

1 CHAIRMAN SODERBERG: Okay.

2 MR. HINCKLEY: We would call him at this  
3 time.

4 While he's approaching, if could we have  
5 his prefiled testimony marked, please?

6 MS. LaGUE: Yes. This will be Exhibit 9.  
7 (Exhibit Number 9 was marked for identification.)

8 (One witness was sworn: Jeffrey W. Galloway.)

9 JEFFREY W. GALLOWAY

10 called as a witness on behalf of  
11 the PUCN Regulatory Operations Staff,  
12 having been first previously duly sworn,  
13 was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. HINCKLEY:

16 Q Mr. Galloway, your name, rank, and serial  
17 number, please?

18 A My name is Jeff Galloway. I am a financial  
19 analyst with the Regulatory Operations Staff.

20 Q Have you prepared what's been marked as  
21 Exhibit 9 in this proceeding?

22 A Yes, I have.

23 MR. HINCKLEY: We have identified Questions  
24 5 through 9, 22 and 23, and 25 and 26 as those applicable  
25 to this Phase 1.

1 BY MR. HINCKLEY:

2 Q If I were to ask you the questions that I  
3 have just listed, would your answers be as is found in  
4 the Exhibit 9 today?

5 A Yes.

6 MR. HINCKLEY: I have no other questions.

7 CHAIRMAN SODERBERG: Mr. Kockenmeister?

8 MR. KOCKENMEISTER: No questions.

9 CHAIRMAN SODERBERG: Mr. Sandoval?

10 MR. SANDOVAL: No questions. Thank you.

11 CHAIRMAN SODERBERG: Ms. Elliot?

12 MS. ELLIOT: No questions.

13 CHAIRMAN SODERBERG: Mr. Schmidt?

14 MR. SCHMIDT: Did I understand correctly we  
15 preserved Question and Answer 5 through 9?

16 MR. HINCKLEY: 5 through 9 are available  
17 for examination today.

18 MR. SCHMIDT: I just have a couple brief  
19 questions.

20 CROSS-EXAMINATION

21 BY MR. SCHMIDT:

22 Q Mr. Galloway, I assume from reading your  
23 questions and answers, much like Ms. Norman that you had  
24 some concerns about what would happen with the rates for  
25 the customers after the system was transferred?

1           A        I don't know exactly what will happen with  
2 the rates. I'm more comfortable, of course, with our  
3 ratemaking procedures because I've experienced them for  
4 the better part of 16 years. I really don't have a  
5 detailed knowledge of how the Water Authority would set  
6 rates; if they do use a rate of return-type of  
7 methodology. And apparently they don't. I'm assuming  
8 that they will want to recover their costs, just like any  
9 other utility would, to cover the service that they are  
10 providing to their water utility customers.

11           Q        So you assume they would want to recover  
12 the full 400 million purchase price?

13           A        Yes, I do.

14           Q        And to the extent that a customer had  
15 already paid for a portion of the facilities that were  
16 transferred and now were part of that \$400 million, do  
17 you think it's fair for that customer to have to pay for  
18 that facility again in their rates?

19           A        No.

20           Q        Is that what led you to in part develop the  
21 position that will be heard later in this case on the  
22 gain?

23           A        Well, I'm not quite sure that we're  
24 supposed to be getting into this part of the case. This  
25 is getting into the gain issue and --

1 Q I don't want to go into the gain issue --

2 A Right.

3 Q -- I just want to know if you believe  
4 that -- there have been questions asked about whether  
5 there are ways in which the Commission can mitigate that,  
6 and you intend to address that later in the proceeding;  
7 is that right?

8 A Yes.

9 MR. SCHMIDT: Okay. That's all the  
10 questions I have.

11 CHAIRMAN SODERBERG: Mr. Van Dyck?

12 MR. VAN DYCK: No questions. Thank you.

13 CHAIRMAN SODERBERG: Mr. Hinckley, any  
14 redirect?

15 MR. HINCKLEY: None.

16 CHAIRMAN SODERBERG: Paul, do you have any  
17 questions?

18 MR. ANDERSON: No.

19 CHAIRMAN SODERBERG: Commissioner McIntire?

20 COMMISSIONER McINTIRE: No.

21 COMMISSION QUESTIONS

22 BY CHAIRMAN SODERBERG:

23 Q Jeff, I had one question. I'm a little  
24 fuzzy on how we should be reviewing the transitional and  
25 post closing services contract.

1 I mean, before you answer it, as I  
2 understand it at least, the transitional contracts are a  
3 necessity for people to get service post closing for a  
4 specific amount of time. If we go through proceedings to  
5 actually review these contracts and then come up with an  
6 approval or disapproval of these things, aren't we  
7 essentially delaying the closing of this transaction for  
8 quite some time?

9 A No, I don't think so. I think this would  
10 fall more into a procedure that would look like some of  
11 the contracts that we have reviewed for  
12 telecommunications services that we have seen in the  
13 past.

14 Nevada Bell has filed numerous contracts  
15 like that with us here in the past few years, and it's  
16 not a very burdensome process. We just make sure that  
17 the costs are recovered through the rates that they are  
18 charging the contracting party.

19 Q So you would envision some abbreviated type  
20 of situation where we don't really go to -- we are  
21 unlikely to go to a hearing, and it would be something  
22 that Staff would bring forward on an agenda?

23 A Hopefully, that's what would happen with  
24 any filing that the Company makes with us on those  
25 contracts.

1 CHAIRMAN SODERBERG: Thank you.

2 (The witness was excused.)

3 CHAIRMAN SODERBERG: It's a mess up here.  
4 Who is next?

5 MS. ELLIOT: Chairman Soderberg, I think  
6 that's --

7 CHAIRMAN SODERBERG: I've got stuff all  
8 over the place. For a one-day hearing --

9 MR. SCHMIDT: Chairman, we had offered to  
10 strike portions of testimony, and if you want us to do  
11 that we would do that now.

12 CHAIRMAN SODERBERG: That makes sense.

13 MR. SCHMIDT: We had not intended as a  
14 result of that offer to present Dr. Peseau today, but  
15 instead in the Phase 2 portion only.

16 CHAIRMAN SODERBERG: Okay.

17 MR. SCHMIDT: That testimony that was  
18 prefiled by Dr. Peseau, do you want to mark that at this  
19 time so we can identify what should be stricken?

20 CHAIRMAN SODERBERG: Why don't we do that.  
21 That's a good idea.

22 MS. LaGUE: This will be Exhibit 10.

23 (Exhibit Number 10 was marked for identification.)

24 MR. SCHMIDT: And we would strike in his  
25 testimony, beginning at page 14, the entirety of page 14,

1 15, 16, 17, and the first two lines at the top of page  
2 18.

3                   And then as I indicated earlier we would  
4 also strike from his Exhibit DEP-2 on page 2 of 2 the  
5 line that's identified as Panther Valley Contributions,  
6 we would strike that line in its entirety. And as I  
7 indicated earlier, with your indulgence we will prepare  
8 new exhibits and any corrections. We will not refile the  
9 testimony, if that's your preference, or we can do that,  
10 whichever is easier. But we will refile exhibits because  
11 we don't want any fuzzy numbers in the record left in  
12 there. We'll try and firm them up before April.

13                   And perhaps if we could get a schedule or  
14 deadline for doing that, we would be certainly willing to  
15 comply with whatever you think is appropriate.

16                   CHAIRMAN SODERBERG: We will talk about  
17 that in a little bit.

18                   Okay. So let's get -- we're at our  
19 rebuttal witnesses now. Is there any portion of that  
20 rebuttal testimony that would go to what we have here  
21 today? I didn't think so, but I want to give you the  
22 opportunity.

23                   MS. ELLIOT: Yes. We've got nothing from  
24 Mr. Oldham's testimony that would apply to this section  
25 of the case.

1                   Mr. Isaeff and Mr. Pierce both have  
2 testimony that rebut Ms. Norman and -- Ms. Norman and  
3 Mr. Galloway, so there are portions of both of those  
4 testimonies that go to those areas.

5                   CHAIRMAN SODERBERG: Mr. Kockenmeister,  
6 since they're your clients, do you agree with that?

7                   MR. KOCKENMEISTER: We don't have rebuttal  
8 testimony for Mr. Galloway, but we do have rebuttal  
9 testimony that addresses Miss Norman's concerns that she  
10 addressed today, so I would suggest that it would be  
11 appropriate to have Mr. Isaeff put on his entire rebuttal  
12 testimony, and then Mr. Pierce put on his entire rebuttal  
13 testimony, subject both of them to cross-examination at  
14 this point in time.

15                   CHAIRMAN SODERBERG: Okay.

16                   MR. VAN DYCK: Mr. Chairman, I'm sorry.  
17 I was under the impression that they would be called at a  
18 later date. We just received the rebuttal testimony late  
19 yesterday, and so we aren't prepared to go forward on the  
20 balance of the rebuttal testimony this afternoon.

21                   CHAIRMAN SODERBERG: It was clearly the  
22 intention to finish this phase of the case today. I  
23 would be willing to take a little bit of a break for you  
24 to review that. But beyond that, I don't know how much  
25 longer we can stretch that out. I think it was pretty

1 implicit that when the hearing is scheduled for just one  
2 day, that that's what we're going to do.

3                   So why don't we take a little time off, and  
4 see what you can do to tear into that.

5                   What is it, 2:30 now? Why don't we try to  
6 come back at 3.

7                   MR. VAN DYCK: Thank you.

8                   (At 2:24 p.m. this date a recess was taken.)

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1 CARSON CITY, NEVADA, WEDNESDAY, MARCH 14, 2001

2 2:56 P.M.

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4 CHAIRMAN SODERBERG: Let's go back on the  
5 record.

6 MS. ELLIOT: Chairman Soderberg,  
7 technically these witnesses are Sierra's witnesses.  
8 However, we've been allowing Mr. Kockenmeister to sponsor  
9 them.

10 CHAIRMAN SODERBERG: Okay. I wasn't quite  
11 sure whose witnesses they were, but if you would like to  
12 claim them as yours, bring them on.

13 MR. KOCKENMEISTER: I will claim them. I  
14 will call Mr. Isaeff at this point in time.

15 WILLIAM ISAEFF

16 called as a rebuttal witness on behalf  
17 of Sierra Pacific Power Company and  
18 Truckee Meadows Water Authority, having  
19 been first previously duly sworn, was  
20 examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. KOCKENMEISTER:

23 Q Okay. You have already been sworn,  
24 Mr. Isaeff, and I would just ask you whether the  
25 questions and answers that are set forth on Exhibit

1 Number 7 would be the same, you would answer them the  
2 same way as set forth therein?

3 A I would, Mr. Kockenmeister, except for  
4 Number 2. I have obviously previously testified about an  
5 hour or so ago in this proceeding, and I would modify my  
6 answer accordingly.

7 MR. KOCKENMEISTER: The witness is  
8 available for cross-examination.

9 CHAIRMAN SODERBERG: Mr. Sandoval has not  
10 returned.

11 Mr. Schmidt?

12 MR. SCHMIDT: I get this opportunity on him  
13 twice in one day? This is too good to be true.

14 CHAIRMAN SODERBERG: Is it your birthday  
15 today or something?

16 (Laughter)

17 MR. SCHMIDT: Just to show what a good  
18 sport I am, I'm going to pass.

19 CHAIRMAN SODERBERG: Mr. Van Dyck?

20 MR. VAN DYCK: Chairman, we have no  
21 questions of either of the rebuttal witnesses.

22 I do sincerely appreciate the additional  
23 time you allowed us to take a quick look at it, but given  
24 the abbreviated time that we had to prepare we would  
25 prefer not to ask any questions as opposed to putting on

1 a partial presentation at this juncture.

2 CHAIRMAN SODERBERG: Okay. Mr. Hinckley,  
3 do you have any questions of Mr. Isaëff's rebuttal  
4 testimony?

5 MR. HINCKLEY: As a matter of fact I don't.

6 CHAIRMAN SODERBERG: Okay. Well, we've had  
7 no cross-examination.

8 Paul, do you have any questions?

9 MR. ANDERSON: No.

10 CHAIRMAN SODERBERG: Commissioner McIntire?

11 COMMISSIONER McINTIRE: No, Chairman, I do  
12 not.

13 CHAIRMAN SODERBERG: And neither do I.

14 THE WITNESS: My best experience ever on  
15 the stand, Mr. Chairman.

16 CHAIRMAN SODERBERG: Great.

17 (The witness was excused.)

18 CHAIRMAN SODERBERG: We have Mr. Pierce.

19 MR. KOCKENMEISTER: Mr. Pierce.

20 (One witness was sworn: Lawrence J. Pierce.)

21 MR. KOCKENMEISTER: I would ask that we  
22 mark his testimony next in line as Exhibit Number --

23 MS. LaGUE: It will be Exhibit Number 11.

24 (Exhibit Number 11 was marked for identification.)

25 MR. KOCKENMEISTER: -- 11, I believe -- 10?

1 Is there a 10 that I missed?

2 MS. ELLIOT: Peseau was 10.

3 MR. KOCKENMEISTER: Peseau is 10, so it  
4 would be 11, that's correct.

5 MS. LaGUE: It will be Exhibit 11.

6 LAWRENCE J. PIERCE

7 called as a rebuttal witness on behalf  
8 of Sierra Pacific Power Company and  
9 Truckee Meadows Water Authority having  
10 been first previously duly sworn, was  
11 examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. KOCKENMEISTER:

14 Q Mr. Pierce, if I were to ask you the  
15 questions that are set forth on Exhibit 11, would your  
16 answers be the same as set forth therein?

17 A Yes, they would.

18 MR. KOCKENMEISTER: The witness is  
19 available for cross-examination.

20 MS. ELLIOT: No questions.

21 CHAIRMAN SODERBERG: Mr. Schmidt?

22 MR. SCHMIDT: We don't have any questions.

23 CHAIRMAN SODERBERG: Mr. Van Dyck, does  
24 your previous statement hold?

25 MR. VAN DYCK: Yes, sir.

1 CHAIRMAN SODERBERG: Okay. Mr. Hinckley?

2 CROSS-EXAMINATION

3 BY MR. HINCKLEY:

4 Q Mr. Pierce, on page 4, the chart, do I  
5 understand that correctly to basically be a fairly  
6 traditional model of what goes into utility rate-setting?

7 A Yes, I believe so.

8 MR. HINCKLEY: I have nothing else. Thank  
9 you.

10 CHAIRMAN SODERBERG: Any redirect?

11 MR. KOCKENMEISTER: No redirect.

12 CHAIRMAN SODERBERG: Paul, do you have any  
13 questions of this witness?

14 MR. ANDERSON: I just happen to have one.

15 CHAIRMAN SODERBERG: Go ahead.

16 CLARIFICATION QUESTIONS

17 BY MR. ANDERSON:

18 Q Mr. Pierce, if you would turn to page 7 of  
19 your testimony, the answer to Question Number 9 - I'm  
20 sorry - Question Number 8, the last sentence where it  
21 says, "Also, if meter reading continues."

22 A Yes.

23 Q Are you talking about just the period of  
24 time in which the contracts will be in this kind of a  
25 transitional phase or as a representative from about 12

1 months to 18 months, or is this more of a longer term  
2 arrangement?

3           A       Well, I think that this is one where there  
4 is definitely some economies of scale to be gained by  
5 having a meter reader go around, so I felt that my  
6 response to this one was I was anticipating that this was  
7 something that we would be able to contract for on a  
8 longer term basis.

9           MR. ANDERSON: Thank you.

10          CHAIRMAN SODERBERG: Commissioner McIntire?

11          COMMISSIONER McINTIRE: I have no  
12 questions. Thank you.

13          CHAIRMAN SODERBERG: And I have no  
14 questions either. Thank you, Mr. Pierce.

15                   (The witness was excused.)

16          CHAIRMAN SODERBERG: We're done today.

17          MS. ELLIOT: Following your -- yes, your  
18 ruling from this morning, we are finished with the TMWA  
19 qualification phase.

20                           DISCUSSION ON  
21                           SCHEDULING

22          CHAIRMAN SODERBERG: Okay. Now let me --  
23 the one time I don't have a calendar.

24                   We had discussed earlier doing something in  
25 April vis-a-vis the proceeds portion of this case, and

1 I'm wondering what looks good to everybody? Our schedule  
2 is clear until the 30th with regard to proceedings, and  
3 there are a couple of things here and there that we can  
4 work around. And I know at least one party, Mr. Schmidt,  
5 had indicated that they might want to supplement and  
6 refine or correct some numbers. Is there a desire to do  
7 that at all?

8 MR. SCHMIDT: Yes, there is.

9 MS. ELLIOT: With the exception of making  
10 corrections to testimony that's already been submitted, I  
11 wouldn't want to have a supplementary round that would  
12 have to be dealt with either with a supplementary  
13 rebuttal or some other process. If we're going to have  
14 substantive testimony, supplemental, then I would want  
15 supplemental rebuttal.

16 CHAIRMAN SODERBERG: I don't think that's  
17 what we were looking at. I think we were looking at just  
18 refining if there were some numbers that needed to be  
19 refined or changed.

20 MR. SCHMIDT: We wanted to clarify two  
21 things in the testimony.

22 One was we wanted to calculate the exact  
23 number related to the depreciation, which we weren't sure  
24 we got accurate in Dr. Peseau's Schedule 2; and clarify  
25 the relationship of the number that's identified as a

1 contribution.

2           We do not have - in part because we have  
3 not gotten complete discovery responses - we have not  
4 been able to finalize a number because of some  
5 information that's still outstanding. We have a means of  
6 calculating that anyway, so we think -- at this point we  
7 just haven't been able to do it, and we were going to try  
8 and do it as best we could when Dr. Peseau took the  
9 stand.

10           CHAIRMAN SODERBERG: Okay. We're looking  
11 at an open schedule on the 18th, and there is an agenda  
12 meeting on the 19th. I would reserve the room for two  
13 days to take this issue, and hopefully we would be able  
14 to get it done, continuing this until 10 o'clock on the  
15 18th.

16           Would the 11th be sufficient for any, I  
17 guess I would put it, correction testimony, correction or  
18 mathematical refinement testimony?

19           MS. ELLIOT: Yes, if we're unfuzzifying math,  
20 I think that's fine.

21           CHAIRMAN SODERBERG: Unfuzzifying math.

22           MR. SCHMIDT: We're happy with that date.

23           CHAIRMAN SODERBERG: Let's put that date on  
24 the 11th. If something turns out to be supplemental, a  
25 party can notify us on the morning of the hearing. But I

1 think everybody understands what we need to do.

2                   Is there anything else we need to discuss  
3 before we go off the record today?

4                   DISCUSSION ON  
5                   DATA REQUESTS

6                   MR. HINCKLEY: Chairman, I want to ask on  
7 the record if the Company could indicate what their  
8 intention is relative to a staff data request that's not  
9 been responded to, as far as I know, which is Number 4?  
10 Do you know anything as to the status of that?

11                   MS. ELLIOT: Not off the top of my head. I  
12 don't know what the question is.

13                   MR. HINCKLEY: Because it's been  
14 outstanding for awhile, I would request that the Company  
15 make its best efforts to get it to us, even at the end of  
16 next week, and then that would still give us time to  
17 refine the numbers by the date that you've indicated.

18                   MR. SCHMIDT: Commissioner, we're sort of  
19 in the same boat with regard to a couple data requests,  
20 but we think given the time frame we've got here we  
21 probably have enough time, and if we don't get the  
22 information that we believe we need to finalize numbers I  
23 think there is probably adequate time to file a motion to  
24 compel --

25                   CHAIRMAN SODERBERG: Okay.

1 MR. SCHMIDT: -- with the Commission prior  
2 to the 11th.

3 CHAIRMAN SODERBERG: Okay. Mr. Van Dyck,  
4 did you say you had a presentation? Did I understand  
5 that correctly?

6 MR. VAN DYCK: Pardon me?

7 CHAIRMAN SODERBERG: When you had indicated  
8 that you were not going to cross-examine the rebuttal  
9 witnesses, did you indicate that you had a presentation  
10 you wanted to make?

11 MR. VAN DYCK: No. I apologize.

12 CHAIRMAN SODERBERG: I misunderstood that.

13 MR. VAN DYCK: I was mumbling on the  
14 record. Rather than provide a partial presentation at  
15 this juncture, we would just not pursue cross-examination  
16 at that point.

17 CHAIRMAN SODERBERG: Okay.

18 MR. VAN DYCK: Having said that, if you are  
19 interested in any type of briefs or comments from the  
20 parties with respect to Phase 1, we would certainly be  
21 happy to provide that.

22 CHAIRMAN SODERBERG: I think we have all we  
23 need under the statute to deal with this, what we have on  
24 the record.

25 We are continued until 10:00 a.m. on April

1 18th in this room.

2 MR. SCHMIDT: Commissioner?

3 CHAIRMAN SODERBERG: One more.

4 DISCUSSION ON

5 BRIEFS

6 MR. SCHMIDT: If I could make one  
7 observation in order to expedite this, because I think  
8 both the Company and TMWA know that we're going to April  
9 to do Phase 2. It appears to me that some of the issues  
10 in the second phase of this proceeding are as much legal  
11 by nature as they are equitable and technical witness  
12 oriented, and although there has been some briefing of  
13 those issues by virtue of a motion the BCP made, we did  
14 not think that motion was warranted and we thought the  
15 issue could be addressed in the hearing.

16 But Ms. Elliot has written a fairly  
17 extensive brief in response that addresses the Phase 2  
18 issues legally, and she's also made some other legal  
19 argument here this morning. I guess we would suggest you  
20 might want to consider, if you want to hear or have an  
21 opportunity for briefing, given we've got this time frame  
22 on the legal issues related to the gain on the sale.

23 CHAIRMAN SODERBERG: Why don't we talk a  
24 little more definite in terms as to what we would be  
25 briefing.

1 MR. SCHMIDT: We believe that there is a  
2 clear and recognizable legal right to the gain on the  
3 sale for customers that's recognized in the Nevada courts  
4 and by precedent recognized in a variety of other  
5 jurisdictions that can be relied upon by this Commission.  
6 And we believe that Miss Elliot's arguments about the  
7 uniqueness of this situation are easily reacted to and  
8 responded to in a manner that discounts the conclusion  
9 that she draws from that.

10 We think that that is important information  
11 for the Commission to know before it makes a final  
12 determination on what happens with that money, either  
13 adopting or rejecting the arguments or cases of its own  
14 Staff or the Consumer Advocate or our intervening client.

15 And we would be happy to provide you with  
16 what we think is more guidance in coming to the correct  
17 legal conclusion about that issue, at your discretion as  
18 to when you would want to have that issue briefed. But  
19 the issue would really be the legal entitlement as to who  
20 is entitled to what funds in the transaction. It's  
21 either that, or we can do it at a later date. We don't  
22 have --

23 CHAIRMAN SODERBERG: I see your point. I  
24 see your point. And clearly, I did not take, you know --  
25 I guess by way of just letting you know where we've come

1 from, when we get these motions to strike this is a very,  
2 very high burden, and sometimes parties get so wrapped up  
3 into the motion to strike that they start bringing in all  
4 sorts of other things.

5           And while we do read those, we don't look  
6 beyond whether we should consider the motion to strike or  
7 not. And like I said, because of this administrative  
8 proceeding you've got to be 95 percent there for us to  
9 even weigh it.

10           I think you make a good point, Fred. The  
11 issue of whether or not this Commission can distribute  
12 proceeds to customers of any class is something I think  
13 we need to take a look at, because some parties have  
14 suggested that we do that. So I think we would be better  
15 off to have those briefs before we start the hearing on  
16 the 18th as opposed to afterwards.

17           I know everybody is busy, so I'll take  
18 suggestions on when we should have those or when people  
19 can prepare that.

20           MS. ELLIOT: Commissioner, are you looking  
21 at simultaneous filings?

22           CHAIRMAN SODERBERG: Yes. I don't think we  
23 need to go through rounds of responses and everything.

24           MS. ELLIOT: And by virtue of having the  
25 prudence to respond to Mr. Van Dyck's motion with my own

1 response, I'm not going to be prohibited from briefing  
2 the issue again, am I?

3 CHAIRMAN SODERBERG: No. Assume we read  
4 that for the limited purpose of the motion --

5 MS. ELLIOT: You read the first ten pages,  
6 and the other parts you didn't need to.

7 Closer to hearing might be better, just so  
8 that it's fresh in everyone's mind as we take up the  
9 actual issues.

10 CHAIRMAN SODERBERG: Well, the 13th is  
11 Good Friday. I think the office will be open part of  
12 the day, if not all of the day. Why don't we make it  
13 the end of business on the 12th, and that way we don't  
14 have to worry about if the office closes down prematurely  
15 on Good Friday or not.

16 And that goes to the legal issue of whether  
17 or not the Commission can order a distribution of the  
18 proceeds to customers. I'm assuming at this point that  
19 other issues with regards to how the proceeds are used  
20 within the Company, that nobody is arguing that that  
21 doesn't come before the purview of the Commission. It's  
22 more of a testimony based on what we should do.

23 (No response.)

24 CHAIRMAN SODERBERG: I'm hearing no  
25 responses, so I'm assuming everybody agrees with me on

1 that one.

2                   Okay. Let's have it for the 12th then, the  
3 end of business.

4                   Anything else?

5                                   (No response.)

6                   CHAIRMAN SODERBERG: Okay. We are  
7 continued then until 10 o'clock on the morning of April  
8 18th in Hearing Room A.

9                   (At 3:11 p.m. this date the hearing was continued  
10 until 10:00 a.m., Wednesday, April 18, 2001).

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STATE OF NEVADA,            )  
                                  )  
COUNTY OF WASHOE.        )            ss.

I, DEBRA J. BARTGIS, Certified Court Reporter #56 do hereby certify:

That on Wednesday, March 14, 2001, at 10:00 a.m., at 1150 East William Street, Carson City, Nevada, I was present and took stenotype notes of the hearing held before the Public Utilities Commission of Nevada, and thereafter transcribed the same as herein appears;

That the foregoing transcript is a full, true and correct transcription of my stenotype notes of said hearing.

DATED: At Reno, Nevada, this 16th day of March 2001.

  
Debra J. Bartgis, CCR #56

COPY

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

-oOo-

In re petition of SIERRA PACIFIC  
POWER COMPANY for approval to  
discontinue certificated water  
service and to voluntarily cancel  
Certificate of Public Convenience  
and Necessity 689.

DOCKET NO. 01-1044

TRANSCRIPT OF PROCEEDINGS

HEARING

VOLUME 2

10:20 a.m., Wednesday  
April 18, 2001

Offices of the Public Utilities Commission  
1150 East William Street  
Carson City, Nevada

Reported by:

DEBRA J. BARTGIS, CCR #56

## APPEARANCES:

Commissioners Present:	DONALD SODERBERG Chairman and Presiding Officer
	RICHARD McINTIRE Commissioner
Chairman's Administrative Attorney:	DONNA LaGUE
Commission Policy Advisor:	PAUL ANDERSON
For Sierra Pacific Power Company:	ELIZABETH ELLIOT Associate General Counsel 6100 Neil Road P.O. Box 10100 Reno, Nevada 89520
For PUCN Regulatory Operations Staff:	RICHARD HINCKLEY Staff Counsel 101 Convention Center Drive Suite 250 Las Vegas, Nevada
For Bureau of Consumer Protection:	BING YOUNG Deputy Attorney General 1000 East William Street Suite 200 Carson City, Nevada
For Utility Shareholders Association of Nevada, Inc.:	BRIAN SANDOVAL Attorney at Law 421 Court Street Reno, Nevada 89501

For Truckee Meadows  
Water Authority:

WILLIAM KOCKENMEISTER  
Attorney at Law  
6005 Plumas Street  
Suite 301  
Reno, Nevada 89509

For Sun Valley General  
Improvement District &  
Panther Valley Water  
Users Association:

HALE, LANE, PEEK,  
DENNISON, HOWARD & ANDERSON  
Attorneys at Law  
by FRED SCHMIDT  
777 East William Street  
Suite 200  
Carson City, Nevada 89702

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1 CARSON CITY, NEVADA, WEDNESDAY, APRIL 18, 2001

2 10:20 A.M.

3 -o0o-

4 CHAIRMAN SODERBERG: This is the  
5 continuation of the hearing in Docket Number 01-1044.

6 The record will reflect that this is the  
7 time and place set before the Public Utilities Commission  
8 of Nevada in the matter of the petition of Sierra Pacific  
9 Water Company for approval to discontinue certificated  
10 water service and to voluntarily cancel a Certificate of  
11 Public Convenience and Necessity Number 689 and  
12 accompanying sub-certificates.

13 These proceedings are to consider issues in  
14 Phase 2 of the hearing, which encompass how the proceeds  
15 or the gain from the sale of Sierra's water business  
16 assets are to be treated.

17 Appearing for the Commission today are  
18 myself, Don Soderberg, Chairman and Presiding Officer;  
19 Commissioner Richard McIntire; Paul Anderson, our Policy  
20 Advisor; and Donna LaGue, my Administrative Attorney.

21 Appearing for the Sierra Pacific Power  
22 Company?

23 MS. ELLIOT: Elizabeth Elliot.

24 CHAIRMAN SODERBERG: Appearing for the  
25 Commission's Regulatory Operations Staff?

1 MR. HINCKLEY: Richard Hinckley.

2 CHAIRMAN SODERBERG: Appearing for the  
3 Attorney General's Bureau of Consumer Protection?

4 MR. YOUNG: Bing Young.

5 CHAIRMAN SODERBERG: Appearing for the  
6 Truckee Meadows Water Authority?

7 MR. KOCKENMEISTER: Bill Kockenmeister.

8 CHAIRMAN SODERBERG: Appearing for the Sun  
9 Valley General Improvement District?

10 MR. SCHMIDT: Fred Schmidt.

11 CHAIRMAN SODERBERG: Appearing for the  
12 Utility Shareholders Association of Nevada?

13 MR. SANDOVAL: Brian Sandoval.

14 CHAIRMAN SODERBERG: The record will  
15 reflect that public notice of this petition and date for  
16 hearing was made on February 1st, 2001, with comments,  
17 protests, and/or Petitions for Leave to Intervene due on  
18 or before February 21st, 2001.

19 The record will reflect that the Commission  
20 has in its files Affidavits of Publication bearing notice  
21 of this petition and hearing for March 14th, 2001, the  
22 time and place at which the hearing was continued until  
23 today.

24 Are there any parties at this proceeding  
25 that wish to examine the affidavits on file?

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(No response.)

CHAIRMAN SODERBERG: Hearing no requests, the Commission deems that this matter has been duly and properly noticed for a continued hearing.

Are there any individuals, other than the parties of record, who would like to comment on this matter?

(No response.)

CHAIRMAN SODERBERG: Let the record reflect that no one has come forward.

Are there any preliminary matters we need to discuss before we take evidence?

DISCUSSION

ON

PRELIMINARY MATTERS

MR. HINCKLEY: Chairman, over the last week the Staff and the BCP and the Company have been in discussions, and we have now arrived at an agreement relative to I think the primary issue in the case, which is the amount of the gain that should be retained by the Company.

We have just informed TMWA and Sun Valley of those developments yesterday, and while we have also had some discussion on then how to distribute the numbers, the amounts of money that we have otherwise

1 tentatively agreed on relative to a recommendation to the  
2 Commission, we now need to spend a little bit more time  
3 finalizing the distribution methodology for what we will  
4 eventually recommend to the Commission.

5 So at this point, given those developments,  
6 we would ask that the Chairman consider continuing the  
7 hearing, allowing us to use the time today to go ahead  
8 and conclude those efforts that will bring us I think to  
9 a complete resolution of the docket, and then we would  
10 present a stipulation in written form to the Commission,  
11 and then have action taken on it as appropriate.

12 CHAIRMAN SODERBERG: When would you like  
13 this continued to? Are we looking at tomorrow morning?  
14 Are we looking a week down the road?

15 MS. ELLIOT: Tomorrow morning would be  
16 perfect.

17 MR. HINCKLEY: I think that's fine. By  
18 then we should know if there is any difficulty, or  
19 whether we will have a complete resolution, as frankly I  
20 would expect to be able to accomplish. So I think  
21 tomorrow morning is fine.

22 CHAIRMAN SODERBERG: Okay. Any questions  
23 of Mr. Hinckley or the parties?

24 (No response.)

25 CHAIRMAN SODERBERG: Why don't we continue

1 this until 9:00 a.m. tomorrow morning.

2 MS. ELLIOT: Thank you.

3 CHAIRMAN SODERBERG: And that would be  
4 immediately preceding the agenda meeting, which also  
5 starts at 9:00.

6 (At 10:24 a.m. this date the hearing was continued  
7 until 9:00 a.m. Thursday, April 19, 2001.)

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STATE OF NEVADA,            )  
                                  )  
COUNTY OF WASHOE.        )            ss.

I, DEBRA J. BARTGIS, Certified Court Reporter #56 do hereby certify:

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DATED: At Reno, Nevada, this 20th day of April 2001.

  
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In re petition of SIERRA PACIFIC  
POWER COMPANY for approval to  
discontinue certificated water  
service and to voluntarily cancel  
Certificate of Public Convenience  
and Necessity 689.

DOCKET NO. 01-1044

TRANSCRIPT OF PROCEEDINGS

HEARING

VOLUME 3

9:27 a.m., Thursday  
April 19, 2001

Offices of the Public Utilities Commission  
1150 East William Street  
Carson City, Nevada

Reported by:

DEBRA J. BARTGIS, CCR #56

## APPEARANCES:

Commissioners Present:

DONALD SODERBERG  
Chairman and  
Presiding OfficerRICHARD McINTIRE  
CommissionerChairman's  
Administrative Attorney:

DONNA LaGUE

Commission Policy Advisor:

PAUL ANDERSON

For Sierra Pacific  
Power Company:ELIZABETH ELLIOT  
Associate General Counsel  
STEVEN OLDHAM  
Vice President, Transmission  
Services/Business &  
Strategic Development  
6100 Neil Road  
P.O. Box 10100  
Reno, Nevada 89520For PUCN Regulatory  
Operations Staff:RICHARD HINCKLEY  
Staff Counsel  
101 Convention Center Drive  
Suite 250  
Las Vegas, NevadaFor Bureau of Consumer  
Protection:BING YOUNG  
Deputy Attorney General  
1000 East William Street  
Suite 200  
Carson City, Nevada

For Truckee Meadows  
Water Authority:

WILLIAM KOCKENMEISTER  
Attorney at Law  
6005 Plumas Street  
Suite 301  
Reno, Nevada 89509

For Sun Valley General  
Improvement District &  
Panther Valley Water  
Users Association:

HALE, LANE, PEEK,  
DENNISON, HOWARD & ANDERSON  
Attorneys at Law  
by FRED SCHMIDT  
777 East William Street  
Suite 200  
Carson City, Nevada 89702

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1 CARSON CITY, NEVADA, THURSDAY, APRIL 19, 2001

2 9:27 A.M.

3 -o0o-

4 CHAIRMAN SODERBERG: Let's go back on the  
5 record in Docket 01-1044.

6 A gentleman came up to me before the agenda  
7 meeting and said that he would like to make a public  
8 comment on this item.

9 I understand we have a stipulation. Why  
10 don't we take public comment, and then we'll see what we  
11 have as far as the stipulation.

12 Sir, if you could state your name and your  
13 address for the record into that microphone, that would  
14 be great.

15 RAY THOMAS

16 a public witness

17 WITNESS STATEMENT

18 THE WITNESS: Ray Thomas, a business  
19 representative with International Brotherhood of  
20 Electrical Workers Local 1245 residing in Reno, and  
21 represent the bargaining unit employees at Sierra  
22 Pacific.

23 Mr. Chairman, I appreciate the opportunity  
24 to speak, and it is in reference to the gain on the water  
25 sale.

1                   Yesterday it became more apparent to me in  
2 listening to the discussions here that there had been a  
3 decision made, and I wanted to tell you that the  
4 implications of the decision on our membership could be  
5 huge. And I would like to reference very quickly some  
6 bullet points on the negotiated contract that we have  
7 with -- that IBEW Local 1245 has with Sierra Pacific  
8 Resources.

9                   I'll premise this whole thing by saying  
10 that you have found Truckee Meadows Water Authority to be  
11 of the level to handle the water in this transaction, the  
12 water business in this transaction, and a large portion  
13 of that is from the qualifications of our membership, and  
14 that's realized by the Company, Sierra Pacific and  
15 Truckee Meadows Water Authority.

16                   One of the major issues in the Letter of  
17 Agreement we have for the divestiture of the sale of the  
18 water portion of the business is that our pension issues  
19 stay intact, our defined benefits issues travel over into  
20 this new entity. With Truckee Meadows Water Authority we  
21 cannot meet the provisions of the contract that we have  
22 negotiated with Sierra Pacific Power simply because they  
23 can't assume this defined benefit, this private defined  
24 benefit pension plan.

25                   What it does to us, it forces our employees

1 to terminate vested from Sierra Pacific, which has  
2 negative impacts in several ways. The main impact, of  
3 course, is eligibility. Retirement eligibility is  
4 severely impacted because you leave one plan and start  
5 fresh in another.

6 The second is the money that they leave  
7 behind does not grow to the amounts it would have had  
8 their pension not been impacted. The pension currently  
9 under the defined benefit is multiplied off the highest  
10 five of the last ten years of service, so they're losing  
11 growth in their pension.

12 The bottom line is that Truckee Meadows  
13 Water Authority cannot assume these obligations. What we  
14 were looking at currently, and our legal staff is looking  
15 at, is integration into the PER System. We're hoping to  
16 achieve that. We've got some feedback from Nevada PERS  
17 that we're going to be discussing with our legal staff  
18 today.

19 But the comment today is to you, the  
20 transfer of the employees is not optional under our  
21 current agreement with Sierra Pacific Power. They must  
22 go over. And that's paramount to the operations of  
23 Truckee Meadows Water Authority as they assume this  
24 portion of the business. But also a part of that  
25 agreement is that this defined benefit transfers over

1 also, and it can't. We need integration into PERS.

2 We're hoping that however the gain was  
3 split that the funds are there, and that they're  
4 appropriate for Sierra Pacific to help us fund this  
5 issue.

6 CHAIRMAN SODERBERG: Thank you very much.

7 THE WITNESS: Thank you.

8 (The witness was excused.)

9 CHAIRMAN SODERBERG: Mr. Hinckley, you have  
10 stacks of paper in front of you.

11 SUMMARY OF  
12 THE STIPULATION

13 MR. HINCKLEY: Yes, let me be the spokesman  
14 for the group this morning.

15 As you'll recall, the issue that is to be  
16 taken up in this particular segment of the docket was the  
17 determination of the treatment of the proceeds,  
18 particularly the gain from the sale.

19 The parties have reached a stipulation. We  
20 have drafted it and finalized it and it has been signed.

21 I would like to take just a moment and  
22 cover some of the highlights of it and then, depending on  
23 your direction, I would be happy also to file a briefing  
24 memo that spells out just a little bit more detail  
25 concerning it.

1           And then the other aspect of it is that the  
2 parties do ask that the stipulation be considered on the  
3 27th of April agenda by the Commission in order to move  
4 the transaction along.

5           CHAIRMAN SODERBERG: Can we see that before  
6 you walk through it?

7           MR. HINCKLEY: You bet.

8           CHAIRMAN SODERBERG: It would help us.

9           MR. HINCKLEY: First, by way of summary,  
10 the stipulation provides that Sierra's water customers  
11 will receive 21-and-a-half million dollars in benefit.  
12 And in addition to that, there will be approximately  
13 \$13 million of cost obligations that have previously been  
14 determined and that are collectible from the water  
15 customers that will be paid off from the gain.

16           Thirdly, Sierra will retain approximately  
17 \$22 million of the gain.

18           The parties agree that after covering the  
19 costs of the sale, the book value of the assets, the  
20 federal income taxes on the gain, and taking into account  
21 the accumulated deferred tax balance, and the other  
22 regulatory assets that are otherwise collectible from the  
23 customers - the approximate \$13 million - the water  
24 customers should receive 21-and-a-half million dollars of  
25 benefit from the gain, and that the Company should take

1 approximately \$22 million.

2 In order to minimize the federal income  
3 taxes, provide for the immediate receipt by the customers  
4 of some benefit, and also to consider the future  
5 operations of the business, we recommend in the  
6 stipulation that the most efficient way to return the  
7 21-and-a-half million dollars to the customers is to  
8 reduce the purchase price payable by TMWA to Sierra by  
9 that amount.

10 However, there are further aspects, the  
11 primary one being that TMWA will immediately refund  
12 through a credit mechanism to its customers, to its new  
13 customers, one-half of the 21-and-a-half million dollars,  
14 \$10,750,000, and of that amount 80 percent will be  
15 credited to residential customers.

16 So there are three numbers there. 80  
17 percent comprising the \$10,750,000, or 8,600,000 will be  
18 designated for residential customers, and then all other  
19 classes of customers will take the balance.

20 That customer credit will be implemented  
21 over 12 months, and will be initially applied to  
22 customers' bills no later than 60 days from the closing  
23 of the transaction between Sierra and TMWA. It's our  
24 initial estimate that that amount would equate on average  
25 to approximately \$120 per residential customer.

1 Sun Valley GID will receive \$707,000 from  
2 that 80 percent allocated to the residential share, and  
3 then the balance will be allocated amongst the  
4 non-residential customers.

5 The balance of the amount credited to  
6 customers through the reduced purchase price will then be  
7 dealt with as deemed appropriate by TMWA.

8 Those are the highlights of the  
9 stipulation, and this in our view resolves completely the  
10 issues on the allocation of the gain, and again we would  
11 request that the Commission put this on for consideration  
12 on its agenda next Friday.

13 CHAIRMAN SODERBERG: Commissioner McIntire,  
14 did you have any questions of Mr. Hinckley or any of the  
15 parties now? Or I know I would like to take 15, 20  
16 minutes off the record to see if I can walk through this.  
17 I don't know if you have your questions now, or if you  
18 want to wait.

19 COMMISSIONER McINTIRE: I'll wait. I would  
20 like to read it over.

21 CHAIRMAN SODERBERG: Okay. Then we will  
22 reconvene at -- why don't we reconvene at 10 o'clock.

23 (At 9:37 a.m. a recess was taken.)

24 -o0o-

25

1 CARSON CITY, NEVADA, THURSDAY, APRIL 19, 2001

2 9:57 A.M.

3 -o0o-

4 CHAIRMAN SODERBERG: Let's go back on the  
5 record.

6 Commissioner McIntire, now that you've had  
7 an opportunity to review the document, do you have any  
8 questions of the parties?

9 COMMISSION

10 QUESTIONS

11 COMMISSIONER McINTIRE: Well, yes, one  
12 basic question.

13 I think the rationalization for the 21.5  
14 million in paragraph 2 would be that that's the  
15 ratepayers' money, and so I don't understand why the  
16 water customers are not getting 21.5 million instead of  
17 10.7 million. It seems like Truckee Meadows Water  
18 Authority is mugging them coming in the door. And if  
19 that's not the case, somebody explain it to me.

20 CHAIRMAN SODERBERG: Yes, we better hear an  
21 explanation for that because that was my thoughts  
22 exactly.

23 DISCUSSION ON

24 THE STIPULATION

25 MR. HINCKLEY: Well, let me begin, and I'm

1 sure others will offer a comment as well.

2 21-and-a-half million is in our view the  
3 amount that is going back to the customers. In this  
4 context, and given all the circumstances, as we pointed  
5 out, we felt that the best way of doing it is a reduction  
6 of a purchase price.

7 One thing that I think is tantamount in  
8 terms of understanding and accepting this is that the  
9 customers and TMWA become more or less one and the same.  
10 That TMWA is a public water company. It is not going to  
11 have the same aspects of service, financing, profit  
12 return, that the utility does.

13 We wanted to accomplish some immediate  
14 return to the customers of some of the money, and that is  
15 embodied in the refund of the 10,750,000. With the  
16 reduction of the purchase price there is no question that  
17 the balance is going to be administered and governed by  
18 the TMWA board, and what they do with it exactly we are  
19 leaving to them. But inasmuch as they are charged with  
20 doing the public's business, we view them as basically  
21 symmetrical in terms of their purpose and objective with  
22 the customers. They will now borrow less than what they  
23 were originally planning to as a result of this.

24 So there will be benefits. They won't be  
25 as direct as the customer refund portion. But we think

1 that they are real, and very much there.

2 I'm not sure that I can identify any other  
3 benefits that we would point out, except to say that we  
4 think that as TMWA now goes forward with the  
5 administration, the governance here, that exactly how a  
6 lot of the administration goes forward we don't want to  
7 tag and try and put strings on it, but rather leave that  
8 to them as they try and undertake the customers' business  
9 here.

10 MR. KOCKENMEISTER: Chairman Soderberg?

11 CHAIRMAN SODERBERG: Yes?

12 DISCUSSION ON  
13 THE STIPULATION

14 MR. KOCKENMEISTER: May I make a comment on  
15 that on behalf of TMWA?

16 It's our belief that the customers are in  
17 fact getting the entire benefits of the 21-plus million  
18 dollars, half of it - as Mr. Hinckley said - in a direct  
19 refund, and the other half in the reduction in financing  
20 costs.

21 So in fact the water ratepayers are paying  
22 10.7 million dollars less as a result of this  
23 stipulation, as well as receiving a credit - as  
24 Mr. Hinckley said - which would average about \$120 over  
25 the course of 12 months for a residential ratepayer. So