
3 overearnings.

4 Q. Can you explain the intent behind the credit
5 account into which funds would go in excess of 97%
6 operating ratio?

7 A. Well, the intent is to return -- in lieu of
8 the five year history of overearnings, the intent of the
9 credit account is for three years to return future
10 overearnings to the customers.

11 Q. Okay.

12 A. In the form of lower fares.

13 Q. All right. Mr. Wiley asked whether, except
14 for the officer salary question, which is capped, right,
15 the officer's salary is capped, and anything in excess,
16 paid in excess of that I suppose would go into the
17 credit account; is that right?

18 MR. WILEY: Objection, leading.

19 JUDGE SCHAER: Can you restate the question,
20 Mr. Thompson.

21 MR. THOMPSON: Okay, let me back up.

22 BY MR. THOMPSON:

23 Q. Would it be consistent with the intent of
24 this account for the company to increase, for example,
25 the amount that it pays to Mr. and Mrs. Asche for the

00239

1 facility that it operates out of during the three year
2 period?

3 A. No. The intent is to return to customers any
4 excess earnings over the next three years. And as I
5 said earlier, that would involve including charter and
6 baggage revenue as operating revenue, fuel tax credits
7 as an operating expense, depreciation on a straight line
8 basis, rent presumably at the level that the Commission
9 thinks is appropriate in this case, and owner's
10 allowance presumably at the level found acceptable by
11 the Commission in this case. The intent is not to give
12 -- not to have any excess earnings. The company -- the
13 customers have paid higher rates long enough.

14 Q. I want to refer you to Exhibit 22, and I
15 don't know if you have it in front of you, but you can
16 probably recall the 1998 draft Staff memorandum
17 concerning the company's rate filing?

18 A. I have it.

19 Q. Does the spreadsheet on page 2 of that
20 exhibit represent Staff's final case?

21 A. It represents the case as it -- as of
22 somewhere around February 11th, 1998, at the point in
23 time when it was withdrawn, but before it was presented
24 to the Commission at its open meeting.

25 Q. Okay. With respect to the officer's salary

00240

1 that was discussed yesterday, on that same page, column
2 N, line 60, would, which the figure is \$105,735, would
3 Staff have used that figure from that time forward in
4 the case if it had gone forward?

5 MR. WILEY: Your Honor, I will object to
6 this, because this was directly the questions you were
7 asking yesterday as far as Bench requests about this
8 Exhibit 22. I don't see anything different in the
9 question.

10 JUDGE SCHAER: Mr. Thompson.

11 MR. THOMPSON: Oh, we're aware of that, but I
12 think it needed a little further clarification from our
13 point of view.

14 JUDGE SCHAER: Mr. Wiley, I'm going to allow
15 the questions. I think it's appropriate that the
16 parties can ask redirect about questions from the Bench
17 if they think that's necessary, and you will have the
18 same opportunity.

19 Go ahead, Mr. Colbo.

20 A. You mean in a formal case?

21 Q. Right.

22 A. If we're talking about a formal case, then
23 there would probably be additional analysis not only of
24 owner's allowance, but all of the other revenue and
25 expense accounts, to arrive at a record to be developed

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1 for the Commission to make a final determination.

2 Q. And the salary amount could change based on
3 Staff's study?

4 A. It could go up or down. Presumably there
5 would be some kind of analysis similar to what I did in
6 this case to arrive at an owner's allowance.

7 MR. THOMPSON: Okay, thank you, that
8 concludes my redirect.

9 JUDGE SCHAER: Okay. Is there anything
10 further for Mr. Colbo?

11 MR. WILEY: Yes, there are, Your Honor.

12 JUDGE SCHAER: What do you have in mind,
13 Mr. Wiley?

14 MR. WILEY: About five questions, Your Honor.

15 JUDGE SCHAER: Okay, go ahead.

16

17 R E C R O S S - E X A M I N A T I O N

18 BY MR. WILEY:

19 Q. Mr. Colbo, you did not, in answer to
20 Mr. Thompson's question about your calculation of the
21 return based on the operating ratio of 97.56, you didn't
22 refer to the page, and so I was madly turning, and by
23 the time I got to the page, you were gone. So I'm
24 sorry, but I need a couple -- you need to point me to --
25 and is it on Exhibit 6, page 1 that we are?

00242

1 A. Yes.

2 Q. Okay, that helps me a lot, thank you. Now

3 I --

4 JUDGE SCHAER: So should we turn to --

5 MR. WILEY: Yes, please, Your Honor.

6 JUDGE SCHAER: Thank you, Mr. Wiley.

7 BY MR. WILEY:

8 Q. Turning to Exhibit 6, page 1, you indicated
9 that you had done calculations based on that 97.56%
10 operating ratio, and you talked about a calculation on
11 return on equity; is that correct?

12 A. Yes.

13 Q. And is that found at line 78?

14 A. Yes.

15 Q. Okay. And you also derive, do you not, at
16 line 70, column H, a total amount of net income which
17 would be the revenue margin of \$28,967, correct?

18 A. Yes.

19 Q. And are you saying that under your proposal
20 that this company will earn a return and have money for
21 taxes and theoretically for interest in the totality of
22 that \$28,967 figure?

23 A. Well, right now there is no interest, but
24 yes, there would be enough for the resulting federal
25 income tax.

00243

1 Q. And would there -- and then the balance would
2 be whatever modicum of profit you would provide for; is
3 that correct?

4 A. Yes.

5 JUDGE SCHAER: I'm sorry, Mr. Wiley, now I'm
6 confused.

7 Looking at that same column, Mr. Colbo, is
8 that \$28,000 figure already net of taxes?

9 THE WITNESS: Yes.

10 JUDGE SCHAER: Thank you, go ahead.

11 BY MR. WILEY:

12 Q. So the \$28,000 figure would be the number if
13 this company took your advice and borrowed money to pay
14 interest with, and that would include the totality of
15 the profit or the return; is that correct?

16 A. Well, if they borrowed money --

17 Q. Return to owner.

18 A. If they borrowed money, then there would have
19 to be interest.

20 Q. And so the answer is yes?

21 A. Yes.

22 Q. Thank you. You also testified that
23 theoretically there should be no excess profits based on
24 the rates that you would establish in a rate proceeding.
25 You meant that generically and universally, I assume,

00244

1 did you not? In other words, that you set rates as --
2 the Commission sets rates to theoretically get right on
3 target and not avoid -- and not achieve any excess
4 profits; is that correct?

5 A. We try to set rates which generate fair,
6 reasonable profits.

7 Q. You would acknowledge, would you not, that
8 there is nothing per se improper about an owner of a
9 regulated company trying to squeeze out more profit by
10 running even more efficiently and cutting back on
11 expenses efficiently, would you?

12 A. No, it happens routinely.

13 Q. And so if an owner did that periodically and
14 routinely, that would generate what you would then
15 describe as excess profits, would it not?

16 A. Not necessarily.

17 Q. Okay, would you explain that, please?

18 A. I think it's fairly common for regulated
19 companies to come in for a rate increase, get rates, and
20 then it is to their economic advantage to avail
21 themselves of whatever economies are there to try to
22 improve their operating performance. In this case, I
23 think it's a question of degree, and the numbers are
24 higher now in this case.

25 Q. Okay. So in answer to my question, there

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1 would be excess profits generated by cutting back on
2 operating expenses and running efficiently at the
3 allowed revenue requirement, there would be excess
4 profits generated, and if that, the excess profits
5 continued periodically, you would view that as a
6 potential overearning problem?

7 A. If they were of a high enough amount and if
8 they continued routinely year after year after year,
9 then yes.

10 Q. Well, do you see any flip side to that in
11 terms of a disincentive to an owner of a regulated
12 company? Are you aware of the term gold plating the
13 asset base, for instance?

14 A. Yes.

15 Q. Well, isn't that the risk if you penalize or
16 if you scrutinize the generation of excess profits too
17 strictly, that you run the risk of encouraging owners of
18 regulated companies to be inefficient and gold plate the
19 asset base?

20 A. That's why we do investigations at the time
21 of setting rates, to see if there's gold plating.
22 Hopefully we catch that when we do our audit and
23 investigation.

24 Q. Okay. So if an owner is generating excess
25 profits by running efficiently and squeezing expenses,

00246

1 does that equate in your view if he does it routinely to
2 gold plating the asset base?

3 A. Not necessarily.

4 Q. You also testified about a hypothetical of a
5 regulated transportation company who generates \$100,000
6 in revenues. Could you tell me, you said, in response
7 to the question, you said that that kind of company
8 wouldn't need a full-time CEO. Are you saying that --
9 did that have any relationship to the number of
10 employees that -- the job duties the CEO performed, what
11 -- was that a universal conclusion, or can you give us
12 any qualifications of your answer that you wouldn't need
13 a full-time CEO if the company only earned \$100,000 in
14 gross revenues?

15 A. I wasn't relating just to the level of
16 revenues. I was relating to the size and complexity of
17 the operation in general.

18 Q. Well, if, for instance, it was a courier
19 company, which as you would acknowledge many courier
20 companies have pretty low annual revenues, smaller ones,
21 if it was a courier company and it had 20 couriers
22 working for it, students and bike messengers, wouldn't a
23 CEO be required to manage 20 employees?

24 A. Probably so.

25 Q. And in any event, that wouldn't have any

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1 relationship to Bremerton-Kitsap Airporter's operations
2 in your testimony, would it?

3 MR. THOMPSON: I'm going to object to the
4 form of the question. I'm not sure it's clear what
5 Mr. Wiley is referring to as that.

6 MR. WILEY: His answer about the courier
7 company, and I'm asking whether that has any parallels
8 to the respondent company.

9 JUDGE SCHAER: Okay, does that clarify the
10 question enough for you, Mr. Thompson?

11 Mr. Colbo, did you understand that question?

12 THE WITNESS: I don't know where we are, Your
13 Honor.

14 JUDGE SCHAER: Mr. Wiley, can you try to
15 refine that a bit and restate it, please.

16 BY MR. WILEY:

17 Q. Mr. Colbo, you testified that a courier
18 company with 20 employees might need a CEO; is that
19 correct, or you didn't know?

20 A. They would need some kind of management.

21 Q. Yeah. And I said that that analogy of
22 \$100,000, a regulated transportation company has really
23 no pertinence to Bremerton-Kitsap Airporter's operations
24 either in gross revenues, number of employees, or
25 complexity of operations, does it?

00248

1 A. The courier company?

2 Q. Yes, the example that Mr. Thompson used of a
3 \$100,000 regulated transportation company.

4 A. Well, I think -- let me answer you this way.
5 The key is the executive duties performed and how much
6 the executive would have to pay someone to do those
7 duties if he had to hire someone to do it, to put those
8 -- to put that task on an arm's length basis.

9 Q. Okay, and that relates to your lengthy
10 testimony yesterday where I tried to get some factors
11 for you on that; is that correct? So that's your
12 answer?

13 A. Yes.

14 Q. That that relates again to that issue?

15 A. Yes. I think it relates to your question.

16 Q. Thank you. You reference page 3 of Exhibit
17 16 as an example of companies, even though I asked about
18 transportation companies, you alluded to utility
19 companies that had sought to increase rates and then
20 suffered a rate decrease; is that correct?

21 A. You asked about transportation companies. My
22 counsel in redirect expanded that to all regulated
23 companies.

24 Q. There's no argument on that, Mr. Colbo, I'm
25 just saying, is that correct?

00249

1 A. Did you ask me about transportation
2 companies?

3 Q. Let me restate. You testified at page 3 of
4 Exhibit 16 that there were non-transportation companies
5 that had sought rate increases from the Commission and
6 then had suffered a rate decrease; is that correct?

7 A. Yes, it is.

8 Q. Okay. And on page 3 of Exhibit 16, were any
9 of those cases, and if so which ones, did any of those
10 cases involve a filing by a regulated company for rate
11 increases who had then sought to withdraw the filing and
12 then suffered a complaint proceeding?

13 A. Not to my knowledge.

14 Q. Thank you. Finally, you mentioned the east
15 side disposal case. You said you don't know very many
16 specifics about the case; is that correct?

17 A. I said I didn't know the docket number, but I
18 could provide it and the Staff memo if you need it.

19 Q. Do you know if that's the 1994 rate design
20 case that was litigated at the Commission and went to
21 King County?

22 A. I know that it was not.

23 Q. Okay. Do you know what year the case was?

24 A. It has a 95 docket number, I assume it was

25 19 --

00250

1 Q. Okay.

2 A. Oh, wait a minute, it may have been '98. I
3 will have to refer to counsel on that.

4 MR. WILEY: I would make a records
5 requisition request, Your Honor, for the citation of
6 that case, but I can continue my question with that
7 request made.

8 JUDGE SCHAER: Okay, well, before I put a
9 record requisition into the record, let's find out if
10 that's something that can be furnished during the
11 hearing.

12 Is that information that can be made
13 available in the hearing time, Mr. Thompson?

14 MR. THOMPSON: Yeah, I have it right here. I
15 have a copy of the Staff memo, which I can distribute.

16 JUDGE SCHAER: Would you like to see the
17 Staff memo, Mr. Wiley?

18 MR. WILEY: For the purposes of my question,
19 I don't think that will be necessary, but I would like
20 to see it, yes.

21 JUDGE SCHAER: All right. Why don't you --
22 do you mind if a copy is given to the witness to refresh
23 his recollection on the date and docket number?

24 MR. WILEY: That's fine.

25 JUDGE SCHAER: Why don't you give a copy to

00251

1 Mr. Wiley and to Mr. Colbo, please.

2 MR. THOMPSON: (Complies.)

3 THE WITNESS: I have it.

4 BY MR. WILEY:

5 Q. Do you have enough -- I don't think we really
6 need to -- one thing that you have clarified is that
7 it's not -- this was not a Commission order from a
8 formal contested case; is that correct? It was an
9 agreed disposition of the filing with -- between the
10 company and Staff?

11 A. That's correct.

12 Q. Okay.

13 JUDGE SCHAER: Mr. Wiley, I would like to
14 have the answer to your question that you made a record
15 requisition about. What year was this, and what was the
16 docket?

17 Q. Oh, yes, can you answer that, Mr. Colbo?

18 A. Yes. Your Honor, the docket number was
19 TG-960510, and so that means it was processed in 1996.

20 JUDGE SCHAER: Thank you.

21 Go ahead, Mr. Wiley.

22 BY MR. WILEY:

23 Q. Mr. Colbo, my -- you alluded to the fact that
24 this related to the outcome in terms of the operating
25 ratio related to the debt of the parent company, et

00252

1 cetera; is that correct?

2 A. Yes.

3 Q. Now this case was not -- does not involve the
4 regulation of earnings on the straight operating ratio
5 basis like auto transportation companies are regulated,
6 does it?

7 A. Solid waste companies are regulated on an
8 operating ratio basis as well.

9 Q. Let me modify that. This does not involve
10 the use of the Lurito -- this case that we're in a
11 complaint proceeding in does not involve the
12 Lurito-Gallagher methodology of measuring risk and
13 return to get to an operating ratio, does it,
14 traditionally by Commission regulatory standards of auto
15 transportation companies?

16 A. No.

17 Q. And the east side disposal case, in fact,
18 involves the application of the Lurito-Gallagher
19 methodology, does it not?

20 A. Yes.

21 MR. WILEY: No further questions, Your Honor.

22 JUDGE SCHAER: Is there anything further on
23 redirect?

24 MR. THOMPSON: We don't have any more
25 questions.

00253

1 JUDGE SCHAER: Okay, thank you for your
2 testimony, Mr. Colbo.

3 Let's go off the record for a moment to allow
4 Mr. Colbo to depart the stand and allow the next witness
5 to take the stand and get organized, please.

6 We're off the record.

7 (Discussion off the record.)

8 JUDGE SCHAER: Let's be back on the record
9 following a brief recess where we changed witnesses and
10 did informal numbering of exhibits.

11 Would you like to call your first witness,
12 Mr. Sells.

13 MR. SELLS: I call Richard E. Asche, Your
14 Honor, please.

15 (Witness sworn.)

16 JUDGE SCHAER: Thank you, your witness is
17 sworn, Mr. Sells.

18 MR. SELLS: Thank you.

19

20 Whereupon,

21 RICHARD E. ASCHE,
22 having been first duly sworn, was called as a witness
23 herein and was examined and testified as follows:

24

25

00254

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

2 BY MR. SELLS:

3 Q. Mr. Asche, you are Richard E. Asche?

4 A. That's correct.

5 Q. And you are the CEO of Bremerton-Kitsap
6 Airporter?

7 A. That's correct.

8 Q. And you have submitted in this case Docket
9 Number TC-001846 a document entitled testimony of
10 Richard E. Asche?

11 A. That's correct.

12 Q. Are there any corrections in the testimony
13 portion of that document?

14 A. None that I can see immediately.

15 Q. You have to speak up so the court reporter
16 can hear you.

17 JUDGE SCHAER: Mr. Asche, you might want to
18 pull that microphone a little closer.

19 Q. And attached to that testimony were several
20 exhibits that you have submitted along with your
21 testimony; is that correct?

22 A. That's correct.

23 Q. And are there any changes in those exhibits?

24 A. None that I can see.

25 Q. And to this point in the proceeding then,

00255

1 does this testimony and these exhibits represent your
2 direct testimony?

3 A. Yes, they do.

4 MR. SELLS: Ready for cross, Your Honor,
5 please.

6 A. The only exception is the airporter schedule
7 that was submitted as one of the exhibits, which has
8 been revised.

9 MR. SELLS: All right.

10 JUDGE SCHAER: The airporter schedule has
11 been revised?

12 THE WITNESS: It's obsolete. We go to
13 printing on these things every month or so.

14 JUDGE SCHAER: So that raises a different
15 question for me. Would you prefer to have this in
16 because it's current?

17 THE WITNESS: Its current, yes.

18 MR. SELLS: Well, in that case, we probably
19 should substitute it, Your Honor. I guess I
20 misunderstood. That is Number 27.

21 JUDGE SCHAER: All right, I'm going to
22 identify those exhibits formally now, Mr. Sells.

23 MR. SELLS: All right.

24 JUDGE SCHAER: I have marked for
25 identification as Exhibit T-24 Exhibit REA-1T, which is

00256

1 the testimony of Richard E. Asche. I have marked as
2 Exhibit 25 REA-1, the resume' of Richard E. Asche. I
3 have marked as Exhibit 26 a document entitled
4 Bremerton-Kitsap Airporter, Inc., general information,
5 which appears perhaps to be a printout from a home page.
6 I'm just trying to distinguish this from the next one,
7 which is also general information. I have marked for
8 identification as Exhibit 27 a document which is the new
9 hourly schedule for airport service for this company. I
10 will indicate that the REA-3 that was pre-filed and is
11 in your books is no longer current and should be
12 replaced by the goldenrod colored brochure that was
13 distributed this morning. I have marked for
14 identification as Exhibit 28 REA-4, employee hourly wage
15 information. I have marked for identification as
16 Exhibit 29 REA-5, salary history for Richard E. Asche.
17 I have marked as Exhibit 30 REA-6, a rental survey and
18 analysis of the Bremerton-Kitsap property. I have
19 marked as Exhibit 31 a Western Washington Airporters
20 revenue for per passenger mile comparison.

21 MR. SELLS: I move the admission of those,
22 Your Honor.

23 JUDGE SCHAER: All right, is there any
24 objection?

25 MR. THOMPSON: No objection.

00257

1 JUDGE SCHAER: Those documents are admitted.
2 And I believe you have indicated the witness
3 is now available for cross, Mr. Sells.

4 MR. SELLS: That's correct, Your Honor.

5 JUDGE SCHAER: Go ahead, Mr. Thompson.

6

7 C R O S S - E X A M I N A T I O N

8 BY MR. THOMPSON:

9 Q. Good morning, Mr. Asche.

10 A. Good morning.

11 Q. On page 4 of your testimony, if I could
12 direct you there, please. Do you have that in front of
13 you?

14 A. Yes, I do.

15 Q. Okay, there's no line numbers, so it's what I
16 want to refer you to is the I guess the first full
17 question there.

18 JUDGE SCHAER: What's the page number again,
19 please?

20 MR. THOMPSON: Page 4.

21 JUDGE SCHAER: Thank you.

22 BY MR. THOMPSON:

23 Q. And your answer to that first question on
24 that page, you say that your company has what you
25 believe is the lowest cost per mile of airporter

00258

1 services in the state.

2 A. That's correct.

3 Q. And a little further down in response to the
4 next question, which is why is this, you say that's
5 because you have been able to successfully enhance
6 revenue and reduce expenses on a sustained basis.

7 A. That's correct.

8 Q. Your current rates were approved in 1991,
9 right?

10 A. That's correct.

11 Q. Okay. I want to refer you to, and I don't
12 know if you have this available to you right this
13 moment, but to Exhibit 9 of Mr. Colbo's testimony.

14 JUDGE SCHAER: Can you provide that to the
15 witness, Mr. Sells.

16 MR. SELLS: Data Request Number 2, counsel?

17 MR. THOMPSON: What I'm -- actually, I'm
18 referring to it's Exhibit 9, sheet 9. We have talked
19 about this quite a bit. It shows the rate cases filed
20 by the company over the years.

21 THE WITNESS: Okay.

22 BY MR. THOMPSON:

23 Q. Now I have to find it. Okay.

24 Now referring to that '91 approval of your
25 present rates, do you see there in this page 9 of

00259

1 Exhibit 9, down the first column, column A, where it --
2 where there's a Docket Number TC-911279?

3 A. That's correct, I see that.

4 Q. Now do you recognize that as the -- that's
5 the docket in which your present rates were approved?

6 A. That's correct, it appears that way.

7 Although there was another one, TC-910646, it says
8 revised rates approved and then the same date, well, six
9 months prior to that, and I don't recall what those
10 were, but I believe that the TC-911279 were the approval
11 of our present rates.

12 Q. Okay. Do you recall that the first one was
13 the general case, and then the follow up there was an
14 increase to cover the cost of insurance?

15 A. I don't know. It's been a decade ago. I
16 don't remember.

17 Q. Okay. Could you accept that subject to
18 check, to verification?

19 A. Yes, I will.

20 Q. Okay. Do you see the column D, which says PF
21 revenue, and I think that means pro forma revenue. In
22 that column for that docket number, the figure is
23 \$763,091.

24 A. Yes, I do.

25 Q. Would you agree that that represents the

00260

1 revenue that was taken into account by the Commission in
2 setting your current rates?

3 A. Yes, I do, providing that it's above the line
4 revenue, not including charter revenue, charter and
5 baggage revenue. I don't believe it was.

6 Q. Right, okay. And would you also agree that
7 the -- on the bottom line of this same spreadsheet,
8 there is the current case, current filing, TC-001846,
9 and then going across to that same revenue, pro forma
10 revenue column, the figure there is the \$1.6 Million
11 figure?

12 A. Yes, I see that. I'm not certain that it
13 also doesn't include the below the line revenue. I
14 believe that exhibit number, the balance sheet for the
15 year 2000 -- oh, there is no P&L statement, I'm sorry, I
16 have to accept that.

17 Q. So that's -- you would agree that that's the
18 pro forma revenue that both the company and the Staff
19 are using for purposes of this case?

20 A. Yes, I do.

21 Q. Okay. Now I won't ask you to do math on the
22 stand here, but would you agree subject to check that
23 the -- say the increase from \$763,000 to the \$1.6
24 Million figure represents about 116% increase in revenue
25 for the company since 1991?

00261

1 A. I will take your word for it.

2 Q. Okay. So in other words, it's a bit more
3 than twice as much revenue?

4 A. That's probably correct, that's right, it is.

5 Q. Okay. If -- well, we know that the fares
6 have been constant, in other words, the fares have been
7 the same throughout that whole period of time, correct?

8 A. That's correct.

9 Q. So that increase in revenues would represent
10 the same increase in riders, would it not, as a
11 percentage if we accept that 116% increase figure?

12 A. I don't have the ridership figures available
13 today, but it would be -- approximately it would be the
14 same. I'm not sure, because the revenue doesn't exactly
15 equate to the proportional rate increase in passengers,
16 but approximately.

17 Q. Well, shouldn't it? I mean if you have -- if
18 we're just talking revenue from regulated operations,
19 you're talking about fares, right?

20 A. They are, that's correct, but ridership,
21 remember that round trip passengers get a 10% discount.

22 Q. Okay.

23 A. So that would be reflected in the amount of
24 revenue collected.

25 Q. Okay.

00262

1 A. And it wouldn't be exactly a two to one, I
2 mean two passengers per round trip ticket. It could be
3 less than that when you total them all up.

4 Q. Well, okay, that was true -- well, okay,
5 those same assumptions go into both years though,
6 correct?

7 A. Yes, they do.

8 Q. Do you have any reason to believe there are
9 more round trip passengers currently than in '91?

10 A. Yes, we do, we have more round trip
11 passengers.

12 Q. Well, do you think that has made a material
13 difference in the calculation then as to --

14 A. Well, a slight miscalculation because of the
15 -- based on the number of round trip passenger tickets
16 per sales we're selling today versus we did in 1991.

17 Q. Okay. I want to review with you, still on
18 page 4 of your testimony, just below that testimony I
19 was referring you to earlier where you stated that you
20 have been able to successfully enhance revenue and
21 reduce expenses on a sustained basis, you provided some
22 examples there next to the bullets of I gather what you
23 attribute that to, right?

24 A. That's correct.

25 Q. Okay. And specifically have -- are these

00263

1 things new, are these changes since 1991?

2 A. Yes, the number of the frequency of our
3 trips, which is the primary reason why we have increased
4 the revenue.

5 Q. Okay. Have you changed your schedule since
6 '91?

7 A. Yes, we have, several times.

8 Q. Okay. In what respect?

9 A. Adding more trips.

10 Q. Okay. And what is that in response to,
11 increased demand or --

12 A. Yes, it is. Well, it's we're kind of a
13 supply side economics business. I mean the more trips
14 you add, the more passengers you're going to carry.
15 It's kind of like build a ball park and they will come.
16 I mean that's the way this business operates. Nobody
17 likes to wait. So the more frequent our trips are, the
18 more our ridership is going to be increased.

19 Q. Okay. In other words, if you add new runs,
20 new vehicles, you don't have any trouble filling them?

21 A. We have trouble filling them initially, but
22 eventually people get used to our new schedule, and they
23 understand that it's more convenient to ride on our
24 buses, and so eventually we start filling them up.

25 Q. Okay. Just moving down the list, the second

00264

1 bullet there, the provision of courtesy telephone calls,
2 is that an addition since '91?

3 A. Yes, it is.

4 Q. Okay.

5 A. In '91 we didn't have cell phone radios on
6 our vehicles.

7 Q. What about operating clean and safe vehicles
8 which are maintained by your own mechanics?

9 A. Yes, that's improved since 1991, because we
10 have replaced all of our vehicles with new vehicles,
11 reducing maintenance costs and dependability of the
12 vehicles. And we do our own maintenance, routine
13 maintenance and major maintenance, in our own shop,
14 thereby eliminating a lot of costs.

15 Q. What, going down a couple, you indicate there
16 that you don't provide home pick up or delivery, which
17 allows for closer adherence to published schedules.
18 Well, first of all, is that a change since '91?

19 A. Yes, it is.

20 Q. Okay. You previously did do --

21 A. We did home deliveries.

22 Q. Okay, you --

23 A. We didn't do home pick ups. We did home
24 deliveries.

25 Q. And did that -- I suppose that added to your

00265

1 cost per passenger mile?

2 A. No, it didn't. We did home deliveries for a
3 while, and when we have a van full of ten people, it was
4 fine for the first guy that got home delivered, but that
5 tenth guy that got home delivered, he never would get
6 home. So we discontinued that. Plus there was a matter
7 of accountability for the money collected for home
8 deliveries. It was \$1 a mile. There was no way to
9 really control that. So plus we also found out that --

10 Q. Well, let me just ask you a follow up on
11 that. There was a separate rate for home deliveries?

12 A. Yes, we charged them the basic rate or tariff
13 rate to get to say the Silverdale Hotel. And then if
14 they lived two miles from the Silverdale Hotel and they
15 were home delivered, we would charge them another dollar
16 per mile. And the driver was supposed to record the
17 odometer reading, and it was very difficult to control.

18 In addition, most passengers don't like to be
19 home delivered. They want to get from the airport
20 swiftly to the Silverdale Hotel, for instance. Because
21 they can always have somebody pick them up or we can
22 radio for a taxi cab to pick them up, and they just want
23 to get to their destination, the city of their
24 destination, quickly.

25 Q. Does pick up and delivery, home pick up and

00266

1 delivery, figure into the cost per mile of other
2 carriers as you calculated it?

3 A. No, it doesn't. Those are the basic rates
4 for the city of their destination.

5 Q. Okay.

6 A. The Shuttle Express figures that I provided
7 are for their scheduled service. They do not home
8 deliver there, for instance.

9 Q. A bit further down the list where you
10 indicate that you use 21, well, actually at the bottom
11 of the list where you indicate you use 21-passenger
12 vehicles instead of is it 11-passenger vans, yeah?

13 A. That's correct.

14 Q. Is that unusual among airporter services in
15 the state?

16 A. I would say so. Most of them are operating
17 vans. We operate 21-passenger buses.

18 Q. Okay. Do you think that can contribute
19 toward the difference in your -- what your fares are per
20 passenger mile versus what other carriers are?

21 A. Well, no, because --

22 Q. Let me back up, let me strike that.

23 Is this something that you started doing
24 since 1991?

25 A. That's correct, we have.

00267

1 Q. In other words, were the assumption in '91
2 then was that you were using the 11-passenger vans?

3 A. That's correct.

4 Q. Okay. And how does the cost of operating a
5 21-passenger vehicle compare to operation of an
6 11-passenger vehicle?

7 A. Slightly more.

8 Q. It's slightly more?

9 A. It uses more gasoline. They're more
10 expensive vehicles. They're more than twice the amount
11 of a small van. They're more costly. They're the --
12 maintenancewise they're about the same, except they're
13 new vehicles so they require less maintenance.

14 Q. Okay. But they create the potential at least
15 for approximately twice the revenue, right?

16 A. If they're filled up, that's correct.

17 Q. Okay. And I think you have indicated that
18 generally that's not a problem, at least after you have
19 established a new route?

20 A. Well, let me explain our operation. In the
21 morning runs when we take people to the airport, we
22 generally have -- we could have on one run, in
23 particular run number one, we could have as many as 30
24 people on that run, which would require the use of one
25 large van, 21-passenger bus, and one small van to get --

00268

1 and they leap frog to the pick up points to get
2 everybody picked up on time to get to the airport.
3 These filled up vans usually occur in the morning, the
4 first five or six runs in the morning. In the
5 afternoon, thereafter, we could have a large van leaving
6 the airport with one passenger on there. So it varies
7 by the time of day, but generally the morning is our
8 busiest schedule.

9 Q. Okay. With respect to I guess having the
10 demand there to justify adding routes or buying larger
11 vans, would you attribute any of that to the -- well,
12 let me, first I would ask you, has there been much
13 growth in the Bremerton and Kitsap Peninsula area in the
14 last decade?

15 A. Well, supposedly, but the number of air
16 passengers has also grown. The number of people flying
17 today versus ten years ago is significantly more.

18 Q. Okay. And would you -- is that a reason,
19 would you say, for your ability to always have I guess
20 the demand there to meet your addition of other runs and
21 larger vans?

22 A. I'm not sure I understand the question.

23 Q. Well, you were talking about the nature of
24 your business and how there's -- I can't recall exactly
25 how you characterized it, I think you said the demand

00269

1 side.

2 A. Supply side.

3 Q. Supply side rather, that there tends to be
4 demand there if you -- if you build it, they will come.
5 Do you -- would you attribute any of that to the growth
6 in air travel or to growth in the -- just generally in
7 the area that you serve during that ten year time frame?

8 A. That's certainly part of it, and as are all
9 of these other factors that I have enumerated on page 4
10 of Exhibit 24.

11 Q. Okay.

12 A. But the fact that we have 21-passenger buses
13 doesn't mean that that's why we're carrying more people.
14 We're carrying more people because of these reasons.

15 Q. Well, okay, you indicate just above that,
16 well, I guess the second bullet point from the bottom,
17 that you schedule service so that the same vehicle that
18 drops passengers off at the airport picks them up
19 immediately, picks up another load immediately. Is that
20 a function of demand? I mean is that --

21 A. No, that's a --

22 Q. -- something that other airporters are able
23 to do?

24 A. No, they're not. I don't believe they are.
25 But in our case, for instance, the driver that has runs

00270

1 one, has run number one in the morning also has run
2 number five, which enables him to pick up passengers on
3 run number one to the airport. And when he leaves to
4 the airport, he gets to the farthest northeast point on
5 our schedule to pick up passengers for his next run,
6 which is run number five, so we eliminate dead van
7 travel or bus travel.

8 Q. Okay.

9 A. I don't believe the other airporters do that.

10 Q. And do you have any idea why they wouldn't do
11 that?

12 A. Scheduling problems, because a lot of them
13 are making home deliveries. And when you home deliver
14 somebody, ten people on a bus or a van, you don't know
15 when you're going to get to your next pick up point in
16 time, so.

17 Q. Switching to a different part of your
18 testimony a little further on on page 7, actually just
19 carrying over I guess from the question at the bottom of
20 page 6 there, you're I guess basically talking about why
21 you don't think it's fair to compare your salary to that
22 of other regulated companies. Do you recall that, or do
23 you see that?

24 A. Is this page 6?

25 Q. Referring to there's a -- let's see, it says,

00271

1 on page 6 at the bottom, it says, in Staff's testimony,
2 did you review their comparison of your company's owner
3 compensation versus other regulated companies. And you
4 say yes. And then the question is, what's your reaction
5 to that testimony. And I guess what I'm referring to is
6 your answer at the top of page 7 there. And you, I
7 guess you indicate that you think that's an unfair
8 comparison because you don't have door to door service.
9 You have a large military customer base. You indicate
10 that concentrates your customer base configurations and
11 involves significantly different demographics, markets,
12 and operational considerations. Is it a fair
13 characterization of that to say -- it seems like you're
14 arguing that you -- your company has exploited a niche
15 that makes your business different than these other
16 regulated companies?

17 A. Well, certainly we have a larger military
18 population that we serve. In fact, I don't know of any
19 other airporters that serve military population. I
20 believe we're the only one in the Puget Sound area.
21 Possibly Shuttle Express in the Everett area where there
22 is a military -- a naval base in Everett now. But it's
23 brand new, so they don't have the military population
24 that we do.

25 Q. Okay. But what significance does that have?

00272

1 How does that make your operations different than others
2 specifically with reference to the military customer
3 base?

4 A. Well, I guess what I'm saying is that we
5 serve a different kind of market in the Kitsap Peninsula
6 than the other airporters serve. In fact, our market on
7 the whole is pretty well disbursed throughout a large
8 area, whereas Shuttle Express, for instance, in the
9 Seattle area, their market is within the confined city
10 limits of Seattle, for instance. Large population in a
11 concentrated area, where ours is more disbursed.

12 Q. Well, I thought you said there that this --
13 the fact that you don't do door to door service and you
14 have a large military customer base concentrates your
15 customer base configurations. And I think that was with
16 regard -- I mean that's in comparison to other
17 airporters, correct?

18 A. Yes.

19 Q. I mean I would interpret that to mean that
20 you consider your customer base more concentrated than
21 theirs, is that --

22 A. The military bases are concentrated.

23 Q. Okay. Isn't that similar though to a
24 concentrated downtown area?

25 A. No, because we have many downtowns in our

00273

1 area of operations versus Shuttle Express, which serves
2 the Seattle area. We serve the Kitsap County area,
3 considered, you know, of many localities and
4 municipalities.

5 Q. Well, here's what I guess confuses me. It
6 seems like in the discussion we were having earlier
7 about what you attributed your improved efficiency I
8 guess is how you might characterize it of your firm over
9 the years, one of the things is that you have eliminated
10 door to door service, and here it would seem that in
11 addition to that you're talking about taking advantage
12 of I guess what I interpret as a concentrated market; is
13 that not correct?

14 A. The concentrated market on the military base,
15 that's correct. But each one of those military bases is
16 different and requiring different entry procedures for
17 entering the base. For instance, at Puget Sound Naval
18 Shipyard as a result of 9-11, we're still not allowed to
19 go aboard Puget Sound Naval Shipyard, as we are not
20 allowed to go aboard McChord Air Force Base for security
21 reasons. We are allowed to go aboard the Banger
22 submarine base finally after a couple of weeks ago. But
23 the fact that we serve these military bases provides us
24 with unique situations that we have to deal with,
25 whereas the other airporters don't have to deal with

00274

1 this kind of situation.

2 Q. What --

3 A. We also --

4 Q. Oh, sorry. Well, if you want to add more.

5 A. We also don't have to deal with the problems
6 of door to door service, which is efficiency on our
7 part. We feel it's efficient.

8 Q. Okay. What percent of your customers are
9 military? And if you could break it down by your two
10 different routes, that might be helpful.

11 A. Well, all the passengers that we carry on the
12 Fort Lewis/McChord side of our operations are military,
13 they're all military. On the Bremerton side, the Kitsap
14 side, I would say roughly 30%, well, 20% to 30% for
15 military on active duty.

16 Q. Okay. Can you explain -- well, 100% for Fort
17 Lewis. So do -- how do those customers, on just the
18 Fort Lewis side now, how do they -- how do they get
19 steered toward or learn about your service?

20 A. Well, mostly it's word of mouth, but we do
21 provide our schedules on all of our vehicles. They're
22 provided to all of our pick up points and drop off
23 points at Fort Lewis and McChord. And at the Fort Lewis
24 bus terminal there is a dispatcher there, not our
25 dispatcher, but there is a bus terminal there, and

00275

1 there's a dispatcher in there, a Greyhound Bus depot.
2 What it is is a Greyhound Bus depot, and they call us
3 with people who want to ride our van.

4 Q. Do military service people who use the
5 airporter typically get reimbursed for that by their
6 employer?

7 A. If they're on official travel orders. If
8 they're going on leave, they get no reimbursement.

9 Q. I just had a -- I had a question that you
10 state in your testimony, and I won't refer you to it,
11 you probably remember it, you say you operate 24 hours a
12 day, 7 days a week.

13 A. That's correct.

14 Q. But looking at -- looking at it, I just was
15 confused on this, I'm sure you can probably just clarify
16 it for me, but looking at your revised Exhibit 27, which
17 is the -- you have provided a brochure that's updated
18 but -- well, this looks different to me. Well, it
19 appeared to me from what was provided earlier, and this
20 is your exhibit that you had designated as REA-3, that
21 your earliest pick up was, this is I think just on the
22 Bremerton run.

23 A. That's correct.

24 Q. Was 2:30 a.m., and it looked like the latest
25 drop off was 11:30 p.m.

00276

1 A. That's correct.

2 Q. So I mean in what respect is it 24 hours I
3 guess?

4 A. Maybe I should have said our vehicles are on
5 the road 24 hours a day.

6 Q. Okay.

7 A. In other words, the driver who makes his pick
8 up at the Banger submarine base at 2:30 in the morning,
9 he has to leave our office at 1:30. By the time the
10 driver gets back from making his drop offs on the last
11 run of the day, run number 20, it's probably about the
12 same time, maybe 3:00 in the morning by the time he
13 drops off all of his passengers and returns to the base.
14 He's getting to the office at the same time the first
15 guy is leaving in the morning. So our vehicles are on
16 the road basically 24 hours a day, one to as many as six
17 vehicles are on the road at any one time.

18 Q. I see. Why don't you have a schedule, I
19 didn't find one at least, for Fort Lewis and McChord?

20 A. I did not bring that with me.

21 Q. It appeared to me that your web site doesn't
22 that have information.

23 A. It doesn't now, but we're revising that also,
24 our own server, our own web page, which will include the
25 Fort Lewis schedule.

00277

1 Q. Okay. Back on page 7 of your testimony, in
2 your answer to the first question on that page, it says,
3 regarding the latter, have you done a comparison using
4 airporters relied on by Staff in their testimony, and
5 you talk about how other airporters have significantly
6 higher revenue yields per passenger mile. When you talk
7 about revenue yields, you don't mean net revenue, do
8 you?

9 A. I mean the fare divided by the number of
10 miles it takes when you get there.

11 Q. Right.

12 A. To that destination.

13 Q. Okay.

14 A. So it's a revenue mile.

15 Q. Do you know what those other airporters'
16 expenses are?

17 A. What their what?

18 Q. What their expenses are?

19 A. I don't have any idea what their expenses
20 are, but I know what they're collecting in fares. This
21 is a fare comparison.

22 Q. Yeah, understood.

23 A. So I don't know what their expenses are. I'm
24 assuming that many of them, their expenses are higher
25 than ours because they're home delivering, so.

00278

1 Q. Okay. I'm going to switch topics a bit here,
2 and I want to refer you to page 5 of your testimony.
3 This is the -- what I want to focus on is your response
4 to the second question on that page, and the question
5 is, you have received fairly substantial bonuses in
6 recent years, and what are they used for. And you see a
7 part of your response there to say, I typically use
8 these bonuses to pay off and/or avoid debt within the
9 company. Do you see that?

10 A. That's correct, yeah.

11 Q. You then refer to the fact that you and your
12 wife borrowed money in order to make improvements to the
13 facility that you own and lease to the company.

14 A. Yes.

15 Q. Now this affiliated rent issue is a big issue
16 in the case, right, and you -- basically you -- the
17 company pays you is it \$5,000 a month in rent?

18 A. That's correct.

19 Q. Okay. And you bought the facility in 1986;
20 is that right?

21 A. We completed construction of the building in
22 '86, that's correct, it was in '86.

23 Q. Okay. And you were present yesterday for
24 Mr. Colbo's cross-examination testimony, right?

25 A. That's right.

00279

1 Q. Do you recall when he -- where there was
2 discussion of I think what's now Exhibit 23, which was
3 his work sheet where he was -- Mr. Colbo was showing
4 cost, the cost of those facilities and, well, and
5 comparing that to the lease figure?

6 A. I don't have that exhibit.

7 Q. Well, okay, I just -- in general, did you
8 follow that discussion yesterday?

9 A. Somewhat, although I did not have that
10 exhibit at the time, so I wasn't able to put my finger
11 on exact amounts that he was referring to.

12 Q. Okay. I guess all I want to ask you is, do
13 you have any idea whether the company, the company now,
14 would have lower facility expenses if it had bought the
15 building and made the improvements that you refer to
16 itself rather than you doing it, you and your wife doing
17 it personally and then leasing it to the company?

18 A. I don't know, except I know that it was on
19 the recommendation of our CPA that we do it in this
20 manner.

21 Q. Okay. But I mean was he taking into
22 consideration your personal finances as well as the
23 company's?

24 A. I think he was taking into consideration that
25 a tax angle -- the tax advantages to doing it in the

00280

1 manner that we did it.

2 Q. Okay.

3 A. In fact, I'm certain he was taking that into
4 account.

5 Q. Again, I want to make just a comparison to a
6 different part of your testimony, just on the prior
7 page, page 4, beginning where you were discussing in
8 those various bullet points what you attribute your
9 success to I guess. The third one from the bottom
10 there, you say, we have no debt, all equipment
11 acquisitions are made with company cash reserves.

12 A. That's correct.

13 Q. Do you see that?

14 A. Yes.

15 Q. I wanted just for clarification, back on page
16 5, you say that, bonuses were paid to me. This is, I
17 wish there were line numbers, but again, just under that
18 part I was referring you to before about the use of
19 bonuses, it says, bonuses were paid to me to reduce
20 retained earnings and then used to avoid the company
21 incurring debt to finance renovation and new plant and
22 equipment costs. So here, I guess here you're saying
23 that you use the bonuses to finance new renovation or
24 renovation and new plant and equipment cost. And I
25 guess I understand the renovation part as you have

00281

1 explained it, but the -- I want to focus in on the new
2 plant and equipment, because it would appear that on
3 page 4 you're saying, we have no debt, all equipment
4 acquisitions are made with company cash reserves. But
5 then here I think you're suggesting maybe that some of
6 that financing may have been obtained from you
7 personally.

8 A. That's correct initially, not in the last --
9 currently we're purchasing our equipment, our buses,
10 with cash reserves in the company. Previously when we
11 built the building, I borrowed money from the bank, and
12 I borrowed money from the corporation to build our
13 initial buildings. We have two buildings that we built
14 in 1986. Since then, we have added two more -- we have
15 added one more building, one more six stall bus garage,
16 and we have extended our existing ten stall garage to
17 accommodate six more large 21-passenger buses. So those
18 are the improvements and the additions that I'm talking
19 about for facilities.

20 Q. But that's not in the last five years say?

21 A. Probably in the last three years.

22 Q. Well, okay, with reference to the -- with
23 reference to the facility, correct?

24 A. No, with reference to facility, I borrowed
25 money from the corporation to make those additions and

00282

1 extensions that I talked about.

2 Q. Okay. Just moving down on page 5 in response
3 to the next question where it says -- the question is,
4 the company has generated significant retained earnings
5 over the past few years, what did you do with that
6 money. And you say that you were advised by your CPA
7 that you can't continue to maintain such retained
8 earnings without attracting unwanted attention from the
9 IRS. I think there was some discussion about this
10 yesterday; do you recall?

11 A. Yes, there was.

12 Q. What exactly does that mean?

13 A. Well, as I understand it in discussions with
14 our CPA, the IRS allows you to retain earnings in your
15 corporation. And again, depending on the size of the
16 organization, the revenues generated, that size can
17 vary. We're in a dangerous position now, you know, by
18 drawing the attention of the IRS because of the retained
19 earnings. The retained earnings account is an
20 accumulation of all the earnings in the corporation in
21 our 22 year history, so it keeps building up each year
22 unless we rid ourselves of those profits by paying not
23 owner's salary, because owner's salary is different than
24 -- or I mean CEO's salary is different than owner's
25 compensation. We pay our owner's compensation back to

00283

1 the shareholders in the form of a bonus, which is --
2 reduces the profits of the corporation and that
3 therefore -- and then that's income that's to the
4 shareholders, which we pay federal income taxes on,
5 thereby avoiding the double taxation. If we retain
6 those earnings in the corporation and we paid corporate
7 income taxes on those earnings for the year and then we
8 paid those earnings out to the shareholders in the form
9 of dividends, the shareholders would again be taxed on
10 their personal income tax for those dividend earnings.
11 So that's the way we do it with the bonuses to avoid
12 double taxation.

13 Q. Okay. Would one -- well, in order to avoid
14 that problem, is it possible that one of the things you
15 could have done was to reinvest the retained earnings?

16 A. Again, the retained earnings account is the
17 accumulation of all the earnings of the corporation
18 since day one, so it's not a -- it's not a matter --
19 because they're retained earnings doesn't mean we have a
20 million dollars in cash sitting around.

21 Q. Right.

22 A. Plenty of those retained earnings have been
23 invested back in the corporation.

24 Q. I see. Well, let me put it this way. If --
25 isn't it true though that if you had -- well, could you

00284

1 increase, not specifically to reinvest them I guess is
2 what I'm asking, but if you had increased expenses in
3 order to add vans or add, not routes but what's the word
4 I'm looking for, add more frequency to your schedule and
5 so on, certainly that would have had the effect of
6 reducing retained earnings, would it not?

7 A. Yes, we could have used that money for
8 expansion. We could have bought out some other
9 authority. We could start operating additional trips.
10 We could have expanded into our building and add more
11 buildings. There are a lot of ways that the retained
12 earnings account could be reduced if it's invested back
13 in the corporation. And that's what the IRS is looking
14 for. Or it could go for a self insurance program. We
15 could be self insured, thereby reducing our insurance
16 costs considerably through the insurance companies. Or
17 we could provide a owner's retirement fund. A lot of
18 things.

19 Q. Okay. A bit further on on page 7 of your
20 testimony, if I could refer you there, please.

21 A. (Complies.)

22 Q. And I want you to take a look at I guess the
23 second to the last question, which is, wouldn't you
24 expect lower -- I'm sorry, that's the wrong place. Just
25 above that, the question, what would be the effect of

00285

1 implementation of Staff's recommendation in this
2 complaint proceeding. And you suggest there that the
3 company would have to drastically reduce the number of
4 trips and/or other services that you offer.

5 MR. SELLS: That's a mischaracterization, and
6 I will object, Your Honor. The quote is that he was
7 simply not certain at this point but mostly likely, and
8 that's a lot further away from we will have to.

9 JUDGE SCHAER: Do you want to accept that
10 correction of your question?

11 MR. THOMPSON: I will, I will accept that
12 correction.

13 JUDGE SCHAER: I believe you're just trying
14 to get to the right place on the page because there are
15 not line numbers.

16 MR. THOMPSON: That's exactly right, Your
17 Honor.

18 JUDGE SCHAER: So why don't you go ahead then
19 and just --

20 BY MR. THOMPSON:

21 Q. Well, I just wondered -- why don't I just
22 have you read your response to the question, if you
23 would, please, Mr. Asche, there.

24 A. (Reading.)

25 What would be the effect of

00286

1 implementation of Staff's recommendation
2 in this complaint proceeding to
3 substantially reduce revenues of your
4 operations.

5 And my answer is:

6 I am not entirely certain at the
7 present, but most likely we would have
8 to drastically reduce the number of
9 trips and/or other services we offer.
10 Certainly we would also have to lay off
11 a number of employees.

12 Q. Okay. And are you assuming in this statement
13 that you would first reduce the amount you receive in
14 total compensation?

15 A. Well, we're going to have to take some
16 action, particularly if Staff's recommendation is that
17 we -- if we earn over 2.44%, we are to ask for a rate
18 decrease in ensuing years. If we're asked to compile my
19 -- a data book on the hours that I spend driving people
20 to the airport who are missed at one of our pick up
21 points and thereby reducing my net salary of \$66,000 a
22 year, yes, we're going to have to make some changes.

23 Q. Doesn't Staff's recommendation include in
24 rates all the company's operating expenses?

25 A. I don't know. I'm certain they do, but for a

00287

1 2.44% net profit, there's more money to be made by
2 investing my investment in a bank, a CD at the Bank of
3 America, and not have any of the risk.

4 Q. Well, you recognize, don't you, that 2.44%
5 does not represent return on investment, right?

6 A. That's the amount of net profit that the
7 Commission is allowing me to make.

8 Q. But that's a percent of revenue, correct, not
9 a percent of investment?

10 A. That's a percent of revenue collected, that's
11 correct.

12 Q. And did you hear the discussion this morning
13 about what Mr. Colbo's calculation was as to the
14 percentage rate of return on investment under his
15 analysis --

16 A. I heard --

17 Q. -- at Staff's proposed --

18 A. I heard it, but I was not able to follow the
19 exhibit.

20 Q. Okay. I would like to refer you, I guess,
21 to, since you indicated you didn't have that exhibit in
22 front of you, Mr. Colbo's Exhibit 6. Do you have that
23 available to you?

24 A. No, I do not.

25 MR. SELLS: Let me find it, counsel, and I

00288

1 will get it for him.

2 I'm handing the witness Exhibit 6 revised.

3 JUDGE SCHAER: Thank you, Mr. Sells.

4 BY MR. THOMPSON:

5 Q. Okay, do you have that in front of you now?

6 A. Yes, I do.

7 Q. Have you had a chance to look at this
8 document previously?

9 A. I don't believe I have.

10 Q. Well --

11 A. This has been revised, has it not?

12 Q. That is the -- you should have, I imagine,
13 the revised --

14 A. You have revised Exhibit Number 6?

15 Q. That's correct.

16 A. Yeah, I have that in front of me.

17 Q. I mean you understand, don't you, the general
18 logic of what's presented here, correct?

19 A. Yes, I do.

20 Q. Okay. And I mean looking at this, I want to
21 refer you particularly to the pro forma Staff level
22 column, which is H, the farthest to the right. And
23 there's, you know, the revenue figure at the top and
24 then below that expenses. And I guess I asked you
25 earlier one thing was, aren't the expenses of your

00289

1 operations included in the rates the Staff is proposing,
2 and I'm not sure of your answer, but I mean you had --
3 it's yes, isn't it, I mean that's the --

4 A. Well --

5 Q. -- intention of what's --

6 MR. SELLS: Your Honor, objection, this
7 witness can't testify as to what the Staff's intention
8 was in preparing this document.

9 JUDGE SCHAER: As I heard the question, it
10 was asking if he recalled in answer to an earlier
11 question, and I'm not sure --

12 MR. THOMPSON: Well, I --

13 JUDGE SCHAER: Go ahead, Mr. Thompson.

14 MR. THOMPSON: Yeah, I guess I would just
15 like a clarification. I guess I will ask the question I
16 asked earlier again.

17 BY MR. THOMPSON:

18 Q. And that was, doesn't Staff's recommendation
19 include in rates all operating expenses?

20 A. As the Staff sees those operating expenses.

21 Q. Okay.

22 A. For instance, I have a problem --

23 MR. SELLS: Dick, you have answered the
24 question.

25 Q. Yeah. Now since you didn't have this sheet

00290

1 in front of you when Mr. Colbo was testifying to it
2 earlier, I would refer you to in that column H at line
3 76 the 8.29% figure for total return. Based on that
4 figure, does that -- what impact does that have on your
5 conclusion that you could do better by investing in a CD
6 under Staff's proposal?

7 A. Well, as I see this, it shows revenue of
8 \$1.396 Million, and it shows total expenses of one --
9 operating expenses of 1.362, leaving a operating ratio
10 of 97.56%, which translates to a 2.44% net profit. And
11 I'm saying that for every dollar that I collect from a
12 passenger, I will get back -- it will cost me 97.56
13 cents to take that passenger, to collect that fare,
14 leaving me a profit margin of 2.44%, and that is
15 unsatisfactory.

16 Q. Bremerton-Kitsap has made I think four rate
17 filings with the Commission since the current rates were
18 set in '91; is that right?

19 A. I have to refer to that exhibit.

20 MR. SELLS: Do you have the number of that
21 exhibit, counsel?

22 MR. WILEY: RC-9, page 9.

23 MR. THOMPSON: It's Exhibit 9, page 9. I'm
24 not really going to go to the substance of it. I just
25 have a general question. If the witness wants to verify

00291

1 it, that's fine.

2 MR. SELLS: Go ahead, counsel, I'm just
3 looking for it in case we need it.

4 BY MR. THOMPSON:

5 Q. Okay. I mean assuming that that's correct,
6 that there were four rate filings by the company with
7 the Commission since rates were set in '91, I gather in
8 each instance the decision was yours to withdraw those
9 filings, correct?

10 A. As I recall the last two, the last in '98, it
11 was my decision to withdraw it.

12 Q. What about the prior two?

13 A. I don't recall what those were actually.

14 Q. Okay. Well, with respect to the last two --

15 A. Again, we're going back ten years.

16 Q. Yeah, I understand. With respect to the last
17 two that you do recall, what was your reason for
18 deciding to withdraw those?

19 Is one of them the instant, the present case?

20 A. No, the last two before that.

21 Q. Okay.

22 JUDGE SCHAER: Let the record reflect that
23 Mr. Sells has approached the witness and provided some
24 paper. I'm not sure what.

25 MR. SELLS: Page 9 of Exhibit 9, Your Honor.

00292

1 JUDGE SCHAER: Okay.

2 A. In early '98, I requested before a
3 commissioners open meeting that our family rates be
4 discontinued from our tariff. The reason being that we
5 were threatened with a lawsuit by an irate customer from
6 Gig Harbor who happened to be gay, and he questioned
7 whether he and his partner would qualify for the family
8 rates. And when we instructed him that they must be
9 married, he said, well, we're not married, but we're
10 going to sue you anyway. So at that time, I approached
11 the Commission about discontinuing our family rates.
12 And I was instructed by the Staff that if, in fact, we
13 go before the commissioners, that they would allow
14 discontinuing of the family rates as long as we --
15 because it would result in more revenue to the company,
16 and we would then have to increase or reduce our fares
17 otherwise, and that's when I withdraw it. That was the
18 first instance in early 1998.

19 The second instance was I had approached the
20 officials, the transportation officials, at Fort Lewis
21 and McChord Air Force bases and got their concurrence to
22 increase our rates to Fort Lewis and McChord to \$15 and
23 \$14 respectively in exchange for providing 14, 12, 12
24 trips a day versus the 9 trips that we were providing
25 previously, and increasing the number of stops we made

00293

1 at Fort Lewis and McChord in exchange for that
2 additional fare. The regimental commander at Fort
3 Lewis, the transportation officer, concurred with this
4 rate structure and the additional stops and the other
5 conditions that we agreed to. Again, I went before the
6 Commission and approached them with this matter, and
7 they, again, they told me they would allow it if I
8 reduced my rates on the Kitsap side, and that's when I
9 withdrew that one. So those are the last two.

10 BY MR. THOMPSON:

11 Q. Just for clarification, when you refer to the
12 Commission, you're referring to the Staff of the
13 Commission, right?

14 A. Well, I went before the open meeting the
15 first time for the family rates. The second time was
16 the Staff recommendation, we are going to recommend
17 disapproval, and which would probably have necessitated
18 going to a hearing, and I did not want to, you know,
19 retain the cost to go to a hearing, so.

20 Q. I apologize, I'm just conferring here.

21 I would like to at this point refer you to
22 what's been marked as Exhibit 35, and that's the
23 company's response to Staff Data Request 19.

24 JUDGE SCHAER: Let's go off the record for
25 just a moment.

00294

1 (Discussion off the record.)

2 JUDGE SCHAER: While we were off the record,
3 there was a discussion about cross-examination exhibits,
4 and I believe that Mr. Thompson has indicated that he
5 will not be trying to enter any exhibits through this
6 witness at this point in the hearing. Is that correct,
7 Mr. Thompson?

8 MR. THOMPSON: That's right.

9 JUDGE SCHAER: So let's go ahead with the
10 questions then, please.

11 BY MR. Thompson:

12 Q. Mr. Asche, I guess I started asking you about
13 a company response to a Staff data request, but I'm
14 going to switch gears and abandon that train of thought
15 there.

16 Instead, I want to point you to page 2 of
17 your testimony. And the -- I'm looking at your answer
18 to the fourth question, which is, what are the duties
19 and responsibilities, what are your duties and
20 responsibilities at Bremerton-Kitsap Airporter, Inc.
21 And the last sentence of your answer to that question
22 is, in addition, I manage our investment portfolio. Do
23 you see that?

24 A. Yes, I do.

25 Q. What exactly does that involve?

00295

1 A. Well, not a lot, because -- this past year
2 anyway. Most of that investment portfolio is invested
3 in mutual funds, which sit idle. Some of it's invested
4 in stocks and some cash reserves in those account
5 balances.

6 Q. Is this -- are we talking about investment of
7 -- what money are you investing?

8 A. Money that's retained by the corporation.

9 Q. Okay.

10 A. The current assets of the corporation, mostly
11 of which is investments.

12 Q. What -- how long has that been a part of your
13 duties?

14 A. Perhaps in the last ten years.

15 Q. Okay.

16 A. I believe we bought our first mutual fund ten
17 years ago.

18 Q. But just to clarify, the company is not
19 claiming that expenses related to investment of the
20 company's retained earnings is recovered in rates,
21 right?

22 A. I'm not sure I understand that question.

23 Q. Well --

24 JUDGE SCHAER: Perhaps you can frame it with
25 a couple fewer negatives.

00296

1 MR. THOMPSON: I can probably do it better
2 once I consult for a moment here with somebody else.

3 BY MR. THOMPSON:

4 Q. Let me just ask this. Is the management of a
5 company's retained earnings, is that something that a
6 CEO of other airpoter services has among his duties, to
7 your knowledge?

8 A. Well, again, the retained earnings is an
9 accumulation of all the earnings of the corporation. It
10 doesn't necessarily mean that those earnings are in the
11 form of cash. They could have been expensed years ago
12 for purchase of equipment or whatever. So it's not a
13 cash balance that we're talking about here. We're
14 talking about the actual -- the investments of the
15 corporation are the residue cash that's left over that's
16 invested.

17 Q. But in this case, it is cash that we're
18 talking about, isn't it?

19 A. Yes.

20 Q. In the investment accounts?

21 A. It is, yes.

22 Q. Okay.

23 A. Cash or stocks or mutual funds.

24 Q. But -- and so what's your answer to the
25 question then? My question was, do other executives of

00297

1 airporter services have that among their duties for
2 which they receive compensation through rates?

3 A. I don't know their -- I don't know about the
4 other airporters in that regard.

5 MR. THOMPSON: Okay, that concludes my
6 questions. Thanks, Mr. Asche.

7 JUDGE SCHAER: Let's go off the record for
8 just a moment to discuss scheduling.

9 (Discussion off the record.)

10 JUDGE SCHAER: While we were off the record,
11 we discussed scheduling and determined that we are going
12 to take our lunch break starting now and that we will be
13 back in this room and ready to go at 1:15. We're off
14 the record.

15 (Luncheon recess taken at 11:45 a.m.)

16

17 A F T E R N O O N S E S S I O N

18 (1:15 p.m)

19 JUDGE SCHAER: Let's be back on the record
20 after our lunch recess.

21

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

23 BY JUDGE SCHAER:

24 Q. And at this point, Mr. Asche, I have just a
25 few questions that I would like to ask you.

00298

1 A. Yes, ma'am.

2 Q. To make sure I understand your testimony.
3 First of all, I'm curious about your participation with
4 Labor and Industries in how you pay your industrial
5 insurance. Are you in a program where you can elect
6 each year whether you're going to participate in
7 something that will look at your experience and then
8 retroactively determine whether you pay too much or --

9 A. Yes, ma'am, we were engaged with 3CHRM, which
10 is no longer in the business of retroactive rate making.
11 But what we do essentially is we pay our L&I quarterly,
12 our L&I expenses quarterly, and then after two years,
13 two or three years I believe, 3CHRM awarded us this
14 refund on our benefit payments that we pay through L&I.
15 It's a retroactive rate making thing.

16 Q. Okay. And are you continuing to participate
17 in an L&I retro program at this point?

18 A. 3CHRM went -- got out of the business in May,
19 I believe, May of 2000. In July or August, we joined
20 another group, retroactive group, and we haven't seen
21 any money from them yet, so.

22 Q. Okay. And then do you know what your L&I
23 rate was that you were paying in the test year of 1990?

24 A. No, ma'am, I do not.

25 Q. Do you know if that rate has changed?

00299

1 A. I don't know that for sure either. I know
2 that annually at the end of the year, we get another
3 rate from the L&I, and I don't know what our rate for
4 2002 is yet, or I don't know what it is for 2001
5 actually.

6 Q. But we have an experience where you are
7 getting refunds, does that have any relation to then
8 having the rate go down for the future so you won't be
9 getting rate refunds, or do you know?

10 A. I don't know.

11 JUDGE SCHAER: Okay. Some of the questions
12 I'm asking, Mr. Sells, are questions that I probably
13 will ask both of Mr. Asche and Mr. Burton just to see if
14 either one of them does know the answer. So if there is
15 some information, I probably will be asking about this
16 again of the next witness.

17 BY JUDGE SCHAER:

18 Q. There was some discussion yesterday about you
19 being in Arizona for a period of time.

20 A. Yes, ma'am.

21 Q. Do you go to Arizona for a period of time
22 every year, or was that a special occasion, what --

23 A. That was a -- well, we have been going down
24 to Arizona for two years from December until probably
25 March. My wife stays down there during the entire

00300

1 period. Every three weeks I fly back up here for a
2 week. Then I fly back down there during that. This
3 last year. This year, I have no idea what's going to
4 happen.

5 Q. Okay. And who manages the day-to-day
6 operations of the company when you are in Arizona, sir?

7 A. Well, I'm in daily communications with the
8 office. I call the office every day while I'm in
9 Arizona. I have a operations manager who manages the
10 day-to-day operations, but I'm in voice contact with
11 him, and if there's anything that I have to manually
12 process, we've got a fax machine, and I correspond in
13 that manner.

14 Q. Okay. I'm looking now at your testimony,
15 which is Exhibit 24, and looking at the first page about
16 the middle of the page, you were asked a question about
17 what is the business structure of Bremerton-Kitsap
18 Airporter, Inc., and your answer is that we are a C
19 corporation.

20 A. Yes, ma'am.

21 Q. What is a C corporation?

22 A. Well, we could -- when we first began
23 operations, we were a Sub Chapter S corporation
24 identified by the, you know, as per the IRS regulations.
25 But under a Sub Chapter S corporation, all the profits

00301

1 of the company at the end of the year are shared with
2 the shareholders. There's no corporation tax.
3 Corporation tax, it's all split -- it's split up evenly
4 among the shareholders at the end of the year, all the
5 profits of the corporation. About I don't remember when
6 the -- that the year, I think it was about '86 or so, we
7 shifted from an S corporation to a C corporation.

8 A C corporation is a separate entity. It's
9 just like another person in which all the profits of the
10 corporation are retained by the corporation. I mean the
11 corporation is a separate person, makes these profits,
12 all the profits go back into the corporation.

13 If shareholders are to get that share of the
14 profits, they can obtain it in one of two ways. They
15 can either obtain a bonus, which we're paying to the
16 shareholders, or we can -- they can share in dividends.
17 But there are disadvantages to paying dividends with a C
18 corporation. The corporation's already earned those
19 profits, they're paying taxes on it, corporate income
20 tax. Then when they pay the dividends to the
21 shareholders, which is my wife and myself, we pay
22 personal income taxes on that share. So the end result
23 is if we go that route, we're probably paying almost
24 close to 80% of those profits in taxes, federal income
25 taxes. So that's why we choose to go the bonus method,

00302

1 to avoid the tax --

2 Q. That's getting a little bit beyond what I was
3 asking.

4 A. Oh.

5 Q. I have heard of an S corporation, and I just,
6 I'm not as familiar with a C corporation and wanted to
7 know what that was, and I think you have told me, thank
8 you.

9 A. Okay.

10 Q. Now I'm looking at page 5 of your testimony
11 again, and I'm pretty much in the middle of the page.
12 There's a question about the company has generated
13 significant retained earnings over the past few years,
14 what do you do with that money. Do you see that?

15 A. Yes, ma'am.

16 Q. In your response, you indicate that there are
17 bonuses paid to reduce retained earnings, and then you
18 spend the bonuses to finance renovation and new plant
19 and equipment rather than taking out loans for that
20 purpose.

21 A. That's correct.

22 Q. And what I wondered was whether the company
23 could instead run it as the corporate person, just spend
24 some of that money on those items without first taking
25 it out of the company in a bonus. If it wanted to spend

00303

1 that directly, would that be another way they could
2 bring down those retained earnings and finance these
3 investments debt free?

4 A. The net effect is the same. Under the advice
5 of our CPA, who is also a financial planner, certified
6 financial planner, he recommended that we do it this
7 way.

8 Q. Do you know why?

9 A. For tax reasons, tax advantages. I mean the
10 buildings and the property are jointly owned by my wife
11 and myself, so any renovations and improvements to the
12 property are also our property.

13 Q. Is this the same CPA who recommended that you
14 and your wife as individuals build the building and then
15 lease it to your company?

16 A. That's correct.

17 Q. And what was the reason he thought that was a
18 better way to go than to have the company do it
19 directly?

20 A. As I understand it, it's common practice for
21 the tax reasons.

22 Q. Okay.

23 A. Tax reasons alone basically. And every CPA,
24 as I understand it, will give you that type of advice,
25 so.

00304

1 Q. Okay. And has your CPA had any experience to
2 your knowledge with dealing with regulated companies and
3 with the rules for things like affiliated interest
4 statute?

5 A. Only myself, only our company.

6 Q. Okay.

7 A. I believe. He could be the CPA for some
8 garbage companies. I'm not sure.

9 Q. Okay.

10 A. But I don't believe he is.

11 Q. And then that brings me to a question at the
12 bottom of this same page, and I have my note here, and
13 I'm not seeing specific testimony that this is tied to,
14 but are you familiar with the affiliated interest
15 statute that governs regulated companies?

16 A. No, ma'am, I haven't seen a copy of it. I
17 haven't read it.

18 Q. Okay. And have you ever been advised by your
19 CPA or any other advisor that you need to file with the
20 Commission when you have a lease or some other
21 relationship --

22 A. No.

23 Q. -- of something you own --

24 A. Not until --

25 Q. -- in a company?

00305

1 A. Not until this year, early this year, or not
2 early this year, mid year.

3 Q. Okay.

4 A. We became aware of that requirement to file a
5 lease with the Commission.

6 Q. Okay.

7 JUDGE SCHAER: Those are all the questions I
8 had, Mr. Asche. Thank you.

9 THE WITNESS: Thank you.

10 JUDGE SCHAER: Is there any redirect,
11 Mr. Sells?

12 MR. SELLS: No, I have none, Your Honor. But
13 since Your Honor brought up the affiliated interest
14 lease, Mr. Wiley had indicated earlier in the proceeding
15 that we were going to ask Your Honor to consider
16 Commission's approval of the lease agreement itself, not
17 the rates, of course, the lease agreement themselves
18 under this cause number. During the break, we talked to
19 Mr. Eckhardt, and he indicates that maybe the Commission
20 would prefer to do that under a different cause number
21 via letter. It makes no difference to us frankly. We
22 brought a bunch of them along if you want to do it under
23 this cause number. If not, we'll go back and do a cover
24 letter.

25 JUDGE SCHAER: I think perhaps it would be

00306

1 better if you filed that separately.

2 MR. SELLS: All right.

3 JUDGE SCHAER: I think the Commission fairly
4 frequently in rate proceedings, and I think probably all
5 counsel have experience with this, will review
6 affiliated interest issues as part of a rate case or a
7 complaint case and determine appropriate levels for how
8 much is included in rates, but I don't think that we are
9 in a position at this point to actually analyze the
10 lease as it would need to be analyzed by Staff and dealt
11 with.

12 Any thoughts on that from you, Mr. Thompson?

13 MR. THOMPSON: I'm afraid I don't really have
14 anything to add on that, no.

15 JUDGE SCHAER: Okay.

16 MR. SELLS: Then I have no questions, Your
17 Honor.

18 JUDGE SCHAER: Thank you.

19 Is there anything further for this witness?

20 MR. THOMPSON: Nothing further.

21 JUDGE SCHAER: Mr. Asche, thank you for your
22 testimony. Let's go off the record for just a moment to
23 allow change of witnesses.

24 (Discussion off the record.)

25 JUDGE SCHAER: Would you like to call your

00307

1 next witness, Mr. Sells?

2 MR. SELLS: That will be Mr. Wiley's witness,
3 Your Honor, thank you.

4 MR. WILEY: Your Honor, I would call Weldon
5 T. Burton to the stand.

6 (Witness sworn.)

7 JUDGE SCHAER: Thank you, your witness is
8 sworn, Mr. Wiley.

9

10 Whereupon,

11 WELDON T. BURTON,
12 having been first duly sworn, was called as a witness
13 herein and was examined and testified as follows:

14

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

16 BY MR. WILEY:

17 Q. Good afternoon, Mr. Burton. While we were
18 off record, we distributed some additional exhibits, did
19 we not?

20 A. Yes.

21 Q. Do you have those in front of you?

22 A. Yes, I do.

23 MR. WILEY: And, Your Honor, can we identify
24 them, please?

25 JUDGE SCHAER: Would you like me to identify

00308

1 all of his exhibits, Mr. Wiley, at this point?

2 MR. WILEY: Yes, I would.

3 JUDGE SCHAER: Okay, I'm going to mark for
4 identification as Exhibit T-32 the testimony of Weldon
5 T. Burton, WTB-T. As Exhibit 33, I'm going to mark
6 WTB-1 resume'. As Exhibit 34, I'm going to identify
7 WTB-2, Bremerton-Kitsap Airporter pro forma income
8 statement. I'm going to indicate that there is a
9 revised WTB-2 that has been distributed today, and that
10 is the document that I'm going to identify at this
11 point. As Exhibit 35, I'm going to identify WTB-3,
12 Bremerton-Kitsap restating adjustments. As exhibit for
13 identification 36 will be WTB-4, Bremerton-Kitsap pro
14 forma adjustment. As Exhibit 37 for identification
15 WTB-5, Bremerton-Kitsap Airporter gain or loss on sale
16 of operating assets. As Exhibit 38 for identification,
17 WTB-6, Bremerton-Kitsap Airporter, Inc., regulated
18 depreciation schedule. As Exhibit 39 for
19 identification, WTB-7, Bremerton-Kitsap Airporter,
20 Richard Asche salaries shown on pro forma. As Exhibit
21 for identification 40, WTB-8, Bremerton-Kitsap Airporter
22 federal fuel tax credit. And as Exhibit 41 for
23 identification, WTB-9, Bremerton-Kitsap Airporter test
24 period Lurito-Gallagher.

25 And then you have distributed a document that

00309

1 had not been pre-filed, Mr. Wiley, and I'm going to ask
2 you to identify what that is, if you would, please.

3 MR. WILEY: Yes.

4 BY MR. WILEY:

5 Q. Mr. Burton, could you please identify for the
6 record what exhibit for identification 42 -- would that
7 be, Your Honor?

8 JUDGE SCHAER: Yes, I will mark this as
9 Exhibit 42 for identification.

10 Q. -- is.

11 A. WTC Staff Data Request Number 32.

12 Q. No.

13 A. I'm sorry.

14 Q. That's the exhibit next in line that hasn't
15 been identified. It would be WUTC Staff Data Request
16 Number 34, and I will hand it to you if you don't have
17 it.

18 And can you tell us why you're proposing this
19 for admission into the hearing record?

20 A. This is the support and backup of pro forma
21 adjustment number four.

22 Q. Mr. Burton, my question is, was that data
23 available to you in terms of an up-to-date total when
24 your testimony was filed on November 9th?

25 A. No, the data was not available for -- and I

00310

1 had to use an estimate of anticipated cost.

2 Q. Well, in your case you did, but the other
3 pages of Exhibit 34 are actual, are they not?

4 A. That is correct.

5 Q. And this supports the pro forma adjustment
6 that you make including the estimate on legal and
7 accounting costs?

8 A. That is correct.

9 MR. WILEY: Your Honor, do we want to mark,
10 since he misreferred to it, do we want to mark this as
11 Staff Exhibit Number 32 now, or do you want to wait
12 until cross?

13 JUDGE SCHAER: We can go ahead and identify
14 exhibit for identification 43 at this point, which is
15 something that was distributed by Mr. Thompson and is
16 headed at the top, well, which is the response to Staff
17 Data Request Number 32.

18 Did you want this marked, Mr. Thompson?

19 MR. THOMPSON: Yes, please.

20 JUDGE SCHAER: Okay, I will go ahead and do
21 that now also then.

22 MR. WILEY: Thank you, Your Honor.

23 BY MR. WILEY:

24 Q. Mr. Burton, before I tender you for
25 cross-examination, I wanted you to be able to explain

00311

1 any changes or revisions to your testimony and the
2 reasons therefore, please.

3 A. Yes, I have some changes in my testimony, and
4 I would ask you to refer to page 7, line 6. The number
5 shown is \$108,362, that should be changed to \$138,881.

6 Q. And before you go on, can you tell us what
7 this change is based on and why you're doing it now,
8 please.

9 A. Yes. During our preparation for trial, we
10 were given a response by Staff to a data request for the
11 reports and -- Staff reports and pro formas from 1998 to
12 present. The Staff gave us one report, a 1998 report by
13 Mr. Colbo, that was Docket Number TC-981332. That
14 docket number included a draft pro forma for
15 Bremerton-Kitsap Airporter, which included a salary of
16 \$82,500 for Mr. Asche.

17 In comparing the dockets shown on Mr. Colbo's
18 RC-9, excuse me, Exhibit 9, page 9, we saw the report,
19 Staff report, on Docket 980036, which was included as
20 Exhibit 22 in this proceeding yesterday, which included
21 a Staff report and a draft pro forma. The draft pro
22 forma indicated a regulated salary in that hearing, in
23 that proceeding of \$105,735 for regulated operations. I
24 revised my exhibit --

25 Q. Can I interrupt you for a second, please.

00312

1 When did you learn of the existence of a Staff report
2 that actually existed with detail and line items?

3 A. On Tuesday, December the 11th.

4 Q. And how did you find it?

5 A. By going to the records center and requesting
6 the file on TC-980036.

7 Q. And it's on the basis of that Staff report,
8 which is Exhibit 22, that you made your revisions that
9 are shown in Exhibits 35, 36, and 37?

10 A. That is correct.

11 JUDGE SCHAER: Mr. Wiley, you're getting
12 ahead of me a bit. We have had one revision on page 7,
13 line 7. I haven't heard about revisions on these other
14 exhibits yet.

15 MR. WILEY: Okay.

16 JUDGE SCHAER: Let's make sure we don't lose
17 that string of where things are.

18 MR. WILEY: Okay, let's continue then on page
19 7, Your Honor, is that what this change is?

20 JUDGE SCHAER: That's what I heard Mr. Burton
21 to say, page 7, line 7.

22 THE WITNESS: On page 7, line 6, Your Honor.

23 JUDGE SCHAER: Line 6, excuse me.

24 A. Then page 7, line 8, in the question there is
25 a number of \$108,362. That should be changed to

00313

1 \$138,881. On line 10, the date October 19th, 1998,
2 should be changed to January 9th, 1998. Line 11, the
3 docket number should be changed from 981332 to 980036.
4 And the next sentence should read, this filing was
5 withdrawn after suspension. On line 12, second
6 sentence, WTC Staff did not provide a copy of the draft
7 report and pro forma results of operations from the
8 earlier filing.

9 JUDGE SCHAER: Mr. Wiley, I feel like we're
10 going a bit beyond a correction to this testimony.

11 MR. WILEY: Do you want just the numeric
12 corrections, Your Honor; is that what you're saying?

13 JUDGE SCHAER: Well, I don't mind you saying
14 that this answer should be taken out and having him put
15 the new information in, but I really don't think we need
16 to go through and interlineate the text.

17 MR. WILEY: I agree, Your Honor.

18 BY MR. WILEY:

19 Q. If you could just change the numbers and tell
20 us how the numbers change in the text of your testimony
21 on pages 7 and 8, please.

22 A. Line 14, the number \$256,000 should be
23 \$215,800. Line 15, the number \$82,500 should be
24 \$108,956.

25 JUDGE SCHAER: Okay, Mr. Wiley, are we

00314

1 correcting the testimony that's here, or are we talking
2 about an entirely different docket number, entirely
3 different set of numbers that are perhaps in one of the
4 exhibits you just put in?

5 MR. WILEY: The latter. We are using Exhibit
6 22 to revise his testimony about owner's allowance.
7 That's what we're using it for.

8 JUDGE SCHAER: Okay, I have, as I indicated,
9 we have received the testimony, and you have asked him
10 about this also when the document was identified, but
11 going through and just changing these numbers without
12 other changes still isn't going to make sense. It
13 appears to me that this answer is no longer the answer
14 and that the answer is something that he's giving orally
15 at this point or giving in reliance on a different
16 document. I'm not sure if anyone objects to him putting
17 that information in the record, I'm just not sure this
18 is the way to do it.

19 MR. WILEY: Okay, well, I will take any
20 suggestions Your Honor. What it changes and what the
21 intent is is to show how the calculations change based
22 on Exhibit 22. That's the sole point of the revisions,
23 and if there's another procedure that you think would
24 make that clearer, fine.

25 JUDGE SCHAER: Let's go off the record for a

00315

1 moment, and I would like you and Mr. Thompson to talk
2 for a minute about what is happening here and whether
3 that should change pre-filed testimony or be something
4 that can be addressed in brief with the documents that I
5 think you're going to offer.

6 (Discussion off the record.)

7 JUDGE SCHAER: While we were off the record,
8 we discussed the effect of a change in a memorandum and
9 case that Mr. Burton was relying on for part of his
10 testimony and how those numbers flow through his
11 testimony and exhibits, and it was agreed that revised
12 pages 7 and 8 to his testimony would be provided.

13 It's also my understanding that when I
14 identified the exhibits, I should have indicated not
15 only that there was a revised Exhibit WTB-2, which is
16 identified as Exhibit 34, but that there is also a
17 revised Exhibit WTB-3, which is identified as Exhibit
18 35. There has been a revised Exhibit WTB-4, which I
19 have identified as Exhibit 36. And there is a revised
20 Exhibit WTB-7, which I have identified as Exhibit 39.

21 And at this point where we're identifying or
22 re-identifying some of the exhibits, I also want to
23 identify the responses to Bench requests from the
24 company 7 through 9, which I had neglected to do when I
25 was earlier identifying exhibits for this witness, and

00316

1 so let's hold on for just a moment, and I have copies of
2 those.

3 MR. WILEY: You're referring to 7 through 9,
4 Your Honor?

5 JUDGE SCHAER: So let me indicate that those
6 copies will be distributed after our next break, and
7 they will be marked for identification as Exhibit 44.

8 Go ahead then, Mr. Wiley.

9 BY MR. WILEY:

10 Q. Mr. Burton, I believe the next task is to
11 tell us on revised Exhibit 34 where the line items
12 change and what the change is, please.

13 A. Yes, there are three changes. Line 18
14 changes because of the change in the officer salary.
15 Line --

16 Q. Can you tell us if it changes across the
17 columns there or in one particular column?

18 A. It changes in column C from \$6,234 to \$6,676.

19 Q. Okay.

20 A. Line 19, column E, is a negative \$290.

21 Q. Now is that change based on your concurrence
22 with Mr. Colbo's adjustment?

23 A. That is correct.

24 Q. Okay.

25 A. In line 45, column C, officer salary changes

00317

1 from \$312,638 reduction to \$282,119 reduction.

2 Q. That's on column C of line 45?

3 A. Column C of line 45.

4 Q. Okay. Exhibit 35 revised, please.

5 A. Exhibit 35, row 18, under RA-5, adjust
6 shareholder salary, that is a change.

7 Q. From what to --

8 A. From \$4,533 to \$4,091.

9 Q. And the former number was in brackets or in
10 parens as well?

11 A. Yes, former was in brackets, excuse me.

12 Row 45 under RA-5, adjust shareholders
13 salary, the previous number was a minus \$312,638,
14 revised number is a minus \$282,119.

15 Q. Revised Exhibit 36.

16 A. Revised Exhibit 36, row 19, under PA-1,
17 remove fuel surcharge, previous was blank, revised is a
18 minus \$290.

19 Q. Finally, revised Exhibit 39.

20 A. Exhibit 39 is identified by row for base year
21 1998. Previous was \$82,500, revised \$105,735, and the
22 multipliers thereafter.

23 Q. And by multipliers thereafter, you mean the
24 -- do you mean an entry on the page, or what do you mean
25 by -- I just don't --

00318

1 A. Okay, the multipliers thereafter are the
2 increases based on the Consumer Price Index.

3 Q. And that's shown in the right-hand column?

4 A. Shown in the right-hand columns, yes.

5 Q. Are there any other corrections to your
6 testimony, putting aside pages 7 and 8, that you would
7 like to make in terms of any typographical errors?

8 A. Yes.

9 Q. And what is that?

10 A. Page 12.

11 JUDGE SCHAER: Are we back in the testimony,
12 Mr. Wiley?

13 MR. WILEY: Excuse me?

14 JUDGE SCHAER: Are we back in the testimony?

15 MR. WILEY: Yes, we are.

16 A. Exhibit 32, page 12, line 6, cots should be
17 costs, C-O-S-T-S.

18 BY MR. WILEY:

19 Q. Spell checking problem, correct? Any other
20 corrections or revisions to your testimony?

21 A. Not to my knowledge.

22 MR. WILEY: Your Honor, I would tender the
23 witness and offer Exhibits 32 through 42.

24 JUDGE SCHAER: Any objections?

25 MR. THOMPSON: Well, no objections, but we

00319

1 will be submitting revised exhibits to replace these
2 later, correct; isn't that the idea?

3 MR. WILEY: You mean the testimony?

4 JUDGE SCHAER: It's my understanding that
5 revised exhibits were distributed today and that we will
6 have revised pages 7 and 8 to the testimony.

7 MR. THOMPSON: Okay, no objection then.

8 JUDGE SCHAER: Okay, and then you offered
9 Exhibits T-32 through 42 are admitted.

10 Is the witness tendered?

11 MR. WILEY: Yes, he is, Your Honor.

12 JUDGE SCHAER: Mr. Thompson, did you have
13 questions for Mr. Burton?

14 MR. THOMPSON: Yes, I do.

15 JUDGE SCHAER: Go ahead, please.

16

17 C R O S S - E X A M I N A T I O N

18 BY MR. THOMPSON:

19 Q. Good afternoon, Mr. Burton.

20 A. Good afternoon.

21 Q. Okay, I want to first point you to page 7 of
22 your testimony, and specifically just the answer to the
23 first question there at line 5 on page 7. And you're
24 just stating basically your officer salary figure, which
25 is \$108,362 on your testimony as it stands now. But I

00320

1 gather now that's -- you have changed that to \$138,881,
2 correct?

3 A. That is correct.

4 Q. And the reason for that, I gather, is because
5 basically you found a Staff document work paper that
6 included a higher figure as a line item than the one you
7 had previously found for officer salary; is that
8 correct?

9 A. That is correct.

10 Q. Are you aware of what analysis, if any, was
11 behind the figure that the Staff person chose in that
12 document?

13 A. In Docket TG-980036?

14 Q. I believe that's correct. It's Exhibit 22.

15 A. Exhibit 22?

16 Q. Correct.

17 A. Yes, I am.

18 Q. And what was that analysis?

19 A. That analysis was a handwritten note in the
20 file saying that officer's compensation is approximately
21 8% of gross sales.

22 Q. Are you aware of where the -- I withdraw that
23 question.

24 You understand, of course, you were here for
25 the testimony yesterday of Mr. Colbo?

00321

1 A. Yes, I was.

2 Q. And you understand that Staff never actually
3 recommended to the Commission the officer's salary --
4 that the officer's salary be set at that level through
5 that memo, correct?

6 A. Yes.

7 Q. Okay. In arriving at your officer's salary
8 figure, you basically extrapolated using a cost of
9 living adjustment from a -- from that Staff figure,
10 correct?

11 A. That is correct.

12 Q. Was there any additional analysis you did to
13 arrive at that figure?

14 A. Yes. Based on my professional experience in
15 working with various regulated companies over the last
16 25 years, I felt that the revised figure of \$138,881 is
17 a reasonable compensation for Mr. Asche's duties.

18 Q. Can you give me a specific example of -- are
19 you thinking of a particular company or a particular
20 executive?

21 A. No, no, not a particular executive. In prior
22 years, I have worked with various log hauling companies,
23 trucking companies that were regulated by the Commission
24 prior to deregulation. In that period of time in the
25 late 1970's and early 1980's, I had four different

00322

1 companies in Southwest Washington, two of which had
2 executives regularly drawing salaries in the six figure
3 numbers, and in addition to their salary, also a very
4 generous pension contribution.

5 Q. And you feel that the duties of those
6 individuals were comparable to those performed by
7 Mr. Asche for this airporter service?

8 A. Yes, I do.

9 Q. More so than transit agency executives?

10 A. Yes, I do.

11 Q. Do you have any examples within the last five
12 years, or is it solely based on the logging company
13 examples?

14 A. I have not worked with trucking companies in
15 -- because transportation has been deregulated.

16 Q. So the answer is no?

17 A. The answer -- that's correct.

18 Q. I guess I would ask you next about page 8.
19 At page 8 from about lines 16 to 20, you're responding
20 to the question:

21 Regarding the comparisons that Staff
22 drew in their testimony to executive
23 compensation and public transportation
24 entities, do you have any thoughts?
25 Could you read, please, your response to that

00323

1 for me?

2 A. My answer was:

3 Yes, I find the premise flawed. It is
4 not the size of revenues or the scope of
5 the operations that invoke the
6 correlation, but the entrepreneurial
7 risk factor in the day-to-day
8 operations, profitability, performance,
9 and pressures on the business executive
10 that should gauge the amount of
11 compensation. Simply pointing at total
12 revenues oversimplifies the issues and
13 ignores these significant factors.

14 Q. Didn't you indicate earlier that the basis of
15 the Staff number in the memo that you're relying on was
16 to take a percentage of total revenue?

17 A. That is the computation that the Staff person
18 did in that memo.

19 Q. And how, well, and do you know, the Staff
20 person I wouldn't imagine took any of these
21 considerations into account?

22 MR. WILEY: Objection.

23 Q. Would they have?

24 MR. WILEY: Objection to form.

25 JUDGE SCHAER: Mr. Thompson, the objection is

00324

1 to the form.

2 MR. THOMPSON: I'm not so certain what's
3 objectionable about the question.

4 JUDGE SCHAER: Mr. Wiley.

5 MR. WILEY: I understand the question to ask
6 Mr. Burton as to what the Staff member took into
7 account, and I don't believe that there's any foundation
8 for an answer to that question.

9 JUDGE SCHAER: I recall earlier Mr. Burton
10 testified that he was aware of the basis that the Staff
11 person had used because of a note that he had found, and
12 so I would ask you to phrase the question, to the extent
13 that he is aware as he indicated earlier, and then go
14 ahead and ask what you're asking, please, Mr. Thompson.

15 MR. THOMPSON: Okay.

16 BY MR. THOMPSON:

17 Q. Mr. Burton, based on your understanding of
18 how the Staff person who drafted the work papers on
19 which you relied for the salary figure, how that person
20 arrived at that figure, did they take into account these
21 factors you're discussing here?

22 A. I do not know.

23 Q. Did you take those into account in arriving
24 at the figure?

25 A. Yes. I again took into consideration

00325

1 experience in dealing with business owners and
2 businesses this size. I also review -- and reviewed
3 various Internal Revenue Service cases regarding
4 executive compensation and found many factors that -- in
5 those cases that gave me indication that Mr. Asche's
6 salary should be in this range of \$138,881.

7 Q. When you were looking at the IRS documents,
8 what sort of comparisons were you looking for?

9 A. There are numerous cases in the tax court and
10 various appeal courts and all the way to the supreme
11 court on executive compensation and what the IRS tends
12 to term as excess compensation. So many of those
13 factors look at the size of the company, the number of
14 employees, the growth of the company, and the executive
15 that directs the operations of the company, and they
16 make determinations.

17 Q. Were you looking at regulated companies?

18 A. I did not see any "regulated companies" in my
19 review of cases.

20 Q. What did you --

21 A. They're all various types of businesses.

22 Q. Wouldn't the IRS be looking at executive
23 compensation for a different purpose than the WUTC would
24 in a rate making proceeding?

25 A. Not necessarily. The IRS is going to be

00326

1 looking at it to attempt to disallow as much
2 compensation as possible, therefore raising tax revenue.

3 Q. But aren't they going to allow a broader
4 range of reasonability than the WUTC would in --

5 A. Perhaps, perhaps not.

6 Q. Is it your view that a logging operation or a
7 log trucking operation provides a better comparison for
8 executive compensation than other airporter services?

9 A. I have to look at overall operations, and to
10 compare within the industry, and especially an industry
11 like this, like the regulated airporter industry within
12 the state of Washington, where you have a company that
13 is clearly performing much better than the rest of the
14 industry in my opinion financially, it's difficult to
15 make comparisons with other airporters, so you have to
16 look outside the specific industry and to the broad
17 industry.

18 Q. Well, what relevance does how well the
19 business is doing have to what the executive should be
20 compensated?

21 A. The executive is directing the operations of
22 the business, and how well that business does is based
23 solely on his directions and his management of the
24 business, and the financial rewards of that management
25 flow through to the bottom line of the business.

00327

1 Q. Can you cite me any instance in which the
2 Commission had indicated that it rewards a premium to
3 executives who are able to make more money for their
4 companies?

5 A. In Mr. Colbo's study, and I will get the
6 exact page on executive compensation.

7 And that is Exhibit 9, pages 12 and 13. On
8 page 12 and under the left column under company,
9 approximately two thirds of the way down the page,
10 there's a row for bonus incentive, Cowlitz County
11 Transit, salary includes 10% merit pay award.

12 Q. Actually, if I could stop you there. My
13 question was to provide examples of the Commission
14 providing a premium in allowed salary for I guess
15 performance, and I think what you're referring to here
16 is the public agencies, isn't that right?

17 A. I'm sorry, I misunderstood your question,
18 sir. I am not aware of the Commission providing in
19 their regulations any bonus incentives for the companies
20 they regulate.

21 Q. I want to turn to the subject of case costs,
22 and you discuss that at page 8, or excuse me, page 12 of
23 your testimony. This is the largest issue in the case
24 in terms of dollars, isn't it?

25 A. I believe that's correct.

00328

1 Q. Even including the 97% operating ratio for
2 the company?

3 A. Well, it is one of -- it is one of two. I
4 mean I guess I consider the officer's salary in relative
5 dollars larger, but it is certainly in the top two.

6 Q. Well, I'm talking about the, well, turning to
7 the officer's salary, in terms of the difference between
8 Staff's position and the company's position?

9 A. Yes, that is correct.

10 Q. Even with your revised compensation figure,
11 isn't that still true, that this is a -- that the case
12 cost is larger? I'm just trying to get a sense of the
13 magnitude, the difference again.

14 A. I believe that's correct. I have not done a
15 line by line analysis. I believe Mr. Colbo did in
16 response to a Bench request.

17 Q. Okay. Is it -- well, so salary, the salary
18 difference is about \$40,000, right, excuse me \$80,000 at
19 this point?

20 A. That's approximately it, subject to check.

21 Q. Okay. Maybe I misspoke \$70,000, \$74,000;
22 would you accept that subject to check?

23 A. Absolutely.

24 Q. Are you aware of how the Commission has
25 treated case cost recovery in instances where a company

00329

1 has filed for a rate increase but it has resulted in a
2 decrease?

3 A. I have not been involved in a case where a
4 rate case was filed for an increase that resulted in a
5 decrease. I have been involved in several cases that
6 ended up in contested hearings and rate case costs or
7 hearing cost was a part of that case.

8 Q. Okay.

9 A. And to the best of --

10 Q. So you're not aware of any -- you're not
11 familiar with any such case is the answer, correct?

12 MR. WILEY: Well, objection, Your Honor,
13 objection to the form. I think we should refer
14 specifically to the exhibit that was addressed in
15 Mr. Colbo's testimony today where they referred to the
16 utility companies. I believe that's what Mr. Thompson
17 is asking him about, because that was the testimony. If
18 we could be specific in the question, the witness might
19 be able to answer.

20 JUDGE SCHAER: Any response to the objection,
21 Mr. Thompson?

22 MR. THOMPSON: Well, I just asked this
23 witness if he was aware of how the Commission has
24 treated it in any case. I wasn't specifically referring
25 to -- in any case where they filed for an increase and

00330

1 it resulted in a decrease and not specifically with
2 reference to the exhibit.

3 JUDGE SCHAER: I will allow the witness to
4 answer as far as any case he's aware of, Mr. Wiley, even
5 if it's not listed in that exhibit.

6 Go ahead and answer, Mr. Burton.

7 A. I have not personally been involved in any
8 cases such as that, and I am not aware of any cases.

9 BY MR. THOMPSON:

10 Q. Okay, thank you.

11 Would you agree that the purpose of a pro
12 forma adjustment is to reflect known and measurable
13 expenses?

14 A. Yes.

15 Q. Okay. And recurring and nonrecurring
16 expenses are treated differently, aren't they?

17 A. Yes.

18 Q. Okay. And how is that, how are they treated
19 differently?

20 A. Reoccurring -- pro forma adjustments are to
21 input or put into the record of the cost base known and
22 measurable increases in cost, most of which are
23 reoccurring such as wage increases, payroll tax
24 increases, fuel cost increases, legal and accounting
25 costs, in known instances in contested hearings.

00331

1 Q. Well, is it true the recurring costs are
2 expensed, and nonrecurring costs are capitalized or
3 amortized over the expected life?

4 A. That has -- that is Mr. Colbo's proposal in
5 this case. In other cases, I have seen them handled
6 both as a reoccurring expense and capitalized and
7 amortized over two or three years depending on the
8 anticipated repeat of a case.

9 Q. Well, are legal and accounting expenses
10 associated with this case recurring or nonrecurring?

11 A. I can not tell you an exact answer on that,
12 because this case may not -- this -- once this case is
13 closed, there could be another case in the next year,
14 and I can not -- I can not -- I don't know what the
15 company is going to do. I'm not making a prediction.

16 Q. Well, haven't you made an assumption though
17 by putting the full \$100,000 in as an expense?

18 A. The anticipated costs of a contested -- of
19 this contested case may not be repeated. However, there
20 may be additional costs or other costs that will take
21 its place.

22 Q. Are those known and measurable?

23 A. Not at this exact moment. However, in this
24 industry, as we know what has happened since September,
25 the expenses of operation have increased, and the

00332

1 revenues have taken a decrease because of increased lack
2 of travel by the public.

3 Q. Well, have you personally done any kind of
4 study to demonstrate the impact of the September 11th
5 attacks on this company?

6 A. Not specifically.

7 Q. Is it your position that any company,
8 airporter company, that came in for a rate increase
9 should receive an additional cushion in their rates for
10 dealing with a potential downturn as a result of
11 terrorism?

12 MR. WILEY: Objection to the form, used the
13 term cushion, it's not specific, Your Honor.

14 JUDGE SCHAER: Mr. Thompson, why don't you
15 ask the witness to define what cushion means to him so
16 that we know what that means in this record, and then go
17 ahead, please.

18 MR. THOMPSON: Okay.

19 JUDGE SCHAER: Or else ask a different
20 question.

21 BY MR. THOMPSON:

22 Q. It appeared to me that you were arguing that
23 it's okay to put the entire legal expense of \$100,000 in
24 one year because, well, there may be other expenses or
25 downturns in revenue, I guess, that would justify, I

00333

1 guess, providing a little, I can't put it any other way
2 than fudge factor or cushion or something of that
3 nature. Is that a -- I will let you characterize it how
4 you like.

5 A. I'm not -- I did not -- I did not intend to
6 put any cushions, fudge factors, or anything in this
7 rate base. These are out-of-pocket costs that the
8 company is incurring as we speak.

9 Q. Are you aware that Bremerton-Kitsap filed a
10 -- filed to reduce its schedule following September 11
11 but then withdrew that filing?

12 A. I am aware of that, yes.

13 Q. What specifically would that \$100,000 be used
14 for next year?

15 A. I do not know the exact answer to that, sir.
16 I have a feeling that Mr. Asche will be reviewing his
17 financial data on a monthly basis and seeing if there is
18 a significant decrease in his either revenue or expenses
19 to determine if he needs to make a rate filing, and that
20 could be a rate decrease, yes.

21 Q. Can you cite me to another instance that
22 you're aware of in which the Commission has not
23 amortized rate cases over some period of years?

24 A. Yes. I can not cite you specific docket
25 numbers, but I was involved with a group of companies in

00334

1 Clark County regulated by the two -- two regulated by
2 the Commission and an affiliated landfill. The two
3 companies were Buckman Sanitary Service, Inc., and Clark
4 County Disposal Inc., d/b/a the Disposal Group, and we
5 had several contested rate cases from 1986 through 1992,
6 I believe. My dates may not be exactly correct. And
7 the rate case expense was a part of the rate, of the
8 base.

9 Q. Well, okay. Well, did that involve a
10 situation in which there was a history of frequent rate
11 cases; is that what you're saying?

12 A. That is correct, there was -- there was not
13 only a rate case, but a hearing on another hauler
14 attempting to have overriding authority, or overlapping
15 authority, excuse me, within their certificated
16 territory. It was a case on landfill rates. It was a
17 case on hauling rates. Several filings on various cost
18 issues.

19 Q. I'm sorry, I'm a bit confused. What you're
20 giving examples of now is in the case you referred to
21 earlier what the legal costs were, recurring legal costs
22 were associated with it?

23 A. That's correct.

24 Q. Okay.

25 A. Those costs were expensed as incurred.

00335

1 Q. I want to turn to what you predict, I guess,
2 would be the effect of Staff's 97% operating ratio, and
3 I think you're discussing that on page 14. And
4 specifically at lines 18 and 19, you state that
5 Mr. Colbo's proposed revenue margin would not allow
6 sufficient operating net income to provide one
7 replacement van per year, and you received a data
8 request, I guess, on that to provide your analysis,
9 correct?

10 A. That is correct.

11 Q. And that was data request, Staff Data Request
12 Number 32, which has been marked as Exhibit 43,
13 pre-marked.

14 JUDGE SCHAER: Yes, that's correct, counsel.

15 Q. Could you maybe with the help of this
16 document walk us through your analysis of that, please.

17 A. Yes, I would be happy to. My response is I
18 did not have any "working papers" per se. And in the
19 next paragraph, from Mr. Colbo's original pre-filed
20 testimony, his net income, pro forma net income was
21 \$39,730.

22 Q. Should that be, just when you're talking,
23 should that be from line 70 rather than line 20?

24 A. Yes, I think that is correct, and I
25 apologize.

00336

1 Q. And actually, while we're on the subject of
2 corrections, should -- were these numbers taken prior to
3 the revised Exhibit 6?

4 A. Yes, they were. I had -- I answered the
5 Staff data request before I received the revised
6 exhibits.

7 Q. Yeah, I appreciate that. Maybe we could just
8 make that correction, if that would be possible. Do you
9 have Exhibit 6 available to you? Well, how about I just
10 do this, I know what they are, so how about if I give
11 them to you subject to check, would that be all right?

12 MR. WILEY: That's fine.

13 Q. Would you accept subject to check that the
14 figure from line 70 of the Colbo pro forma net income
15 statement is \$28,967, and depreciation is included in
16 net income, as a result of his acceptance of your four
17 year amortization is \$90,990, resulting in an indicated
18 cash flow from operations of \$119,957.

19 A. Subject, yes.

20 Q. Okay. I believe you indicated that the cost
21 or, well, the cost of a new van could be at least
22 \$45,000 there on page 14, correct?

23 A. That is correct.

24 Q. And I guess the basis of your statement there
25 in your testimony was that the company's replacing the

00337

1 entire fleet on a -- of 15, of 14 vehicles rather,
2 excuse me, on a four year cycle. Isn't it true that
3 there would be enough cash flow here to at least
4 provide, well, almost three, three vans, at least two
5 and a half?

6 A. Approximately two and a half, yeah.

7 Q. And that's without -- that's buying them with
8 cash, correct, as opposed to using debt to replace the
9 vehicles?

10 A. That is correct.

11 Q. Couldn't the company use debt to replace the
12 vehicles?

13 A. Its operating costs would go up relative to
14 the amount of debt they incurred, the interest cost on
15 the debt they incurred.

16 Q. There is not a question pending, I apologize
17 for the pause in the action here, I would like to make
18 this as action packed as possible.

19 Can you tell me why a 93% operating ratio has
20 been used for regulated bus companies over the years?

21 A. The auto transportation industry, and I would
22 have to refer to some Staff data requests, some company
23 data requests for historical correct dates, but the
24 operating -- the 93% operating ratio has been used by
25 this Commission for a number of years in the

00338

1 transportation industry. I can not recall the exact
2 date it began, I believe in the early '60's.

3 Q. Well, what is it about airporter companies
4 that dictates, or transportation companies in general
5 for that matter, that dictates a 93% ratio between
6 expenses and revenue?

7 MR. WILEY: Your Honor, I don't know where
8 this line of -- I mean it's the Commission who
9 establishes the 93% operating ratio, not the company, so
10 I don't know how productive this line of questioning is
11 going to be. He's asking him what the criteria for
12 establishing the 93% is, and I don't know where we're
13 going, because I think there's no dispute that that's
14 set by the Commission and has been historically for many
15 decades.

16 MR. THOMPSON: Well, the issue, if I can
17 respond, is I think Mr. Burton is saying 97 is not
18 enough but 93 is, and I guess I'm trying to inquire into
19 what it is about the -- about the 93 that makes it a
20 better number.

21 MR. WILEY: That's a different question, Your
22 Honor.

23 JUDGE SCHAER: Well, then, let's go ahead
24 with that question.

25 MR. THOMPSON: Okay, I will restate the

00339

1 question this way.

2 BY MR. THOMPSON:

3 Q. I think you heard me say there seems to be a
4 controversy here that 97 is too high but 93 is -- would
5 be preferable, and I'm asking you for an explanation of
6 why, what it is about that relationship that is
7 important for this type of company, the relationship
8 between -- of 93% between expenses and revenues?

9 A. The difference we're referring to here is
10 approximately 4%, and for example purposes only, if I
11 take Mr. Colbo's RC-6, page 1, and do a very quick
12 calculation on his expense base of \$1,368,816 with a 93%
13 operating ratio, that indicates a revenue requirement of
14 \$1,471,845 as compared to \$1,396,916, so we're talking
15 about about \$75,000 of pure revenue to the bottom line.
16 That's the difference between a 97% and a 93% operating
17 ratio.

18 Q. Okay. Okay, well, assuming that's accurate
19 -- well, excuse me just one moment.

20 Well, how does that -- okay, assuming that
21 figure of \$75,000.

22 A. Approximately.

23 Q. How does that compare to -- well, I withdraw
24 the question.

25 Are you -- you were present, were you not,

00340

1 for the -- for my redirect of Mr. Colbo this morning?

2 A. Yes, I was.

3 Q. And he made reference to a solid waste case
4 involving Rabanco, I think, as an example of when the
5 Commission had approved rates at a 98% operating ratio.
6 Are you familiar with that?

7 A. I heard the reference in the discussion. I'm
8 not personally familiar with that case. I have not read
9 the report.

10 MR. THOMPSON: Thanks, Mr. Burton, that
11 concludes my questions for you.

12 JUDGE SCHAER: I have a few questions for you
13 also, Mr. Burton.

14 THE WITNESS: Yes, Your Honor.

15 JUDGE SCHAER: But before we do that, had you
16 offered Exhibit 43, Mr. Thompson?

17 MR. THOMPSON: Oh, no, I have not, but I
18 would do that at this point.

19 JUDGE SCHAER: Is there any objection,
20 Mr. Wiley?

21 MR. WILEY: No, Your Honor. Just one point
22 of clarification. Did we make iterations to the exhibit
23 to include Mr. Colbo's, I did, I don't know if the Bench
24 did, to include that \$119,977 figure?

25 JUDGE SCHAER: I believe that the record will

00341

1 show that in the testimony.

2 MR. WILEY: Correct.

3 JUDGE SCHAER: I made notes to myself, but I
4 don't consider them part of the official exhibit.

5 MR. WILEY: If it's in the record, fine, no
6 objection.

7 JUDGE SCHAER: Then Exhibit 43 will be
8 admitted.

9 At this point, I would like to take a moment
10 to distribute what I have marked for identification as
11 Exhibit 44, which are the responses by the company to
12 Bench Requests 7 through 9. I think I will distribute
13 those.

14 In looking at the clock, I think perhaps what
15 we should do at this point is take our afternoon recess,
16 and I will pass these out during the recess. We can
17 take them up immediately thereafter so that I don't take
18 hearing time in doing that.

19 Does break time work for everyone?

20 Okay, then let's be off the record until
21 3:15.

22 (Brief recess.)

23 JUDGE SCHAER: Let's be back on the record
24 after our afternoon recess. During the recess, I
25 distributed a copy of the company's responses to Bench

00342

1 Request Number 7 through 9, and I have marked this for
2 identification as Exhibit 44.

3 Does anyone object to having this included in
4 the record?

5 MR. WILEY: No.

6 MR. THOMPSON: No.

7 JUDGE SCHAER: Okay, then Exhibit 44 is
8 admitted.

9

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

11 BY JUDGE SCHAER:

12 Q. Well, you're on the downward slope now,
13 Mr. Burton. I would like you to look at your Exhibit
14 Number 34, which you may recognize as WTB-4 and your
15 adjustment PA-1, please. Excuse me, that should be
16 Exhibit 36, WTB-4.

17 MR. WILEY: Do you have it?

18 A. Yes, ma'am.

19 Q. And I want you to look at your adjustment
20 PA-1, remove fuel surcharge revenue, please.

21 A. Yes, ma'am.

22 Q. Okay. Looking at this adjustment, you remove
23 \$15,032 of surcharge revenue, correct?

24 A. That is correct.

25 Q. And I believe that Staff used the same total

00343

1 amount; is that correct?

2 A. I believe that's correct, yes.

3 Q. However, your assignment, your adjustment
4 assigns all of the amount to line 1 for your Bremerton
5 and Tacoma operations, whereas Staff in their comparable
6 adjustment assigned \$12,236 to Bremerton/Tacoma and the
7 remainder of \$2,297 to Fort Lewis/McChord operations.
8 And my question to you is, was the source of all of
9 these surcharge revenues from Bremerton/Tacoma
10 operations, or do you accept Mr. Colbo's allocation of
11 the \$15,032 between the two sectors of the company's
12 operations?

13 A. Your Honor, I would accept Mr. Colbo's
14 allocation.

15 Q. Thank you. Next I would like to ask you a
16 question that I asked Mr. Asche about Labor and
17 Industries amounts paid by the company.

18 A. Yes, ma'am.

19 Q. And in our discussions with Mr. Asche, I
20 believe we established that his company participates in
21 the L&I retro program, which allows them to make an
22 election each year to decide whether or not they're in
23 the program and then to seek refunds if their actual
24 accident experience is lower than the rate would
25 otherwise be. And if I have described that wrong,

00344

1 please tell me how I have --

2 A. I believe that's correct, a correct
3 characterization.

4 Q. Okay. And I had asked him a couple of
5 questions about the company's L&I rates and whether they
6 were the same today as they were during the test period,
7 and I'm not sure if you know that, but if you do know, I
8 would like to know if they have changed.

9 A. I can give you the rates during the test
10 period. I do not know if the rates went up in 2001.
11 However, for the calendar year 1999, their industrial
12 insurance rate for class 1404, bus limo transit drivers,
13 was .5992 cents per workman hour. That rate went up in
14 year 2000 to .6574 cents per hour. They also have some
15 employees classified in class 4904, clerical office
16 workers. That rate was .0764 in 1999, and in year 2000
17 .0896 cents per hour.

18 Q. Thank you. Just as a general question, if
19 there has been a period where an individual company is
20 getting refunds for past periods, does that have any
21 effect on the future rate that that particular company
22 is charged, if you know?

23 A. I do not know.

24 Q. Okay. Would you show me or refer me in your
25 new exhibits to the per company recommended level of

00345

1 results for this company?

2 A. That's shown in Exhibit 34 revised.

3 Q. At what line?

4 A. At line 47, column H, pro forma proposed
5 rates, showing no rate increase nor decrease, which
6 results in a corresponding 94.98% operating ratio.

7 Q. Looking at page 3 of your testimony at line
8 4, you indicate there that you noticed certain material
9 differences between the information you were furnished
10 and Mr. Colbo's exhibit. Given the revisions to his
11 exhibits and to your exhibit, is there any material
12 misunderstanding as to what basic data are now?

13 A. Not to my knowledge, Your Honor. Let me
14 clarify, that's on the per books amount.

15 Q. I know that there are disagreements as to
16 adjustments, but I wanted to understand whether we think
17 the same per books numbers --

18 A. Yes, ma'am, that's correct.

19 Q. -- are the right starting point?

20 A. Yes.

21 Q. Because I need to know whether I need to
22 resolve issues there, and I'm hoping that I don't need
23 to, and it sounds like I don't need to.

24 A. Not to my knowledge.

25 Q. In looking at your resume' and listening to

00346

1 your testimony earlier today, I note that from 1986 to
2 1991 you were working for Leichner Enterprises.

3 A. Yes, ma'am.

4 Q. In that job responsibility, did you become at
5 all familiar with the Commission's affiliated interest
6 statute and the kinds of adjustments Staff proposes
7 under that statute?

8 A. We did not -- that -- during -- in that
9 company, there were no affiliated interest transactions
10 except the disposal costs at the Leichner Brothers land
11 reclamation land fill, which those rates were approved
12 by the Commission in hearing.

13 Q. So did the Commission under the affiliated
14 interest statute make some revisions in how those rates
15 were reflected for regulated purposes, to your
16 recollection?

17 A. I can not recall.

18 JUDGE SCHAER: Okay, thank you, that's all I
19 have.

20 Mr. Wiley, is there any redirect?

21 MR. WILEY: No, Your Honor.

22 JUDGE SCHAER: We have concluded with this
23 witness. Thank you for your testimony.

24 We had a brief off the record discussion at
25 the beginning of this afternoon about next steps in this

00347

1 case, and I believe that it was agreed at the time of
2 prehearing that there would be post hearing briefs that
3 are due on February 1st, 2002. Those briefs are to be
4 accompanied by proposed findings of fact and conclusions
5 of law.

6 And then I also indicated to the parties at
7 that time that I would like them to consult with each
8 other and make certain that they use the same adjustment
9 numbers for the same issues and that if there are
10 different parts to an adjustment, either break those out
11 by letters or in some other way so that in looking at
12 the numbers, the accounting advisor and I are able to
13 see where the actual disagreements are and what the
14 basis of those are.

15 Those are my final words for today. Is there
16 anything else we need to discuss at this time?

17 Then thank you, gentlemen, for a well
18 conducted hearing. I think that you have framed the
19 issues and we have learned quite a bit these last two
20 days.

21 We will be off the record.
22 (Hearing adjourned at 3:30 p.m.)

23
24
25

