

0121

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BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION,	)	
	)	
Complainant,	)	
	)	
vs.	)	DOCKET NO. UE-100749
	)	
PACIFICORP, d/b/a PACIFIC	)	VOLUME IV
POWER AND LIGHT COMPANY,	)	PAGES 121-377
	)	
Respondent.	)	
-----	)	

A hearing in the above matter was held on Tuesday, January 25, 2011, at 9:00 a.m., at 1300 South Evergreen Park Drive Southwest, Olympia, Washington, before Administrative Law Judge PATRICIA CLARK, Chairman JEFFREY GOLTZ, Commissioner PATRICK OSHIE and Commissioner PHILIP JONES.

The parties were present as follows:

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, by Donald T. Trotter, Assistant Attorney General, P.O. Box 40128, Olympia, Washington 98504-0128; telephone 360-664-1189

PACIFICORP, by Katherine A. McDowell, Attorney at Law; Amie Jamieson, Attorney at Law; Jordan White, Attorney at Law; McDowell, Rackner & Gibson, PC, 419 Southwest 11th Avenue, Suite 400, Portland, Oregon 97205; telephone 503-595-3924

INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES (ICNU), by Irion A. Sanger, Attorney at Law, Davison Van Cleve, PC, 333 Southwest Taylor, Suite 400, Portland, Oregon 97204; telephone 503-241-7242

Tami Lynn Vondran, CCR No. 2157  
Court Reporter

0122

1           The parties were present as follows: (continued)

2           THE ENERGY PROJECT, by Brad M. Purdy, Attorney at Law,  
3           2019 North 17th Street, Boise, Idaho 83702; telephone  
4           208-384-1299

5           WAL-MART STORES, INC.; SAM'S WEST, INC., by Arthur A.  
6           Butler, Attorney at Law, Ater Wynne, 601 Union Street, Suite  
7           1501, Seattle, Washington 98101; telephone 206-623-4711

8           PUBLIC COUNSEL, by Sarah Shifley, Assistant Attorney  
9           General, 800 Fifth Avenue, Suite 2000, Seattle, Washington  
10          98104; telephone 206-464-6595

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1

2

## INDEX OF WITNESSES

3

4

WITNESS:

PAGE:

5

RICHARD PATRICK REITEN

6

Direct Examination by Ms. McDowell

200

7

Cross-Examination by Mr. Trotter

201

8

Cross-Examination by Mr. Sanger

210

9

Cross-Examination by Mr. Purdy

224

10

Cross-Examination by Mr. Jones

227

11

Cross-Examination by Mr. Goltz

231

12

Recross-Examination by Mr. Sanger

234

13

SAMUEL C. HADAWAY

14

Direct Examination by Ms. McDowell

236

15

Cross-Examination by Mr. Trotter

236

16

Cross-Examination by Mr. Jones

246

17

Cross-Examination by Mr. Goltz

262

18

BRUCE N. WILLIAMS

19

Direct Examination by Ms. McDowell

270

20

Cross-Examination by Mr. Trotter

270

21

Cross-Examination by Mr. Goltz

293

22

GREGORY N. DUVALL

23

Direct Examination by Ms. McDowell

295

24

Cross-Examination by Mr. Sanger

296

25

Cross-Examination by Mr. Trotter

317

0124

1

INDEX OF WITNESSES (continued)

2

WITNESS:

PAGE:

3

Cross-Examination by Ms. Shifley

326, 328

4

Cross-Examination by Mr. Jones

332

5

Cross-Examination by Mr. Oshie

336

6

Cross-Examination by Mr. Goltz

348

7

Redirect Examination by Ms. McDowell

351

8

R. BRYCE DALLEY

9

Direct Examination by Ms. McDowell

353

10

Cross-Examination by Mr. Trotter

353

11

Cross-Examination by Ms. Shifley

360

12

Cross-Examination by Mr. Sanger

368

13

Cross-Examination by Mr. Goltz

371

14

Redirect Examination by Ms. McDowell

374

15

16

17

18

19

20

21

22

23

24

25

0125

1

2

---

INDEX OF EXHIBITS

---

3

4 EXHIBIT: AD: REJ: W/D: DESCRIPTION:

5 BENCH EXHIBITS, EXHIBITS IN SUPPORT OF SETTLEMENT

6 STIPULATION AND EXHIBITS NOT SPONSORED BY A WITNESS

7 1C 198 CONFIDENTIAL-Supplemental Filing

8 by PacifiCorp (2 CDs) (6/11/10)

9 2 198 ICNU Response to Bench Request

10 No. 1 (CD) (11/9/10)

11 3C 198 CONFIDENTIAL-Commission Staff

12 Response to Bench Request No. 1

13 (CD) (11/9/10)

14 4 198 PacifiCorp Response to Bench

15 Request No. 1 (CD) (11/10/10)

16 5 198 PacifiCorp Supplemental Response

17 to Bench Request No. 1 (CD)

18 (11/29/10)

19 6 198 PacifiCorp 2nd Supplemental

20 Response to Bench Request No. 1

21 (CD) (12/17/10)

22 7C 198 CONFIDENTIAL-ICNU's Supplemental

23 Response to Bench Request No. 1

24 (2 CDs) (12/23/10)

25 8 Reserved for Public Comment

0126

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					Exhibit (To be filed 2/4/11)
3	9		198		PacifiCorp's Response to Bench
4					Request No. 2 (5 pp.) (1/21/11)
5	10		198		Public Counsel's Response to
6					Bench Request No. 2 (2 pp.)
7					(1/24/11)
8	11		198		Staff's Response to Bench
9					Request No. 2 (1 p.) (1/24/11)
10	12		198		Wal-Mart's Response to Bench
11					Request No. 2 (1 p.) (1/24/11)
12	13		198		ICNU's Response to Bench Request
13					No. 2 (2 pp.) (1/24/11)
14	14		198		The Energy Project's Response to
15					Bench
16	PARTY: PacifiCorp				
17	WITNESS: Richard P. Reiten				
18	RPR-1T		198		Prefiled Direct Testimony of
19					Richard P. Reiten (8 pp.)
20					(5/4/10)
21	RPR-2T		198		Prefiled Rebuttal Testimony of
22					Richard P. Reiten (6 pp.)
23					(11/5/10)
24	RPR-3C		198		CONFIDENTIAL-PacifiCorp Response
25					to Staff Data Request No. 163

0127

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(6 pp.) (1/14/11)
3	RPR-4	181			"A Lost Decade: Poverty and
4					Income Trends Paint a Bleak
5					Picture for Working Families,"
6					Economic Policy Institute
7					(9/16/10) (5 pp) (1/14/11)
8	RPR-5	198			Walla Walla and Yakima County
9					QuickFacts from 2010 U.S. Census
10					(4 pp.)(1/14/11)
11	RPR-6	198			PacifiCorp's Response to PC Data
12					Request No. 176 (1 p.)(1/14/11)
13	RPR-7C	198			CONFIDENTIAL-Excerpt from
14					PacifiCorp's Response to ICNU
15					Data Request No. 9.1 (3 pp.)
16					(1/14/11)
17	RPR-8		174		PacifiCorp's Response to ICNU
18					Data Request No. 22.3 (1 p.)
19					(1/14/11)
20	RPR-9C	198			CONFIDENTIAL-Excerpt from
21					PacifiCorp's Response to ICNU
22					Data Request No. 24.2 (2 pp.)
23					(1/14/11)
24	RPR-10	198			Settlement Stipulation in Docket
25					UE-090205 (16 pp.) (1/14/11)

0128

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	RPR-11	198			Interlocutory Order in IPUC Case
3					No. PAC-E-10-07 (15 pp.)
4					(1/14/11)
5	RPR-12		183		2010 Wyoming GRC Overview
6					(19 pp.) (1/14/11)
7	WITNESS:	Samuel C. Hadaway			
8	SCH-1T	198			Prefiled Direct Testimony of Dr.
9					Samuel C. Hadaway (42 pp.)
10					(5/4/10)
11	SCH-2	198			Resume of Dr. Samuel C. Hadaway
12					(10 pp.) (5/4/10)
13	SCH-3	198			Comparable Company Fundamental
14					Characteristics (1 p.) (5/4/10)
15	SCH-4	198			Capital Market Data (3 pp.)
16					(5/4/10)
17	SCH-5	198			GDP Growth Rate Forecast (1 p.)
18					(5/4/10)
19	SCH-6	198			Discounted Cash Flow Analysis
20					(5 pp.) (5/4/10)
21	SCH-7	198			Risk Premium Analysis (3 pp.)
22					(5/4/10)
23	SCH-8T	198			Prefiled Rebuttal Testimony of
24					Samuel C. Hadaway (30 pp.)
25					(11/5/10)

0129

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	SCH-9	198			Economic Data (3 pp.) (11/5/10)
3	SCH-10	198			UTC Staff Witness K. Elgin
4					Workpapers (4 pp.) (11/5/10)
5	SCH-11	198			Summary of Updated Gorman ROE
6					Results (7 pp.) (11/5/10)
7	SCH-12	198			Summary of Updated PacifiCorp
8					DCF Results (5 pp.) (11/5/10)
9	SCH-13	198			Summary of Updated PacifiCorp
10					Risk Premium Results (3 pp.)
11					(11/5/10)
12	SCH-14	198			PacifiCorp Response to Staff
13					Data Request No. 83 (1 p.)
14					(1/14/11)
15	WITNESS:	Bruce N. Williams			
16	BNW-1T	198			Prefiled Direct Testimony of
17					Bruce N. Williams (17 pp.)
18					(5/4/10)
19	BNW-2	198			Embedded Cost of Long Term Debt
20					(4 pp.) (5/4/10)
21	BNW-3	198			Standard & Poor's Ratings Direct
22					dated 2/17/10 (5 pp.) (5/4/10)
23	BNW-4	198			Standard & Poor's Ratings Direct
24					dated 5/7/07 (7pp.) (5/4/10)
25	BNW-5	198			Standard & Poor's Ratings Direct

0130

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					dated 4/1/09 (10 pp.) (5/4/10)
3	BNW-6	198			Embedded Cost of Preferred Stock
4					(1 p.) (5/4/10)
5	BNW-7T	198			Prefiled Rebuttal Testimony of
6					Bruce N. Williams (22 pp.)
7					(11/5/10)
8	BNW-8	198			Short Term Debt/CWIP Balances
9					(1 p.) (11/5/10)
10	BNW-9	198			UTC Staff Witness K. Elgin
11					Workpapers (13 pp.) (11/5/10)
12	BNW-10	198			SNL Table X - Definition of
13					Short-Term Debt (2 pp.)
14					(11/5/10)
15	BNW-11	198			APS Letter to Arizona
16					Corporation Commission (11 pp.)
17					(11/5/10)
18	BNW-12	198			Moody's and S&P Rating Reports
19					(14 pp.) (11/5/10)
20	BNW-13	198			PacifiCorp Response to Staff
21					Data Request No. 155 (2 pp.)
22					(1/14/11)
23	BNW-14C	198			CONFIDENTIAL-PacifiCorp Response
24					to Staff Data Request No. 65
25					(2 pp.)

0131

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	BNW-15	198			PacifiCorp Response to Staff
3					Data Request No. 107 (1 p.)
4					(1/14/11)
5	BNW-16	198			March 22, 2010 Letter from
6					PacifiCorp to UTC (4 pp.)
7					(1/14/11)
8	BNW-17	198			Standard & Poor's Ratings Direct
9					dated 9/29/10 (24 pp.) (1/14/11)
10	BNW-18	198			Standard & Poor's Ratings Direct
11					dated 6/18/10 (7 pp.)(11/14/11)
12	BNW-19	198			Workpaper for Mr. Williams
13					(1 p.) (1/14/11)
14	BNW-20	198			Avista letter to UTC dated
15					1/5/10 re: Docket UE-101722
16					(5 pp.) (1/14/11)
17	BNW-21	288			Cost of Debt Information for
18					Avista, PSE, and PacifiCorp
19					(3 pp) (Replaced 1/25/11)
20	BNW-22	198			PacifiCorp and Subsidiaries
21					Consolidated Statements of Cash
22					Flows for Years Ended 12/31/07,
23					08, and 09 (1 p.) (1/14/11)
24	BNW-23	198			Docket UE-090092 Report of First
25					Mortgage Bond Offering in

0132

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					Aggregate Principal Amount of
3					\$1,000,000,000 dated 1/15/09
4					(11 pp.) (1/14/11)
5	BNW-24	198			PacifiCorp's Response to ICNU
6					Data Request No. 28.6 (1 p.)
7					(1/14/11)
8	BNW-25	198			PacifiCorp's Response to ICNU
9					Data Request No. 28.7 (1 p.)
10					(1/14/11)
11	WITNESS:	Gregory N. Duvall			
12	GND-1T	198			Prefiled Direct Testimony of
13					Gregory N. Duvall (17 pp.)
14					(5/4/10)
15	GND-2	198			GRID and Vista Model
16					Descriptions (16 pp.) (5/4/10)
17	GND-3	198			Net Power Cost Report 12 months
18					ending March 31, 2012 (3 pp.)
19					(5/4/10)
20	GND-4	198			2008 Integrated Resource Plan -
21					Appendix F (15 pp.) (5/4/10)
22	GND-5T	198			Prefiled Rebuttal Testimony of
23					Gregory N. Duvall (56 pp.)
24					(11/5/10)
25	GND-6C	198			CONFIDENTIAL-Allocation of

0133

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					Renewable Energy Credits (1 p.)
3					(11/5/10)
4	GND-7	198			Summary of Net Power Cost
5					Rebuttal Studies (1 p.)
6					(11/5/10)
7	GND-8C	198			CONFIDENTIAL-Dynamic Scheduling
8					Request (3 pp.) (11/5/10)
9	GND-9	198			Shaping of SMUD Contract (1 p.)
10					(11/5/10)
11	GND-10	198			Coal Unit Heat Rates (1 p.)
12					(11/5/10)
13	GND-11	198			Gas Unit Heat Rates (1 p.)
14					(11/5/10)
15	GND-12C	198			CONFIDENTIAL-PacifiCorp Response
16					to ICNU Data Request No. 1.33
17					(6 pp.) (1/14/11)
18	GND-13C	198			CONFIDENTIAL-PacifiCorp Response
19					to ICNU Data Request No. 9.7
20					(2 pp.)(1/14/11)
21	GND-14	198			PacifiCorp Response to ICNU Data
22					Request No. 26.29 (1 p.)
23					(1/14/11)
24	GND-15	198			PacifiCorp Response to ICNU Data
25					Request No. 26.31 (1 p.)

0134

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(1/14/11)
3	GND-16	198			PacifiCorp Response to ICNU Data
4					Request No. 26.36 (1 p.)
5					(1/14/11)
6	GND-17	198			PacifiCorp Response to ICNU Data
7					Request No. 26.37 (1 p.)
8					(1/14/11)
9	GND-18	198			PacifiCorp Response to ICNU Data
10					Request No. 26.70 (1 p.)
11					(1/14/11)
12	GND-19	198			PacifiCorp Response to ICNU Data
13					Request No. 26.85 (1 p.)
14					(1/14/11)
15	GND-20	198			PacifiCorp Response to ICNU Data
16					Request No. 26.86 (1 p.)
17					(1/14/11)
18	GND-21	198			PacifiCorp Response to ICNU Data
19					Request No. 26.88 (1 p.)
20					(1/14/11)
21	GND-22	198			PacifiCorp Response to ICNU Data
22					Request No. 26.90 (1 p.)1/14/11)
23	GND-23C	198			CONFIDENTIAL-PacifiCorp's
24					Response to PC Data Request No.
25					96 (1 p.)(1/14/11)

0135

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	GND-24C	198			CONFIDENTIAL-PacifiCorp's
3					Response to PC Data Request No.
4					97 (2 pp.) (1/14/11)
5	GND-25C	198			CONFIDENTIAL-PacifiCorp's
6					Response to PC Data Request No.
7					157 (2 pp.) (1/14/11)
8	GND-26	198			PacifiCorp's Response to PC Data
9					Request No. 160 (2 pp.)
10					(1/14/11)
11	GND-27	198			PacifiCorp's Response to PC Data
12					Request No. 161 (2 pp.)
13					(1/14/11)
14	GND-28C	198			CONFIDENTIAL-PacifiCorp's
15					Response to PC Data Request No.
16					178 (2 pp.)(1/14/11)
17	GND-29C	198			CONFIDENTIAL-PacifiCorp's
18					Response to ICNU Data Request
19					No. 13.7 (3 pp.)(1/14/11)
20	GND-30	198			PacifiCorp's Response to PC Data
21					Request No. 143 (2 pp.)
22					(1/14/11)(Revised 1/20/11)
23	GND-31			184	ICNU/PC Response to Staff Data
24					Request No. 1.2 (1 p.) (1/14/11)
25	GND-32			185	PacifiCorp Historic Residential

0136

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					Use per Customer 2005 - 2010
3					(1 p.) (1/14/11)
4	GND-33C	198			CONFIDENTIAL-PacifiCorp's
5					Response to ICNU Data Request
6					No. 1.17 (7 pp.) (1/14/11)
7	GND-34	198			PacifiCorp's Response to ICNU
8					Data Request No. 21.1 (2 pp.)
9					(1/14/11)
10	GND-35	198			PacifiCorp's Response to ICNU
11					Data Request No. 26.13 (1 p.)
12	GND-36	198			PacifiCorp's Response to ICNU
13					Data Request No. 26.16 (1 p.)
14					(1/14/11)
15	GND-37C	198			CONFIDENTIAL-PacifiCorp's
16					Response to ICNU Data Request
17					No. 26.26 (23 pp.) (1/14/11)
18	GND-38C	198			CONFIDENTIAL-PacifiCorp's
19					Response to ICNU Data Request
20					No. 26.28 (9 pp.) (1/14/11)
21	GND-39	198			PacifiCorp's Response to ICNU
22					Data Request No. 26.29 (1 p.)
23					(1/14/11)
24	GND-40	198			PacifiCorp's Response to ICNU
25					Data Request No. 26.38 (1 p.)

0137

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(1/14/11)
3	GND-41	198			PacifiCorp's Response to ICNU
4					Data Request No. 26.39 (1 p.)
5					(1/14/11)
6	GND-42C	198			CONFIDENTIAL-Excerpt from
7					PacifiCorp's Response to ICNU
8					Data Request No. 26.44 (3 pp.)
9					(1/14/11)
10	GND-43	198			PacifiCorp's Response to ICNU
11					Data Request No. 26.49 (1 p.)
12					(1/14/11)
13	GND-44	198			PacifiCorp's Response to ICNU
14					Data Request No. 26.58 (1 p.)
15					(1/14/11)
16	GND-45	198			PacifiCorp's Response to ICNU
17					Data Request No. 26.72 (1 p.)
18					(1/14/11)
19	GND-46	198			PacifiCorp's Response to ICNU
20					Data Request No. 26.77 (1 p.)
21					(1/14/11)
22	GND-47	198			PacifiCorp's Response to ICNU
23					Data Request No. 26.85 (1 p.)
24					(1/14/11)
25	GND-48	198			PacifiCorp's Response to ICNU

0138

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					Data Request No. 26.86 (1 p.)
3					(1/14/11)
4	GND-49	198			PacifiCorp's Response to ICNU
5					Data Request No. 26.94 (1 p.)
6					(1/14/11)
7	GND-50	198			PacifiCorp's Response to ICNU
8					Data Request No. 26.96 (1 p.)
9					(1/14/11)
10	GND-51C	198			CONFIDENTIAL-PacifiCorp's
11					Response to ICNU Data Request
12					No. 27.1 (1 p.) (1/14/11)
13	GND-52C	198			CONFIDENTIAL-PacifiCorp's
14					Response to ICNU Data Request
15					No. 27.2 (1 p.) (1/14/11)
16	GND-53	198			PacifiCorp's Response to ICNU
17					Data Request No. 27.17 (1 p.)
18					(1/14/11)
19	GND-54	198			PacifiCorp's Response to ICNU
20					Data Request No. 27.18 (1 p.)
21					(1/14/11)
22	GND-55	198			PacifiCorp's Response to ICNU
23					Data Request No. 27.21 (1 p.)
24					(/14/11)
25	GND-56		187		PacifiCorp's Response to ICNU

0139

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					Data Request No. 28.1 (12 pp.)
3					(1/14/11)
4	GND-57	198			PacifiCorp's Response to ICNU
5					Data Request No. 28.10 (18 pp.)
6					(1/14/11)
7	GND-58	198			PacifiCorp's Response to PC Data
8					Request No. 180 (1 p.) (1/14/11)
9	GND-59		188		Proclamation by Governor re:
10					Special Session (2 pp.)
11					(1/14/11)
12	WITNESS:	R. Bryce Dalley			
13	RBD-1T				Prefiled Direct Testimony of R.
14					Bryce Dalley (26 pp.) (5/4/10)
15					(Revised 11/23/10)
16	RBD-2				Summary of Results of Operations
17					12 months ended December 31,
18					2009 (2 pp.) (5/4/10)(Revised
19					11/23/10)
20	RBD-3				Washington Results of Operations
21					12 months ended December 31,
22					2009 (5/4/10)
23					(Tab 1) Summary (7 pp.)(p. 1.1 revised
24					7/26/10)(Revised 11/23/10)
25					(Tab 2) Results of Operations (41 pp.) (5/4/10)

0140

1 (Revised 11/23/10)  
2 (Tab 3) Revenue Adjustments (22 pp.) (5/4/10)  
3 (Tab 4) O & M Adjustments (29 pp.) (5/4/10)  
4 (Tab 5) Net Power Cost Adjustments (19 pp.)  
5 (5/4/10) (Revised 11/23/10)  
6 (Tab 6) Depreciation & Amortization Adj.  
7 (6 pp.) (5/4/10)  
8 (Tab 7) Tax Adjustments (30 pp.) (5/4/10)  
9 (Tab 8) Rate Base Adjustments (37 pp.)(Revised  
10 11/23/10) (5/4/10)  
11 (Tab 9) Production Factor Adjustment (8 pp.)  
12 (5/4/10) (Revised 11/23/10)  
13 (Tab 10) Allocation Factors (18 pp.) (5/4/10)  
14 (Tab 11) Historical Rate Base (30 pp.) (5/4/10)  
15 (Revised 11/23/10)  
16 (Tab B1) Revenue (6 pp.) (5/4/10)  
17 (Tab B2) O & M Expense (15 pp.) (5/4/10)  
18 (Tab B3) Depreciation Expense (8 pp.) (5/4/10)  
19 (Tab B4) Amortization Expense (2 pp.)(5/4/10)  
20 (Tab B5) Taxes Other Than Income (1 p.)  
21 (5/4/10)  
22 (Tab B6) Federal Income Taxes (4 pp.) (5/4/10)  
23 (Tab B7) D.I.T. Expense & I.T.C. Adj. (5 pp.)  
24 (5/4/10)  
25 (Tab B8) Plant in Service (13 pp.) (5/4/10)

0141

1				(Tab B9) Capital Lease Plant (1 p.) (5/4/10)	
2				(Tab B10) Plant Held for Future Use (1 p.)	
3				(5/4/10)	
4				(Tab B11) Misc. Deferred Debits (2 pp.)	
5				(5/4/10)	
6				(Tab B12) Blank	
7				(Tab B13) Materials & Supplies (5 pp.) (5/4/10)	
8				(Tab B14) Cash Working Capital (3 pp.) (5/4/10)	
9				(Tab B15) Miscellaneous Rate Base (5 pp.)	
10				(5/4/10)	
11				(Tab B16) Weatherization Regulatory Assets	
12				(15 pp.) (5/4/10)	
13				(Tab B17) Depreciation Reserve (13 pp.)	
14				(5/4/10)	
15				(Tab B18) Amortization Reserve (2 pp.) (5/4/10)	
16				(Tab B19) D.I.T. Balance & I.T.C. (5 pp.)	
17				(5/4/10)	
18				(Tab B20) Customer Advances (1 p.) (5/4/10)	
19	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
20	RBD-4T	198			Prefiled Rebuttal Testimony of
21					R. Bryce Dalley (22 pp.)
22					(11/5/10) (Revised 12/10/10)
23	RBD-5	198			Summary of Rebuttal Revenue
24					Requirement (2 pp.) (11/5/10)
25					(Revised 12/10/10)

0142

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	RBD-6	198			Rebuttal Summary Results of
3					Operations (27 pp.) (11/5/10)
4					(Revised 12/10/10)
5					Results of Operations (41 pp.)
6					(11/5/10)(Revised 12/10/10)
7					Rebuttal Adjustments (31 pp)
8					(11/5/10)(Revised 12/10/10)
9	RBD-7C	198			CONFIDENTIAL-Renewable Energy
10					Credit Revenue Calculation
11					(2 pp.) (11/5/10)
12	RBD-8T	198			Prefiled Supplemental Testimony
13					of R. Bryce Dalley (10 pp.)
14					(11/23/10)
15	RBD-9T	198			Prefiled Supplemental Rebuttal
16					Testimony of R. Bryce Dalley
17					(11 pp.) (12/10/10)
18	RBD-10	198			Excerpt from In the Matter of
19					PacifiCorp d/b/a Pacific Power
20					Request for a General Rate
21					Revision, OPUC Docket No.
22					UE-210, Order No. 10-022
23					(1/26/10) (5 pp.)(1/14/11)
24	RBD-11	198			Excerpt from In the Matter of
25					the Application of PacifiCorp

0143

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					d/b/a Rocky Mountain Power for
3					Approval of Changes to its
4					Electric Service Schedules, IPUC
5					Case No. PAC-E-10-07,
6					Interlocutory Order No. 32151
7					(12/27/10) (9 pp.)(1/14/11)
8	RBD-12	198			PacifiCorp's Response to PC Data
9					Request No. 61 (2 pp.)(1/14/11)
10	RBD-13	198			PacifiCorp's Response to PC Data
11					Request No. 62 (1 p.) (1/14/11)
12	RBD-14	198			PacifiCorp's Response to PC Data
13					Request No. 63 (1 p.) (1/14/11)
14	RBD-15	198			PacifiCorp's Response o PC Data
15					Request No. 80 (1 p.) (1/14/11)
16	RBD-16	198			PacifiCorp's Response to PC Data
17					Request No. 120 (1 p.) (1/14/11)
18	RBD-17	198			PacifiCorp's Response to ICNU's
19					Data Request No. 11.6 (1 p.)
20					(1/14/11)
21	RBD-18C	198			CONFIDENTIAL-PacifiCorp's
22					Response to PC Data Request No.
23					95 (7 pp.) (1/14/11)
24	RBD-19C	198			PacifiCorp's Response to PC Data
25					Request No. 140 (2 pp.)

0144

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(1/14/11)
3	RBD-20	198			PacifiCorp's Response to Staff
4					Data Request No. 25 (12 pp.)
5					(1/14/11)
6	RBD-21	198			PacifiCorp's Response to PC Data
7					Request No. 83 (2 pp.) (1/14/11)
8	RBD-22	198			PacifiCorp's Response to PC Data
9					Request No. 145 (2 pp.)
10					(1/14/11)
11	RBD-23	198			PacifiCorp's Response to ICNU
12					Data Request No. 24.4 (1 p.)
13					(1/14/11)
14	RBD-24	198			PacifiCorp's Response to ICNU
15					Data Request No. 28.5 (1 p.)
16					(1/14/11)
17	WITNESS:	Ryan Fuller			
18	RF-1T	198			Prefiled Direct Testimony of
19					Ryan Fuller (101 pp.)
20					(5/4/10)(Revised 12/10/10)
21	RF-2C	198			CONFIDENTIAL-Illustrative
22					Example of Repairs Deduction
23					(3 pp.)(5/4/10)
24	RF-3C	198			CONFIDENTIAL-Repairs Deduction
25					by Year (1 p.)(5/4/10)

0145

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	RF-4	198			Example of IRC Section 481(a)
3					Adjustment (1 p.)(5/4/10)
4	RF-5	198			Revenue Requirement Impact of
5					Washington-Allocated Repairs
6					Deduction (3 pp.)(5/4/10)
7	RF-6	198			Revenue Requirement Impact of
8					Normalization vs. Flow-Through
9					(6 pp.)(5/4/10)(Revised
10					12/10/10)
11	RF-7	198			Calculation of Out-of-Period Tax
12					Benefits Under Flow-Through
13					Accounting) (4 pp.)(5/4/10)
14	RF-8T	198			Prefiled Rebuttal Testimony of
15					Ryan Fuller (14 pp.)
16					(11/5/10)(Revised 12/10/10)
17	RF-9	198			Staff Response to PacifiCorp
18					data Request 1.27 (2 pp.)
19					(11/5/10)
20	RF-10	198			Staff Response to PacifiCorp
21					Data Request 1.29 (1 p.)
22					(11/5/10)
23	RF-11T	198			Prefiled Supplemental Testimony
24					of Ryan Fuller (7 pp.)
25					(11/23/10)(Revised 12/10/10)

0146

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	RF-12	198			Summary of Per Book Adjustments
3					- Full Normalization and Flow
4					Through (6 pp.) (11/23/10)
5					(Revised 12/10/10)
6	RF-13	198			Company Adjustments revised for
7					Flow Through Accounting (19 pp.)
8					(11/23/10)(Revised 12/10/10)
9	RF-14T	198			Prefiled Supplemental Rebuttal
10					Testimony of Ryan Fuller (3 pp.)
11					(12/10/10)
12	RF-15	198			Reconciliation of Company and
13					Staff Calculation of Income Tax
14					(1 p.) (12/10/10)
15	WITNESS:	Erich D. Wilson			
16	EDW-1T	198			Prefiled Direct Testimony of
17					Erich D. Wilson (9 pp.)(5/4/10)
18	EDW-2	198			Group Goal Characteristics
19					(2 pp.) (5/4/10)
20	EDW-3T	198			Prefiled Rebuttal Testimony of
21					Erich D. Wilson (17 pp.)
22					(11/5/10)
23	EDW-4	198			2009 Employee Performance Goals
24					(5 pp.) (11/5/10)
25	EDW-5C	198			CONFIDENTIAL-2009 Merit Analysis

0147

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(1 p.) (11/5/10)
3	EDW-6	189			Excerpt from "2009 Long-Term
4					Economic and Labor Force
5					Forecast for Washington Chapter
6					4," Washington OFM (7/09)
7					(2 pp.) (1/14/11)
8	EDW-7	198			PacifiCorp's 1st Supplemental
9					Response to PC Data Request No.
10					31, (2 pp.) (1/14/11) 1st
11					Supplemental Response
12	EDW-8	192			PacifiCorp's Response to PC Data
13					Request No. 49 (2 pp.) (1/14/11)
14	EDW-9	192			PacifiCorp's Response to PC Data
15					Request No. 52 (1 p.) (1/14/11)
16	EDW-10C	198			CONFIDENTIAL-PacifiCorp's
17					Response to PC Data Request No.
18					73 (2 pp.) (1/14/11)
19	EDW-11	198			PacifiCorp's Response to PC Data
20					Request No. 88 (2 pp.) (1/14/11)
21	EDW-12	192			PacifiCorp's Response to PC Data
22					Request No. 106 (2 pp.)
23					(1/14/11)
24	EDW-13	192			PacifiCorp's Response to PC Data
25					Request No. 114 (6 pp.)

0148

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(1/14/11)
3	EDW-14	198			PacifiCorp's Response to ICNU
4					Data Request No. 23.9 (2 pp.)
5					(1/14/11)
6	EDW-15C	198			CONFIDENTIAL-PacifiCorp's
7					Response to PC Data Request No.
8					26 (2 pp.) (1/14/11)
9	EDW-16	198			PacifiCorp's Response to PC Data
10					Request No. 57 (2 pp.) (1/14/11)
11	EDW-17	198			PacifiCorp's Response to ICNU
12					Data Request No. 12.2 (1 p.)
13					(1/14/11)
14	EDW-18	198			PacifiCorp's Response to ICNU
15					Data Request No. 23.15 (1 p.)
16					(1/14/11)
17	EDW-19	194			"CEOs See Pay Fall Again," Wall
18					Street Journal (3/29/10) (2 pp.)
19					(1/14/11)
20	EDW-20	194			"Many CEOs Took a Pay Cut in
21					2009." USA Today (4/4/10)
22					(3 pp.) (1/14/11)
23	EDW-21	192			PacifiCorp's Response to PC Data
24					Request No. 69 (1 p.) (1/14/11)
25	///				

0149

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	WITNESS:	Douglas K. Stuver			
3	DKS-1T	198			Prefiled Rebuttal Testimony of
4					Douglas K. Stuver (7 pp.)
5					(11/5/10)
6	DKS-2	198			PacifiCorp's Response to ICNU
7					Data Request No. 23.4 (1 p.)
8					(1/14/11)
9	DKS-3	198			MEHC "About Us," Bio of CEO
10					Gregory E. Abel (1 p.) (1/14/11)
11	DKS-4	198			Excerpt from MEHC 10-K for
12					Fiscal Year Ended 12/31/09
13					(16 pp.) (1/14/11)
14	DKS-5	198			Excerpt from MEHC 10-K for
15					Fiscal Year Ended 12/31/08
16					(2 pp.) (1/14/11)
17	WITNESS:	Rebecca M. Eberle			
18	RME-1T	198			Prefiled Rebuttal Testimony of
19					Rebecca M. Eberle (9 pp.)
20					(11/5/10)
21	RME-2	198			PacifiCorp's Response to Energy
22					Project Data Request No. 4
23					(1 p.) (1/14/11)
24	RME-3	198			PacifiCorp's Response to Energy
25					Project Data Request No. 5

0150

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(1 p.) (1/14/11)
3	RME-4	198			PacifiCorp's Response to Energy
4					Project Data Request No. 12
5					(1 p.) (1/14/11)
6	RME-5	198			PacifiCorp's Response to Energy
7					Project Data Request No. 24
8					(1 p.) (1/14/11)
9	RME-6	198			PacifiCorp's Response to Energy
10					Project Data Request No. 27
11					(1 p.) (1/14/11)
12	WITNESS:	C. Craig Paice			
13	CCP-1T	198			Prefiled Direct Testimony of C.
14					Craig Paice (8 pp.) (5/4/10)
15	CCP-2	198			Cost-of-Service by Rate Schedule
16					- Summaries (2 pp.) (5/4/10)
17	CCP-3	198			Cost-of-Service by Rate Schedule
18					- All Functions (6 pp.) (5/4/10)
19	CCP-4	198			Classification of Generation and
20					Transmission Costs (1 p.)
21					(5/4/10)
22	CCP-5	198			Class Cost-of-Service Table of
23					Contents (1 p.) (5/4/10)
24					(Tab 1) Cost-of-Service Procedures (9 pp.)
25					(5/4/10)

0151

1 (Tab 2) Functionalized Results of Operation  
2 (37 pp.) (5/4/10)  
3 (Tab 3) Functionalization Factors (2 pp.)  
4 (5/4/10)  
5 (Tab 4.0) Summaries (2 pp.) (5/4/10)  
6 (Tab 4.1) All Functions (G+T+D+R+M)  
7 (18 pp.)(5/4/10)  
8 (Tab 4.2) Generation (18 pp.)(5/4/10)  
9 (Tab 4.3) Transmission (18 pp.) (5/4/10)  
10 (Tab 4.4) Distribution (18 pp.) (5/4/10)  
11 (Tab 4.5) Retail Services (18 pp.)(5/4/10)  
12 (Tab 4.6) Miscellaneous (18 pp.)(5/4/10)  
13 (Tab 5) Cost-of-Service Allocation Factors  
14 (18 pp.)(5/4/10)  
15 EXHIBIT: AD: REJ: W/D: DESCRIPTION:  
16 CCP-6T 198 Prefiled Rebuttal Testimony of  
17 C. Craig Paice (4 pp.) (11/5/10)  
18 CCP-7 198 Cost of Service by Rate Schedule  
19 - Summaries (8 pp.) (11/5/10)  
20 CCP-8 198 Cost of Service by Rate Schedule  
21 - All Function (6 pp.) (11/5/10)  
22 CCP-9 198 Class Cost-of-Service Table of  
23 Contents (1 pp.) (12/10/10)  
24 (Tab 1) Functionalized Results of Operation  
25 (35 pp.) (11/5/10)

0152

1 (Tab 2.1) All Functions (G+T+D+R+M) (18 pp.)  
2 (11/5/10)  
3 (Tab 2.2) Generation (18 pp.) (11/5/10)  
4 (Tab 2.3) Transmission (18 pp.) (11/5/10)  
5 (Tab 2.4) Distribution(18 pp.) (11/5/10)  
6 (Tab 2.5) Retail Service (18 pp.) (11/5/10)  
7 (Tab 2.6) Miscellaneous (18 pp.) (11/5/10)  
8 (Tab 3) Cost of Service Allocation Factors  
9 (18 pp) (11/5/10)

10 EXHIBIT: AD: REJ: W/D: DESCRIPTION:

11 WITNESS: William R. Griffith

12 WRG-1T 198 Prefiled Direct Testimony of  
13 William R. Griffith (8 pp.)  
14 (5/4/10)  
15 WRG-2 198 Revised Tariffs (19 pp.)  
16 (5/4/10)  
17 WRG-3 198 Effect of the Proposed Rate  
18 Increase (1 p.)(5/4/10)  
19 WRG-4 198 Billing Determinants (9 pp.)  
20 (5/4/10)  
21 WRG-5 198 Monthly Billing Comparisons by  
22 Rate Schedule (7 pp.) (5/4/10)  
23 WRG-6 198 Proposed Changes for Schedule 17  
24 (2 pp.) (5/4/10)  
25 WRG-7T 198 Prefiled Rebuttal Testimony of

0153

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					William R. Griffith (6 pp.)
3					(11/5/10)
4	WRG-8	198			Rebuttal Rate Spread (1 p.)
5					(11/5/10)
6	WRG-9	198			Rebuttal Billing Determinants
7					(9 pp.) (11/5/10)
8	WRG-10	198			Rebuttal Monthly Billing
9					Comparison by Rate Schedule
10					(7 pp.) (11/5/10)
11	WRG-11	198			Comparison of Usage Patterns for
12					Schedules 16 and 17 (1 p.)
13					(11/5/10)
14	WRG-12	198			PacifiCorp's Response to PC Data
15					Request No 181 (1 p.) (1/14/11)
16	WRG-13	198			PacifiCorp's Response to PC Data
17					Request No. 182 (1 p.) (1/14/11)
18	WRG-14		195		PacifiCorp Historic Parity
19					Ratios for Washington Operations
20					(2005- 2010) (1 p.)(1/14/11)
21	WRG-15	198			PacifiCorp's Response to PC Data
22					Request No. 142 (1 p.) (1/14/11)
23	WRG-16	198			PacifiCorp's Response to PC Data
24					Request No. 167 (1 p.) (1/14/11)
25	WRG-17	198			PacifiCorp' Response to PC Data

0154

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					Request No. 183 (1 p.) (1/14/11)
3	WRG-18	198			Edison Electric Institute
4					Ranking of Rates (12 pp.)
5					(1/14/11)
6	WRG-19	198			PacifiCorp's Response to UM-1050
7					ICNU Data Request No. 13.2
8					(6 pp.) (1/14/11)
9	RME-2	198			PacifiCorp's Response to Energy
10					Project Data Request No. 4
11					(1 p.) (1/14/11)
12	RME-3	198			PacifiCorp's Response to Energy
13					Project Data Request No. 5
14					(1 p.) (1/14/11)
15	RME-4	198			PacifiCorp's Response to Energy
16					Project Data Request No. 12
17					(1 p.) (1/14/11)
18	RME-5	198			PacifiCorp's Response to Energy
19					Project Data Request No. 24
20					(1 p.) (1/14/11)
21	RME-6	198			PacifiCorp's Response to Energy
22					Project Data Request No. 27
23					(1 p.) (1/14/11)
24	///				
25	///				

0155

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	PARTY:	Commission Staff			
3	WITNESS:	Michael D. Foisy			
4	MDF-1CT	198			CONFIDENTIAL-Prefiled Responsive
5					Testimony of Michael D. Foisy
6					(20 pp.) (10/5/10) (Revised
7					10/8/10)(Revised 12/6/10)
8	MDF-2	198			Revenue Requirements Model
9					(85 pp.) (10/5/10)(Revised
10					10/8/10)(Revised 12/6/10)
11	MDF-3C	198			CONFIDENTIAL-Attachment to
12					PacifiCorp's Response to ICNU
13					Data Request 2.14 (3 pp.)
14					(10/5/10)
15	MDF-4	198			California Public Utilities
16					Commission Energy Division
17					Resolution E-4264 dated 10/15/09
18					(21 pp.) (10/5/10)
19	MDF-5	198			California Public Utilities
20					Commission Energy Division
21					Resolution E-4285 dated 11/20/09
22					(32 pp.) (10/5/10)
23	MDF-6	198			PacifiCorp's response to ICNU
24					Data Request 5.6 (1 p.)
25					(10/5/10)

0156

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	MDF-7T	198			Prefiled Supplemental Testimony
3					of Michael Foisy (4 pp.)
4					(12/6/10)
5	MDF-8	198			Exhibit MDF-2 - Revenue
6					Requirement Model - Revised to
7					Include ROE (1 p.) (1/14/11)
8	MDF-9		198		Testimony of Donn English, IPUC,
9					Case No. PAC-E-10-7 (22 pp.)
10					(1/14/11)
11	WITNESS:	Thomas E. Schooley			
12	TES-1T	198			Prefiled Responsive Testimony of
13					Thomas E. Schooley (44 pp.)
14					(10/5/10)(Revised 10/8/10)
15					(Revised 12/6/10) (Revised
16					1/14/11)
17	TES-2	198			Investor-Supplied Working
18					Capital (5 pp.) (10/5/10)
19	TES-3	198			Cost-of-Service Summary and
20					Revenue Allocation (1 p.)
21					(10/5/10)(Revised 1/18/11)
22	TES-4T	198			Prefiled Cross-Answering
23					Testimony of Thomas E. Schooley
24					(20 pp. including table of
25					contents) (11/5/10)

0157

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	TES-5	198			Basic Customer Charge (3 pp.)
3					(11/5/10)
4	TES-6T	198			Prefiled Supplemental
5					Cross-Answering Testimony of
6					Thomas E. Schooley (3 pp.)
7					(12/10/10)
8	TES-7	198			Excerpt from Transcript in UTC
9					Consolidated Docket Nos.
10					UE-061546/UE-060816 (10 pp.)
11					(1/14/11)
12	TES-8	198			Staff's Response to PC Data
13					Request No. 3 (1 p.) (1/14/11)
14	RME-2	198			PacifiCorp's Response to Energy
15					Project Data Request No. 4
16					(1 p.) (1/14/11)
17	RME-3	198			PacifiCorp's Response to Energy
18					Project Data Request No. 5
19					(1 p.) (1/14/11)
20	RME-4	198			PacifiCorp's Response to Energy
21					Project Data Request No. 12
22					(1 p.) (1/14/11)
23	RME-5	198			PacifiCorp's Response to Energy
24					Project Data Request No. 24
25					(1 p.) (1/14/11)

0158

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	RME-6	198			PacifiCorp's Response to Energy
3					Project Data Request No. 27
4					(1 p.) (1/14/11)
5	WITNESS:	Kenneth L. Elgin			
6	KLE-1T	198			Prefiled Responsive Testimony of
7					Kenneth L. Elgin (57 pp.)
8					(10/5/10)
9	KLE-2	198			Experience and Qualifications
10					(4 pp.)
11	KLE-3	198			Moody's Monthly Credit Trends
12					(1/3/11 and 10/1/10)
13					(4 pp.)(1/14/11)
14	KLE-4	198			Excerpt of Testimony of Ken L.
15					Elgin in UTC Docket Nos.
16					UE-061546/UE-060817 (2/16/07)
17					(18 pp.) (1/14/11)
18	KLE-5	198			Excerpt of Testimony of David C.
19					Parcell in UTC Docket Nos.
20					UE-090704/UG-090705 (11/17/09)
21					(17 pp.) (1/14/11)
22	KLE-6	198			Excerpt of Testimony of James A.
23					Rothschild in UTC Docket No.
24					UE-050684 (11/3/05) (4 pp.)
25					(1/14/11)

0159

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	KLE-7	198			Regulatory Research Associates,
3					Regulatory Focus: Major Rate
4					Case Decisions - Calendar 2010
5					(1/7/11)(2 pp.) (1/14/11)
6	KLE-8	198			Standard & Poor's Global Credit
7					Portal - PacifiCorp (4/30/10)
8					(10 pp.) (1/14/11)
9	WITNESS:	Alan P. Buckley			
10	APB-1CT	198			CONFIDENTIAL-Prefiled Responsive
11					Testimony of Alan P. Buckley
12					(30 pp.) (10/5/10)
13	APB-2	198			Summary of Staff's Net Power
14					Cost Adjustments (3 pp.)
15					(10/5/10)(Revised 12/10/10)
16	APB-3C	198			CONFIDENTIAL-SCL Stateline
17					Adjustment (1 p.) (10/5/10)
18	APB-4C	198			CONFIDENTIAL-SMUD Contract
19					Shaping Adjustment (1 p.)
20					(10/5/10)
21	APB-5C	198			Colstrip Outage Adjustment
22					(1 p.) (10/5/10)
23	APB-6	198			Wind Integration Adjustment
24					(1 p.) (10/5/10)
25	APB-7	198			Gas Price Update Adjustment

0160

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(1 p.) (10/5/10)
3	APB-17C	198			CONFIDENTIAL-Avista Response to
4					Staff Data Request No. 121 in
5					Docket UE-100467/UG-100468
6					(2 pp.) (1/21/11)
7	APB-8	198			UTC Response to PacifiCorp's
8					Data Request No. 3.7
9					(1 p.)(1/14/11)
10	APB-9	198			UTC Response to PacifiCorp's
11					Data Request No. 3.12 (1 p.)
12					(1/14/11)
13	APB-10	198			UTC Response to PacifiCorp's
14					Data Request No. 3.13
15					(1 p.)(1/14/11)
16	APB-11	198			UTC Response to PacifiCorp's
17					Data Request No. 3.16
18					(1 p.)(1/14/11)
19	APB-12	198			UTC Response to PacifiCorp's
20					Data Request No. 3.17 (1 p.)
21					(1/14/11)
22	APB-13	198			Excerpt of Testimony of Clint G.
23					Kalich Docket Nos. UE-100467/
24					UG-100468 (5 pp.) (1/14/11)
25	APB-14	198			Excerpt of Testimony of Alan P.

0161

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					Buckley in UTC Docket Nos.
3					UE-061546/UE-060817 (2/16/07)
4					(20 pp.)(1/14/11)
5	APB-15	198			Excerpt of Cross-Answering
6					Testimony of Alan P. Buckley in
7					UTC Docket Nos. UE-061546/
8					UE-060817 (3/5/07) (18 pp.)
9					(1/14/11)
10	APB-16	198			Excerpt of FERC Notice of
11					Proposed Rulemaking on Wind
12					Integration Charges in Docket
13					No. RM10-11-000 (11/18/10)
14					(25 pp.) (1/14/11)
15	WITNESS:				Kathryn H. Breda
16	KHB-1T	198			Prefiled Responsive Testimony of
17					Kathryn H. Breda (26 pp.)
18					(10/5/10)(Revised 10/8/10)
19					(Revised 12/6/10)
20	KHB-2	198			Adjustment 7.9 Current Year
21					Deferred Income Tax (1 p.)
22					(10/5/10)(Revised 12/6/10)
23	KHB-3	198			Adjustment 8.11 Repairs
24					Deduction (2 pp.) (10/5/10)
25					(Revised 10/8/10)

0162

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	KHB-4	198			PacifiCorp Response to Staff
3					Data Request 148 (1 p.)
4					(10/5/10)
5	KHB-5T	198			Prefiled Supplemental Testimony
6					of Kathryn H. Breda (5 pp.)
7					(12/6/10)(Revised 1/21/11)
8	KHB-6	198			Deferred Income Tax Expense
9					(19 pp.) (12/6/10)(Revised
10					12/7/10)(Revised 1/14/11)
11	WITNESS:	Vanda Novak			
12	VN-1T	198			Prefiled Responsive Testimony of
13					Vanda Novak (12 pp.) (10/5/10)
14	VN-2	198			PacifiCorp's Response to Staff
15					Data Request 135 (excluding
16					confidential attachment) (2 pp.)
17					(10/5/10)
18	PARTY:	ICNU AND PUBLIC COUNSEL (JOINT PARTIES)			
19	WITNESS:	Greg Meyer			
20	GRM-1CT	198			CONFIDENTIAL-Prefiled Responsive
21					Testimony of Greg Meyer (37 pp.)
22					(10/5/10)(Revised 12/6/10)
23	GRM-2	198			Qualifications (2 pp.) (10/5/10)
24	GRM-3	198			Amerenue Case No. ER-2008-0318
25					Rate Base Schedules (4 pp.)

0163

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(10/5/10)
3	GRM-4	198			Amerenue Case No. ER-2010-0036
4					(3 pp.)(10/5/10)
5	GRM-5	198			Group goals and Performance
6					Factors (2 pp.) (10/5/10)
7	GRM-6	198			PacifiCorp's Responses to Data
8					Requests (20 pp.) (10/5/10)
9	GRM-7	198			Excerpt of PacifiCorp's Form
10					10-K for Fiscal Year ended
11					12/31/09 (1 p.) (1/14/11)
12	GRM-8	198			Excerpt from MEHC's Form 10-K
13					for Fiscal Year ended 12/31/10
14					(2 pp.) (1/14/11)
15	PARTY:	ICNU			
16	WITNESS:	Randall J. Falkenberg			
17	RJF-1CT	198			CONFIDENTIAL-Prefiled Responsive
18					Testimony of Randall J.
19					Falkenberg (64 pp.) (10/5/10)
20					(Revised 12/6/10)
21	RJF-2	198			Qualifications (11 pp.)
22					(10/5/10)
23	RJF-3C	198			CONFIDENTIAL-Arbitrage Profits
24					PACW 2006-2009 (1 p.) (10/5/10)
25	RJF-4	198			Comparison of West Control Area

0164

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					to Revised Protocol (5 pp.)
3					(10/5/10)
4	RJF-5	198			PacifiCorp Data Responses
5					(9 pp.) (10/5/10)
6	RJF-6C	198			CONFIDENTIAL-GRID Transmission
7					Topography (1 p.) (10/5/10)
8	RJF-7C	198			CONFIDENTIAL-Confidential
9					PacifiCorp Data Responses
10					(10 pp.) (10/5/10)
11	RJF-8CT	198			CONFIDENTIAL-Cross-Answering
12					Testimony of Randall J.
13					Falkenberg (7 pp.) (11/5/10)
14	RJF-9	198			PacifiCorp Response to ICNU Data
15					Request 20.1 (1 p.) (11/5/10)
16	RJF-10T	198			Prefiled Supplemental Testimony
17					of Randall J. Falkenberg (4 pp.)
18					(12/6/10)(Corrected 12/8/10)
19	RJF-11	198			Combined Effect of Proposed
20					Adjustments (4 pp.) (12/6/10)
21					(Corrected 12/8/10)
22	RJF-12	198			Net Power Cost Adjustments
23					(3 pp.)
24	RJF-22	198			Excerpt from OPUC Order in
25					Docket UE 191 (9 pp.) (1/21/11)

0165

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	RJF-13	198			ICNU's Response to PacifiCorp's
3					Data request No. 1.10 (1 p.)
4					(1/14/11)
5	RJF-14	198			ICNU's Response to PacifiCorp's
6					Data Request No. 1.15 (1 p.)
7					(1/14/11)
8	RJF-15	198			ICNU's Response to PacifiCorp's
9					Data Request No. 1.28 (1 p.)
10					(1/14/11)
11	RJF-16	198			Excerpt from OPUC Order No.
12					07-446 in Docket No. UE-191
13					(6 pp.) (1/14/11)
14	RJF-17	198			Excerpt from OPUC Order No.
15					07-446 in Docket No. UE-191
16					(6 pp.) (1/14/11)
17	RJF-18	198			Excerpt of Testimony of Randall
18					J. Falkenberg in UTC Docket Nos.
19					UE-061546/UE-060817 (38 pp.)
20					(1/14/11)
21	RJF-19	198			Excerpt of Testimony of Mark T.
22					Widmer in UTC Docket Nos.
23					UE-061546/UE-060817 (30 pp.)
24					(1/14/11)
25	RJF-20	198			Excerpt from Redacted Testimony

0166

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					of Randall J. Falkenberg in IPUC
3					Case No. PAC-E-10-07 (6 pp.)
4					(1/14/11)
5	RJF-21	198			Excerpt of Transcript of Hearing
6					before IPUC in Case No.
7					PAC-E-10-07 (3 pp.) (1/14/11)
8	APB-14	198			Excerpt of Testimony of Alan P.
9					Buckley in UTC Docket Nos.
10					UE-061456/UE-060817 (20 pp.)
11					(1/14/11)
12	APB-15	198			Excerpt of Cross-Answering
13					Testimony of Alan P. Buckley in
14					UTC Docket Nos. UE-061546/
15					UE-060817 (18 pp.) (1/14/11)
16	APB-16	198			Excerpt of FERC Notice of
17					Proposed Rulemaking on Wind
18					Integration Charges in Docket
19					No. RM10-11-000 (25 pp.)
20					(1/14/11)
21	WITNESS:	Michael P. Gorman			
22	MPG-1T	198			Prefiled Responsive Testimony of
23					Michael P. Gorman (51 pp.)
24					(10/5/10)
25	MPG-2	198			Qualifications (4 pp.) (10/5/10)

0167

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	MPG-3	198			Rate of Return (2 pp.) (10/5/10)
3	MPG-4	198			Proxy Group (1 p.) (10/5/10)
4	MPG-5	198			Growth Rates (1 p.) (10/5/10)
5	MPG-6	198			Constant Growth DCF Model (1 p.)
6					(10/5/10)
7	MPG-7	198			Electricity Sales are Linked to
8					U.S. Economic Growth (1 p.)
9					(10/5/10)
10	MPG-8	198			Payout Ratios (1 p.) (10/5/10)
11	MPG-9	198			Sustainable Growth (2 pp.)
12					(10/5/10)
13	MPG-10	198			Sustainable Constant Growth DCF
14					Model (1 p.) (10/5/10)
15	MPG-11	198			Multi-stage Growth DCF Model
16					(1 p.) (10/5/10)
17	MPG-12	198			Electric Common Stock Market/
18					Book Ratio (1 p.) (10/5/10)
19	MPG-13	198			Electric Equity Risk Premium -
20					Treasury Bond (1 p.) (10/5/10)
21	MPG-14	198			Electric Equity risk Premium -
22					Utility Bond (1 p.) (10/5/10)
23	MPG-15	198			Utility Bond Yield Spreads
24					(1 p.) (10/5/10)
25	MPG-16	198			Utility and Treasury Bond Yields

0168

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					(3 pp.) (10/5/10)
3	MPG-17	198			Value Line Beta (1 p.) (10/5/10)
4	MPG-18	198			CAPM Returns (1 p.) (10/5/10)
5	MPG-19	198			Standard & Poor's Credit Metrics
6					(3 pp.) (10/5/10)
7	MPG-20	198			Adjusted Hadaway DCF (4 pp.)
8					(10/5/10)
9	MPG-21	198			Accuracy of Interest Rate
10					Forecasts (1 p.)(10/5/10)
11	MPG-22T	198			Cross-Answering Testimony of
12					Michael P. Gorman (4 pp.)
13					(11/5/10)
14	MPG-23	198			ICNU's Response to PacifiCorp's
15					Data Request No. 1.33
16					(4 pp.)(1/14/11)
17	MPG-24	198			Excerpt of Testimony of Michael
18					P. Gorman in UTC Docket Nos.
19					UE-050684/UE-050412 (15 pp.)
20					(1/14/11)
21	MPG-25	198			Excerpt of Transcript of Hearing
22					before Iowa Utilities Board in
23					Docket No. RPU-2010-0001
24					(10 pp.) (1/14/11)
25	MPG-26	198			Excerpt of Transcript of Hearing

0169

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2					before the Public Service
3					Commission of Wyoming in Docket
4					No. 20000-368-EA-10 (11 pp.)
5					(1/14/11)
6	KLE-8	198			Standard & Poor's Global Credit
7					Portal - PacifiCorp (10 pp.)
8					(1/14/11)
9	KLE-3	198			Moody's Monthly Credit Trends
10					(4 pp.) (1/14/11)
11	KLE-7	198			Regulatory Research Associates,
12					Regulatory Focus: Major Rate
13					Case Decisions - Calendar 2010
14					(2 pp.) (1/14/11)
15	WITNESS:	Donald W. Schoenbeck			
16	DWS-1T	198			Prefiled Responsive Testimony of
17					Donald W. Schoenbeck (8 pp.)
18					(10/5/10)
19	DWS-2	198			Qualifications (2 pp.) (10/5/10)
20	DWS-3T	198			Cross-Answering Testimony of
21					Donald W. Schoenbeck (4 pp.)
22					(11/5/10)
23	DWS-4	198			Pacific Power & Light Rate
24					Spread Comparison (1 p.)
25					(11/5/10)

0170

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	WITNESS:	Michael B. Early			
3	MBE-1T	198			Prefiled Responsive Testimony of
4					Michael B. Early (6 pp.)
5					(10/5/10)
6	MBE-2	198			Qualifications (1 p.) (10/5/10)
7	WITNESS:	Nicholas L. Nachbar			
8	NLN-1T	198			Prefiled Responsive Testimony of
9					Nicholas L. Nachbar (8 pp.)
10					(10/5/10)
11	NLN-2	198			Qualifications (2 pp.) (10/5/10)
12	NLN-4	198			Boise Cascade News Release dated
13					5/4/10 (29 pp.) (1/21/11)
14	NLN-3	198			Article dated 11/3/10 re:
15					Earnings Disclosure of Boise,
16					Inc., from Third Quarter 2010
17					(10 pp.) (1/14/11)
18	PARTY:	The Energy Project			
19	WITNESS:	Charles Eberdt			
20	CME-1T	198			Prefiled Responsive Testimony of
21					Charles Eberdt (17 pp.)
22					(10/5/10)
23	CME-2	198			Resume (1 p.) (10/5/10)
24	CME-3	198			2008 County-Level Poverty Rates
25					for Washington (6 pp.) (10/5/10)

0171

1	EXHIBIT:	AD:	REJ:	W/D:	DESCRIPTION:
2	CME-4	198			Blue Mountain Action Council -
3					LIHEAP and LIBA Cost Accounting
4					(2 pp.) (10/5/10)
5	CME-5T	198			Prefiled Cross-Answering
6					Testimony of Charles Eberdt
7					(10 pp.) (11/5/10)
8	PARTY:	Wal-Mart Stores, Inc., and Sam's West, Inc.			
9	WITNESS:	Steve W. Chriss			
10	SWC-1T	198			Prefiled Responsive Testimony of
11					Steve W. Chriss (10 pp.)
12					(10/5/10)
13	SWC-2	198			Witness Qualifications (5 pp.)
14					(10/5/10)
15	SWC-3	198			Present and Proposed Rate Design
16					Comparison (2 pp.)
17	SWC-4	198			PacifiCorp Data Response (2 pp.)
18					(10/5/10)
19	SWC-5		179		Excerpt from Wal-Mart 2010
20					Annual Report (5 pp.) (1/14/11)
21					
22					
23					
24					
25					

0172

1

P R O C E E D I N G S

2

(Whereupon, the proceedings went on the

3

record at 9:01 a.m.)

4

JUDGE CLARK: Good morning, it's approximately

5

9:00 a.m., January 25, 2011, in the Commission's hearing

6

room in Olympia, Washington. This is the time and the place

7

set for hearing in the matter of Washington Utilities &

8

Transportation Commission, complainant, versus PacifiCorp,

9

doing business as Pacific Power and Light Company,

10

respondent, given Docket No. UE-100749, Patricia Clark,

11

Administrative Law Judge, for the Commission presiding.

12

This matter came before the Commission on May 4,

13

2010, when PacifiCorp filed revisions to its electric

14

service tariffs proposing to increase rates and charges for

15

electric service to customers in Washington. By Order 05

16

entered on November 19, 2010, the Commission scheduled this

17

matter for hearing on this date. And by notice issued

18

January 21, 2011, the Commission scheduled the hearing to

19

convene at this time.

20

I will take first the appearances on behalf of the

21

parties. Appearing on behalf of PacifiCorp.

22

MS. MCDOWELL: This is Katherine McDowell here on

23

behalf of PacifiCorp. Do you need all of my firm

24

information or is that already in the record?

25

JUDGE CLARK: No. You entered a full appearance

0173

1 already so all I need is names.

2 MS. MCDOWELL: And with me today and through this  
3 hearing will be Amie Jamieson and Jordan White.

4 JUDGE CLARK: Thank you. Appearing on behalf of  
5 Industrial Customers of Northwest Utilities, also referred  
6 to as ICNU.

7 MR. SANGER: Hello. My name is Irion Sanger, I'm  
8 appearing on behalf of ICNU. Melinda Davison, another  
9 attorney who has filed a notice of appearance, may also be  
10 appearing during the course of the hearing.

11 JUDGE CLARK: Thank you, Mr. Sanger. Appearing on  
12 behalf of Wal-Mart and Sam's Club.

13 MR. BUTLER: This is Arthur A. Butler appearing on  
14 behalf of Wal-Mart Stores, Inc., and Sam's West, Inc.

15 JUDGE CLARK: Thank you, Mr. Butler. Appearing on  
16 behalf of Public Counsel.

17 MS. SHIFLEY: Thank you, Your Honor. This is  
18 Sarah Shifley, Assistant Attorney General, appearing on  
19 behalf of Public Counsel.

20 JUDGE CLARK: Thank you, Ms. Shifley. Appearing  
21 on behalf of The Energy Project.

22 MR. PURDY: Thank you, Your Honor. Brad Purdy on  
23 behalf of The Energy Project.

24 JUDGE CLARK: Thank you, Mr. Purdy. And, finally,  
25 appearing on behalf of Commission Staff.

0174

1                   MR. TROTTER: For UTC Staff Donald T. Trotter,  
2 Assistant Attorney General.

3                   JUDGE CLARK: Thank you, Mr. Trotter. Are there  
4 any preliminary matters the parties want us to address  
5 before we jump right in to the exhibits?

6                   All right, hearing nothing I'm going to refer now  
7 to the objections that we have to the exhibits. I'm  
8 assuming, first of all, that there is no objection posed for  
9 those documents for which no objections were presented. And  
10 if there is no objection those will all be admitted en  
11 masse. Mr. Sanger.

12                   MR. SANGER: I have one correction to the exhibits  
13 that we provided earlier. There is no objection to ICNU  
14 exhibit which has been labeled RPR-8. But ICNU, upon  
15 discussion with PacifiCorp, has decided to withdraw that  
16 exhibit.

17   (Exhibit No. RPR-8 withdrawn.)

18                   JUDGE CLARK: Thank you, Mr. Sanger.

19                   MR. TROTTER: Your Honor.

20                   JUDGE CLARK: Yes, Mr. Trotter.

21                   MR. TROTTER: Also with respect to BNW-21 that was  
22 a cross-exhibit we had identified for Mr. Williams.

23                   JUDGE CLARK: Yes, if you give me just a minute to  
24 get there, please, Mr. Trotter. BNW-21?

25                   MR. TROTTER: I talked with Ms. McDowell this

0175

1 morning, and I think we have come to an accommodation, we  
2 will be filing a revised document in place of that later  
3 this morning, I hope.

4 JUDGE CLARK: All right. So you're not offering  
5 BNW-21 in its current form?

6 MR. TROTTER: Correct.

7 JUDGE CLARK: All right.

8 MR. TROTTER: Basically what we resolved was that  
9 the facts, the key facts in that exhibit we'll just excise  
10 out and put in a substitute exhibit. And I haven't had a  
11 chance to run the details by the Company yet. I think we  
12 can take care of the objection.

13 JUDGE CLARK: All right. Are there any other  
14 documents that I should be looking at revising?  
15 Ms. Shifley.

16 MS. SHIFLEY: Your Honor, in the course of  
17 preparing for this hearing we noticed that there's one small  
18 typographical error in the revised testimony of joint  
19 witness Greg Meyer.

20 JUDGE CLARK: Is that in Mr. Meyer's actual  
21 testimony?

22 MS. SHIFLEY: Yes, it is. And it's Exhibit  
23 No. GRM-1CT.

24 JUDGE CLARK: All right. When Mr. Meyer -- this  
25 is in the exhibit itself?

0176

1 MS. SHIFLEY: Yes. He can make the correction  
2 when he appears?

3 JUDGE CLARK: When he takes the stand he can make  
4 whatever additions, corrections or deletions he wishes to  
5 that testimony.

6 MS. SHIFLEY: We'll address it then. Thank you.

7 JUDGE CLARK: Just as a reminder, any of the other  
8 witnesses may as well. That will hopefully be one of the  
9 first questions that will come out of counsel's mouth after  
10 you call your witnesses.

11 Are there any other revisions? Ms. McDowell.

12 MS. MCDOWELL: Yes, Your Honor, we have one kind  
13 of unusual issue that we noticed yesterday. We have two  
14 prefiled exhibits, part of Mr. Duvall's testimony, GND-10  
15 and GND-11, and what we understand is that while these were  
16 properly filed electronically something occurred in the PDF  
17 process so that one of the lines in the hard copies that we  
18 distributed did not show up. It's a graph. The graph has  
19 two lines. For some reason something in the PDF program  
20 made -- removed one of the lines, so the hard copies appear  
21 to be incorrect. What is on the Commission website is  
22 correct. But we had hard copies that we thought we would  
23 distribute to people as replacements for the copies that we  
24 did distribute originally which are missing this line on  
25 these exhibits.

0177

1 JUDGE CLARK: All right. That would be great.

2 And I'm going to ask you to do that as soon as we run  
3 through the exhibits for which there are objections.

4 MS. MCDOWELL: That's fine. Thank you.

5 JUDGE CLARK: Just to let everyone know, what  
6 we're going to do is confirm the exhibits that are admitted  
7 and objected to. Once we've completed that we'll take a  
8 brief recess. During that brief recess if Ms. McDowell will  
9 distribute those copies that would be great. And I will go  
10 and retrieve the commissioners who will join us for the  
11 testimony portion of the hearing.

12 All right. Any other questions?

13 All right. Mr. Butler, I'm going to turn to you  
14 first because you filed your objection to the admission of  
15 an exhibit first, and I believe your objection was to SWC-5?

16 MR. BUTLER: Correct.

17 JUDGE CLARK: Okay, go ahead, please.

18 MR. BUTLER: Exhibit SWC-5 appears to be an  
19 excerpt from a Wal-Mart Annual Report for 2010. We object  
20 on the grounds that it is not relevant to the issues in this  
21 proceeding. This proceeding is to determine proper revenue  
22 requirements for PacifiCorp of Washington's operations and  
23 rates that are fair, just, reasonable and sufficient to  
24 generate revenues to meet that revenue requirement.

25 The financial and operating results of any

0178

1 individual customer is in no way relevant to a determination  
2 of those issues. It is no more relevant than would be an  
3 examination of the financial condition of any individual  
4 residential customer or look at how big their mortgage is or  
5 how much credit card or other debt they carry or their  
6 income, nor would it be relevant to the financial or  
7 operating results of any member of ICNU.

8 In addition, even if relevant this excerpt  
9 contains nothing whatsoever about the metrics of the  
10 Wal-Mart and Sam's Club stores that are operating in  
11 PacifiCorp's Washington territory.

12 In short, we think it is a distraction, it is not  
13 helpful to the determination of the issues in this case and  
14 should not be part of the record.

15 JUDGE CLARK: Thank you, Mr. Butler. Ms. Shifley.

16 MS. SHIFLEY: Thank you. The exhibit that we are  
17 talking about is an excerpt from a recent Wal-Mart Annual  
18 Report, and Wal-Mart's only single witness, Mr. Chriss,  
19 testifies only about rate spread. And the Commission has  
20 historically and repeatedly said that rate spread -- when  
21 determining the appropriate rate spread the customer impact  
22 and impacts on various customers is also -- and many other  
23 factors are all relevant to the determination of what the  
24 appropriate rate spread is. And I'm certainly happy to give  
25 you citations to various dockets and orders where this is

0179

1 actually discussed.

2           And Mr. Chriss testifies regarding rate spread and  
3 makes a recommendation for a particular rate spread for  
4 large customer classes and the large customer class is the  
5 class that Wal-Mart is a member of. And I think, therefore,  
6 the financial condition of Wal-Mart is relevant to a  
7 consideration of what the customer impact might be of  
8 Mr. Chriss' proposed rate spread on Wal-Mart and various  
9 other customers as well as the other factors that the  
10 Commission has historically considered such as equity,  
11 fairness, perceptions of equity and fairness and the like.

12           JUDGE CLARK: Does anyone else wish to be heard on  
13 this exhibit?

14           All right. I am going to sustain the objection  
15 and not allow the excerpt from Wal-Mart's 2010 Annual  
16 Report.

17                           (Exhibit No. SWC-5 rejected.)

18           JUDGE CLARK: Ms. McDowell.

19           MS. MCDOWELL: So our first objection is to RPR-4,  
20 a Public Counsel exhibit called, A Lost Decade: Poverty and  
21 Income Trends Paint a Bleak Picture for Working Families."  
22 It's an article, appears to be from -- authored by an outfit  
23 called the Economic Policy Institute. We're objecting on  
24 the basis that it's the kind of hearsay evidence that should  
25 not be admissible in this proceeding because it is not the

0180

1 sort of evidence upon which reasonably prudent persons would  
2 be accustomed to rely. We also think it's irrelevant and  
3 immaterial.

4 So we have not objected to other documents and  
5 articles that Public Counsel submitted such as a QuickFacts  
6 from the U.S. Census Bureau. We think that is a different  
7 kind of publication. We understand the Census Bureau might  
8 be something, facts and figures from them, might be  
9 something that folks would rely upon. But there's no  
10 background here about who the Economic Policy Institute is,  
11 where they are from, why this would be something folks would  
12 rely upon and why really the Commission should allow this  
13 kind of hearsay evidence to come in.

14 JUDGE CLARK: Ms. Shifley.

15 MS. SHIFLEY: Just as an output, I understand that  
16 hearsay evidence is actually admissible in Commission  
17 proceedings. Also the article that we're offering here  
18 summarizes U.S. Census data pretty clearly. It states that  
19 everything in the article is taken from U.S. Census data,  
20 the same type of data that Ms. McDowell did say the Company  
21 understands would be reliable.

22 Also PacifiCorp is asking to raise residential  
23 rates by 20 percent. And in his direct testimony Mr. Reiten  
24 references the economic challenges facing customers, and  
25 this exhibit directly addresses the economic conditions that

0181

1 are facing PacifiCorp's customers. In addition, it's  
2 relevant to the testimony that was given by members of the  
3 public at the October 21st public hearing regarding their  
4 declining standard of living and the economic challenges  
5 that they face.

6 JUDGE CLARK: Anyone else wish to be heard on this  
7 document?

8 All right. I'm going to overrule the objection  
9 and allow this. The Commission does allow hearsay in its  
10 administrative proceedings and will determine the  
11 appropriate weight, if any, to give to this document.

12 (Exhibit No. RPR-4 admitted.)

13 MS. MCDOWELL: Thank you, Your Honor. Our next  
14 objection is to RPR-12, this is an ICNU exhibit. It is an  
15 overview from the 2010 Wyoming GRC dated December 7th, 2010.  
16 We're objecting to this on the basis that it's irrelevant  
17 and immaterial, also potentially confusing. This is about a  
18 summary of a rate case involved in a different jurisdiction  
19 for a different test period, a jurisdiction that allows on a  
20 different cost allocation methodology.

21 We think that the information in this is largely  
22 irrelevant to any of the issues in this case, and we think  
23 it has a potential for confusing the record because of the  
24 distinctions between the case that this document refers to  
25 and the underlying rate case.

0182

1 JUDGE CLARK: Thank you. Mr. Sanger.

2 MR. SANGER: Thank you, Your Honor. This document  
3 was prepared by PacifiCorp, it's a PacifiCorp document which  
4 summarizes, as Ms. McDowell stated, a general rate case in  
5 another proceeding. Many of the issues in that proceeding  
6 are similar. Many of the issues that PacifiCorp --  
7 information in there do bear onto the issues that ICNU has  
8 raised in this proceeding. And if you are inclined to  
9 sustain the objection I would ask that you wait until I  
10 offer the exhibit into the record and attempt to  
11 cross-examine the witness upon it. At that point I think it  
12 would become more clear exactly what issues in this document  
13 bear upon the issues in this proceeding.

14 JUDGE CLARK: So you'd like to reserve the  
15 opportunity to examine Mr. Reiten on this document?

16 MR. SANGER: Yes, Your Honor.

17 JUDGE CLARK: Ms. McDowell.

18 MS. MCDOWELL: I just want to respond that this  
19 witness is not the president of Rocky Mountain Power, the  
20 entity that filed this rate case. He's the president of  
21 Pacific Power, a different division of PacifiCorp, the  
22 overall entity. His testimony will be that he's not  
23 familiar with this document because of that. So to the  
24 extent that this is about laying a foundation, are you  
25 familiar with this? is this something you assisted in or

0183

1 overseeing the preparation? his testimony is going to be no  
2 because he is not the president of the division of  
3 PacifiCorp that Wyoming is a part of, that's the Rocky  
4 Mountain Power division. So if the issue is does he need to  
5 be able to say he understands and is familiar with this  
6 document the answer is going to be no.

7 JUDGE CLARK: Mr. Sanger.

8 MR. SANGER: Your Honor, many of the facts and  
9 basic information in this document pertain to PacifiCorp as  
10 a total company and they're facts and information that  
11 Mr. Reiten should be familiar with. They're not particular  
12 to Rocky Mountain Power, they're information about  
13 PacifiCorp itself, the total company, at least the  
14 information that we seek to use in this exhibit.

15 JUDGE CLARK: All right. I'm going to sustain the  
16 objection. And I think that it's apparent that the  
17 information regarding Rocky Mountain Power is not relevant  
18 to a determination of Pacific Power and Light Company's  
19 appropriate revenue requirement in the state of Washington.

20 (Exhibit No. RPR-12 rejected.)

21 MS. MCDOWELL: Thank you, Your Honor. The next  
22 objection that we have in the list was to BNW-21.  
23 Mr. Trotter did properly represent the state of our  
24 discussions on that. I do believe that we will be able to  
25 work out an accommodation, so we will be withdrawing our

0184

1 objection to that based on the submission of a revised  
2 exhibit.

3 JUDGE CLARK: Thank you.

4 MS. MCDOWELL: Which then takes us to GND-31. So  
5 GND-31 is an ICNU and it's a Public Counsel exhibit and it's  
6 an ICNU Public Counsel response to a Staff data request.  
7 It's our understanding that normally cross-examination  
8 exhibits are not -- it's not proper for a party to  
9 essentially supplement its case by putting its own data  
10 request responses or its own testimony excerpts or  
11 supplemental pieces of testimony in as a cross-examination  
12 exhibit. This is not, just to be clear, this is not a data  
13 request that PacifiCorp has responded to, which would be  
14 obviously a proper cross-examination exhibit. This is a  
15 cross-examination exhibit where Public Counsel wants to  
16 cross-examine the witness on Public Counsel's response to a  
17 data request. And we think that's improper.

18 JUDGE CLARK: Ms. Shifley.

19 MS. SHIFLEY: Your Honor, we would be willing to  
20 withdraw this exhibit.

21 JUDGE CLARK: All right. Exhibit GND-31 is  
22 withdrawn.

23 (Exhibit No. GND-31 withdrawn.)

24 MS. MCDOWELL: Thank you, Your Honor. That takes  
25 us to GND-32. This is another Public Counsel exhibit. It

0185

1 purports to be a chart showing historical residential --  
2 historic residential use per customer. It references the  
3 source as Mr. Meyer's testimony. Again, we think it's  
4 improper for Mr. Meyer and Public Counsel and ICNU to be  
5 supplementing the record in this way through a  
6 cross-examination exhibit. There's no foundation for this  
7 exhibit, and we object on this basis.

8 JUDGE CLARK: Ms. Shifley.

9 MS. SHIFLEY: Thank you. We designated this  
10 exhibit for Mr. Duvall. Mr. Duvall in his testimony  
11 discusses specifically residential usage and proposes a  
12 usage normalization adjustment. In his testimony he  
13 responds to the recommendation of Mr. Meyer and directly  
14 refers to the data that is contained in this exhibit. The  
15 data in his workpapers clearly show the data is taken from  
16 the company's own FERC filings, it's own public FERC  
17 filings. And in his workpapers he provided all the FERC  
18 filings where these data came from. And the exhibit is only  
19 intended to show in a graphical form the information that  
20 Mr. Duvall himself referred to in his testimony.

21 JUDGE CLARK: Ms. McDowell.

22 MS. MCDOWELL: Our concern about this is when, you  
23 know, folks that work on supplementing their testimony  
24 through cross-examination exhibits the Company doesn't have  
25 a chance to respond to that testimony in a way that one

0186

1 normally would if the testimony came in, as is proper, at  
2 the time of the intervenor and Staff testimony, then the  
3 Company has rebuttal testimony and can respond to it. When  
4 we see new evidence, graphs, whatever for the first time in  
5 cross-examination exhibits we really don't have a chance to  
6 respond. Potentially we might have a cross-examination  
7 question, but it's possible they wouldn't even cross-examine  
8 Mr. Duvall on this. It is just a way, we think, of  
9 improperly supplementing the Public Counsel testimony in  
10 this case.

11 JUDGE CLARK: All right. The objection is  
12 sustained. However, if you have cross-examination questions  
13 you wish to pose to Mr. Duvall based on his testimony,  
14 rather than on this particular exhibit, that would be a  
15 permissible area of cross-examination.

16 (Exhibit No. GND-32 rejected.)

17 MS. MCDOWELL: Thank you, Your Honor. Our next  
18 objection is GND-56, which is an ICNU exhibit, let me just  
19 turn to that. So this exhibit is a response to -- a  
20 PacifiCorp response to an ICNU data request, data request  
21 28.1.

22 The attachment to the data request is a loss of  
23 load probability study. There is no adjustment in this case  
24 relating to loss of load, so we believe the document is  
25 irrelevant. We don't see any connection to the case here.

0187

1 The document is also a draft, still a work in progress, so  
2 we have some concerns about it coming into the record.

3 But our primary objection here is just that there  
4 is no issue in the case regarding loss of load, so we're  
5 concerned that it is potentially both irrelevant and could  
6 confuse the record.

7 JUDGE CLARK: Mr. Sanger.

8 MR. SANGER: ICNU is willing to withdraw the  
9 exhibit.

10 JUDGE CLARK: All right. GND-56 is withdrawn.  
11 The next one I have is GND-59.

12 (Exhibit No. GND-56 withdrawn.)

13 MS. MCDOWELL: Thank you, Your Honor. Let me just  
14 turn to that. This purports to be a proclamation by the  
15 Governor. The document is undated and unsigned. We really  
16 don't know what it is relevant to. And because it's undated  
17 and unsigned it appears to be lacking in foundation.

18 JUDGE CLARK: Mr. Sanger.

19 MR. SANGER: Your Honor, I think this is the type  
20 of document that the Commission can take official notice of.  
21 In addition, Mr. Duvall testifies about the very -- this  
22 special session. He even answered data responses about this  
23 special session, and we would like to have the opportunity  
24 to ask him questions about the special session and the date  
25 that it occurred. Information about the date in which the

0188

1 special session occurred is not included in Mr. Duvall's  
2 testimony or in responses to data requests that he answered  
3 and that we put in the record that PacifiCorp has not  
4 objected to.

5 JUDGE CLARK: All right. The objection is  
6 sustained. But you can inquire of Mr. Duvall on the topic  
7 that is addressed in his testimony.

8 (Exhibit No. GND-59 rejected.)

9 MS. MCDOWELL: I think that takes us to EDW-6. So  
10 our objection to this is basically just the fact that it is  
11 hearsay, and we don't believe it is the kind of hearsay --  
12 we understand this Commission admits hearsay, but it admits  
13 hearsay only if the document is of the type that is, you  
14 know, on its face reliable and clear as to the source, and  
15 we don't see that here. We also think that the document is  
16 immaterial and irrelevant.

17 JUDGE CLARK: Ms. Shifley.

18 MS. SHIFLEY: Thank you, Your Honor. This  
19 document is a public report from the Washington State Office  
20 of Financial Management. I think that that's a reliable  
21 source of information. It also presents data from the 2009  
22 test year calendar year which is the company's proposed test  
23 year. We've designated this for Mr. Wilson. Mr. Wilson's  
24 testimony regards the Company's compensation philosophy  
25 practices including determinations for certain labor costs

0189

1 based on market average. And this document specifically  
2 relates to what market average is in this region. And I do  
3 think that since we are determining what the appropriate  
4 revenue requirement for the Company is for its Washington  
5 operations would suggest that the Washington labor force  
6 forecast would be relevant to any testimony about labor cost  
7 for the Company in this state.

8 JUDGE CLARK: All right. The objection is  
9 overruled and the Commission will determine the appropriate  
10 weight, if any, to give to this document.

11 (Exhibit No. EDW-6 admitted.)

12 MS. MCDOWELL: Thank you, Your Honor. That takes  
13 us to really I think a series of data request responses for  
14 which we have the same objection, and without confusing  
15 things unduly I would just group the next four objections,  
16 plus our objection to EDW-21, all in the same category. We  
17 think these are irrelevant documents. There is no issue in  
18 this case as to employee appreciation expenses or travel  
19 expenses, no party has raised an adjustment on that issue.  
20 There is no testimony whatsoever on these issues.

21 So we're concerned that Public Counsel is  
22 submitting these cross-examination exhibits potentially as a  
23 basis for some adjustment they're making through  
24 cross-examination. We object on that basis. If they're not  
25 planning to do that then we think this is irrelevant.

0190

1 There's no issue that any party has raised in this case with  
2 respect to employee appreciation expenses or with respect to  
3 travel expenses. Those are the subject of EDW-8, 9, 12 and  
4 13, those all address employee appreciation expenses, EDW-21  
5 addresses travel expense.

6 JUDGE CLARK: Ms. Shifley.

7 MS. SHIFLEY: Thank you, Your Honor. I will  
8 endeavor to address the first four objections together, but  
9 some of the points on these individual documents may vary.  
10 We've designated these exhibits for Mr. Wilson. Mr. Wilson  
11 testifies about the Company's incentive programs. The  
12 responses to these data requests actually describe the types  
13 of costs that are included as portions of the Company's  
14 incentive program. They also describe these costs as  
15 necessary to reward employees for their efforts, again,  
16 suggesting that they're part of an incentive program for  
17 performance.

18 PacifiCorp did not designate a witness for  
19 these -- or did not designate a sponsor for these, so we do  
20 feel that Mr. Wilson is the most appropriate witness to  
21 designate them from since he is the one witness that  
22 addressed the incentive program.

23 And also I would just note on a more general level  
24 that PacifiCorp is seeking recovery of all of these costs in  
25 this case. And the fact that they are costs that are being

0191

1 sought recovery for makes that -- any discovery about these  
2 costs relevant to the Company's direct case.

3 JUDGE CLARK: Ms. Shifley, are you arguing that  
4 PacifiCorp's responses to these Public Counsel data requests  
5 are somehow part of the annual incentive plan portion of  
6 Public Counsel's objection?

7 MS. SHIFLEY: I do see a relevance to the  
8 Company's overall incentive policies, programs and  
9 philosophy which Mr. Wilson very generally does discuss in  
10 his testimony. He also discusses employee retention and  
11 ways to incent good employee performance. And in the data  
12 request responses the Company specifically states that these  
13 are necessary costs to do just those things which Mr. Wilson  
14 testifies very generally about.

15 JUDGE CLARK: And are you arguing that Public  
16 Counsel has proposed an adjustment that would disallow these  
17 expenses in the Company's case?

18 MS. SHIFLEY: Public Counsel did not propose  
19 through its joint witness, Greg Meyer, a specific adjustment  
20 regarding these particular costs. And we're not -- I  
21 don't -- we're not saying that we are here. I know that  
22 it's necessary for us to give notice to the Company of  
23 positions that we're going to take. But in the prehearing  
24 conference I believe that counsel for Public Counsel at that  
25 point in time did make a note that Public Counsel may

0192

1 address things at the hearing and brief that it doesn't in  
2 its -- in any prefiled testimony.

3 JUDGE CLARK: All right. Ms. McDowell.

4 MS. MCDOWELL: I don't recall that being  
5 mentioned, and certainly we wouldn't have agreed and did not  
6 agree that adjustments to the Company's case could be  
7 presented through cross-examination exhibits. So we, you  
8 know, it's still very unclear to me whether there is any  
9 adjustment related to this. If you read the testimony of  
10 Mr. Wilson, and if you read the testimony of Mr. Meyer there  
11 is no discussion on this.

12 We agree that the issues are certainly relevant  
13 for discovery, but that discovery then needs to lead to an  
14 adjustment for that matter to be a subject of this hearing  
15 today. So we don't think there's any basis for these  
16 exhibits to come into this record. We think they're  
17 irrelevant to the record that has been established today.

18 JUDGE CLARK: All right, thank you. Exhibits  
19 EDW-8, 9, 12, 13 and 21 are not received. The objection is  
20 sustained.

21 (Exhibit Nos. EDW-8, EDW-9, EDW-12,  
22 EDW-13 & EDW-21 rejected.)

23 MS. MCDOWELL: So then that I believe takes us to  
24 EDW-19 and 20. These purport to be two newspaper articles,  
25 one from the Wall Street Journal, the other appears to be an

0193

1 article from USA Today. We don't see that there's any  
2 foundation to these exhibits. We again understand the  
3 position on hearsay of this Commission but don't see that  
4 this is the kind of hearsay evidence that is appropriate to  
5 be in this record. It's not obviously relevant to the case,  
6 and we object on that basis.

7 JUDGE CLARK: Thank you. Ms. Shifley.

8 MS. SHIFLEY: This is a newspaper article from the  
9 Wall Street Journal. It specifically addresses CEO  
10 compensation which is an issue in this case. The level of  
11 compensation that Mr. Abel, PacifiCorp's CEO, receives is  
12 well within the range of the CEOs that are discussed in this  
13 article. So I do feel that it is potentially relevant in  
14 that it is of the same magnitude as the type or level of  
15 compensation that the Company seeks to request.

16 Also Mr. Wilson does testify in support of the  
17 salary and bonus increases for PacifiCorp's CEO. And I  
18 believe that this article does provide some context for the  
19 increases that Mr. Wilson is seeking here.

20 The Company also argues in favor of its wage  
21 adjustments by citing to information regarding overall  
22 salary trends. This is simply in addition to the  
23 information that the Company has presented on overall salary  
24 trends for CEOs.

25 MS. MCDOWELL: You know, I should have said in

0194

1 objecting to this that these articles really don't relate  
2 specifically to the utility industry. These are general  
3 articles about general CEOs, and the issues in this case are  
4 very specific to the utility industry, that is the relevant  
5 reference point with respect to CEO compensation. In this  
6 case the CEO compensation that the Company is seeking is  
7 \$100,000. There's not some huge CEO salary that this  
8 Company is trying to recover in this case. So we don't see  
9 the CEO salary articles relating to the general CEO,  
10 salaries in general industries are relevant to the issues in  
11 this case.

12 JUDGE CLARK: All right. The objection to EDW-19  
13 and 20 is overruled. The Commission will accept this  
14 hearsay evidence and determine the appropriate weight, if  
15 any, to be given to these documents.

16 (Exhibit Nos. EDW-19 & EDW-20  
17 admitted.)

18 MS. MCDOWELL: So I believe that takes us to  
19 WRG-14.

20 MS. SHIFLEY: Your Honor, not to interrupt, but I  
21 believe I could predict the basis for Ms. McDowell's  
22 objection to WRG-14, and we're happy to withdraw that  
23 exhibit.

24 JUDGE CLARK: All right.

25 MS. MCDOWELL: Thank you.

0195

1 JUDGE CLARK: WRG-14 is withdrawn.

2 (Exhibit No. WRG-14 withdrawn.)

3 MS. MCDOWELL: And that takes us to our last  
4 objection. Which is actually an objection to an exhibit for  
5 a Staff witness, but it involves a document relevant -- or  
6 related I should say to PacifiCorp in that it is MDF-9.  
7 It's an ICNU exhibit and it is testimony of Donn English  
8 from the Idaho Public Utility Commission in PacifiCorp's  
9 recent Idaho Public Utility Commission case. We think the  
10 testimony is irrelevant. It's testimony from an unrelated  
11 docket, a docket in the Rocky Mountain Power division in an  
12 unrelated -- there's many differences between this case and  
13 that case. And we think it's improper to put in Staff  
14 testimony from another case as a cross-examination exhibit.  
15 We just don't see that it's an appropriate way to raise  
16 adjustments or issues by putting in testimony from another  
17 staff commission and as cross-examination exhibit in this  
18 case.

19 JUDGE CLARK: Mr. Sanger.

20 MR. SANGER: Thank you, Your Honor. We believe  
21 that this information is relevant. It is in a different --  
22 it is testimony from a Staff witness in a different docket;  
23 however, the information about -- from that docket  
24 PacifiCorp has introduced information from that docket in  
25 this proceeding as cross-examination exhibits of ICNU

0196

1 witnesses. So PacifiCorp is already bringing information in  
2 from that docket.

3 It is the type of hearsay evidence that the  
4 Commission does take in these sort of proceedings. I can  
5 point to you, if you would like, Commission decisions where  
6 testimony on behalf of witnesses in other proceedings has  
7 been admitted into the proceeding.

8 I would also note that PacifiCorp has sponsored as  
9 cross-examination information witnesses from other  
10 proceedings and witnesses which are not testifying in this  
11 proceeding. So on both of those grounds it is the type of  
12 information that is generally accepted by the Commission.

13 The issues that are addressed are issues that are  
14 being testified to by witnesses in this proceeding including  
15 Mr. Meyer and including other witnesses that are addressing  
16 specific issues that are at issue, total company costs that  
17 a portion of those costs are being proposed to be allocated  
18 to Washington. So it's addressing total company issues that  
19 are relevant to this proceeding.

20 JUDGE CLARK: Mr. Trotter, the sponsor of the  
21 witness.

22 MR. TROTTER: Thank you, Your Honor. Initially we  
23 did not register an objection to this. Upon reading the  
24 document more carefully and considering the objection we  
25 will join the objection. We can't cross-examine either

0197

1 Ms. or Mr. English on the basis for the testimony. We don't  
2 know what information they relied upon for their  
3 conclusions, and the exhibit contains mostly conclusions.  
4 So ICNU has not identified the specific use of this exhibit.  
5 There are many things covered in that exhibit that are not  
6 issues in this case. So we join the objection to MDF-9.

7 MS. MCDOWELL: I just want to respond to one point  
8 that Mr. Sanger made, and that is we have brought in  
9 cross-examination exhibits from the Idaho proceeding.  
10 There's a very significant distinction. We have brought in  
11 exhibits that relate to the specific witness's testimony in  
12 another docket. That's absolutely proper cross-examination.  
13 When a witness is testifying here, has testified in another  
14 jurisdiction, it's relevant for cross-examination purposes  
15 to say, well, what did you say there? what are you saying  
16 here? Mr. English has not testified in this case. So it's  
17 a very different situation here where you're bringing in a  
18 witness's testimony here. It's not a witness from this case  
19 who has also testified in that jurisdiction. This is a  
20 witness who has not testified here and is not available to  
21 testify here. So Mr. Trotter's point is exactly right,  
22 there's no ability to check with Mr. English what he meant  
23 by these words, and it's not a proper basis for  
24 cross-examination of Mr. Foisy.

25 JUDGE CLARK: Mr. Sanger.

1           MR. SANGER: I was referring to the testimony that  
2 PacifiCorp's introduced from the Idaho proceeding to point  
3 out the issues that Mr. English testifies to are relevant,  
4 that you can use information from that proceeding.

5           I would also note that PacifiCorp has used as a  
6 cross-examination exhibit testimony from a Mark Widmer from  
7 a previous PacifiCorp proceeding who is also not available,  
8 but that is the type of information that it pertains to the  
9 issues in this proceeding, and we're not objecting to that  
10 testimony, it provides information about the issues that are  
11 in this proceeding.

12           JUDGE CLARK: Thank you. The objection is  
13 sustained. MDF-9 is not received.

14                           (Exhibit No. MDF-9 rejected.)

15           JUDGE CLARK: And I believe that concludes the  
16 objections to the admission of the exhibits; is that  
17 correct?

18           MS. MCDOWELL: That's correct, Your Honor.

19           JUDGE CLARK: All right. The remaining documents  
20 for which no objection was lodged are received.

21                           (All other exhibits admitted.)

22           JUDGE CLARK: Are there any other preliminary  
23 matters that we should address before we take a brief recess  
24 to allow the commissioners to join us? All right, then we  
25 are going to take a recess until further call. During that

0199

1 recess I would like Ms. McDowell to distribute the revised  
2 pages to Mr. Duvall's testimony; is that correct?

3 MS. MCDOWELL: That's correct.

4 JUDGE CLARK: Thank you. We're at recess until  
5 further call.

6 (Break taken from 9:43 to 9:56 a.m.)

7 (Commissioners are present.)

8 JUDGE CLARK: We are back on the record. The  
9 record should reflect that during the recess the  
10 commissioners joined us. Now present for this morning's  
11 hearing is Commissioner Philip Jones, Commissioner Patrick  
12 Oshie and Chairman Jeffrey Goltz.

13 We'll proceed with the presentation of  
14 PacifiCorp's case. Ms. McDowell, would you call your first  
15 witness, please.

16 MS. MCDOWELL: Thank you, Judge Clark, and good  
17 morning, Commissioners. Our first witness in this matter is  
18 Pat Reiten.

19 JUDGE CLARK: All right. Mr. Reiten, if you would  
20 stand, raise your right hand, please.

21 (Richard Patrick Reiten sworn on oath.)

22 MR. REITEN: I do.

23 JUDGE CLARK: Please be seated. Could you state  
24 your full name for the record please and spell your last?

25 MR. REITEN: Sure. My full name is Richard

0200

1 Patrick Reiten. Reiten is R-e-i-t-e-n.

2 JUDGE CLARK: Mr. Reiten, is that microphone on?  
3 It's sort of counterintuitive. If there's a red light it is  
4 on.

5 MR. REITEN: I think I have figured it out. Thank  
6 you.

7 JUDGE CLARK: All right. Ms. McDowell.

8 MS. MCDOWELL: Thank you, Judge Clark.

9

10 RICHARD PATRICK REITEN,  
11 having been first duly sworn  
12 on oath was examined and testified as follows:

13

14 DIRECT EXAMINATION

15 BY MS. MCDOWELL:

16 Q. Good morning, Mr. Reiten.

17 A. Good morning.

18 Q. Mr. Reiten, how are you employed?

19 A. I am the president of Pacific Power.

20 Q. In that capacity have you prepared testimony for  
21 this proceeding?

22 A. I have.

23 Q. Is that testimony your direct and rebuttal  
24 testimony in this proceeding?

25 A. Yes, it is.

0201

1 Q. Do you have any changes or corrections to that  
2 testimony?

3 A. I do not.

4 Q. If I were to ask you the questions that are set  
5 forth in your testimony today would your answers be the  
6 same?

7 A. They would be the same.

8 MS. MCDOWELL: Your Honor, this witness is ready  
9 for cross-examination.

10 JUDGE CLARK: All Right. Thank you, Ms. McDowell.  
11 And let's see, I'll start with you for cross-examination,  
12 Mr. Trotter.

13 MR. TROTTER: Thank you, Your Honor. Just note,  
14 Your Honor, I believe generally that I'll probably lead off  
15 crossing each individual witness, although ICNU has agreed  
16 to cross Mr. Duvall first if that's acceptable to the Bench?

17 JUDGE CLARK: It's certainly acceptable to the  
18 Bench as long as you remind me when we get to Mr. Duvall  
19 that that's the parties' intent.

20

21 CROSS-EXAMINATION

22 BY MR. TROTTER:

23 Q. Good morning, Mr. Reiten.

24 A. Good morning.

25 Q. You're the Company's policy witness in this case?

0202

1 A. I am.

2 Q. In its direct case PacifiCorp requested 20.88  
3 overall rate increase; is that right?

4 A. That's correct.

5 Q. And the overall increase is now 17.85 percent;  
6 correct?

7 A. That is correct.

8 Q. But within that percent, 17.85, you're seeking  
9 20.20 percent increase to residential and large general  
10 service customers?

11 A. Yes, that is correct.

12 Q. And the Company is still asking for--comparing its  
13 direct to its rebuttal--still asking for an opportunity to  
14 earn 10.6 percent on common equity?

15 A. Yes, the Company is still asking for a 10.6 ROE.

16 Q. Would it be fair to say that the economy is poor  
17 in your Washington service area with areas of high  
18 unemployment?

19 A. We have varying economic conditions across our  
20 service territory. I would say that the worst sector would  
21 be Oregon industrial, generally agricultural areas have done  
22 better overall as a general matter. But I would agree that  
23 all areas of our service territory have been impacted by the  
24 recession.

25 Q. You're not suggesting that the economy is booming

0203

1 in Eastern Washington, are you?

2 A. No, I am not.

3 Q. In this case the Company's proposing to recover  
4 salary increases for its employees; isn't that right?

5 A. Yes, that is correct.

6 Q. And given the down economy the Company has  
7 nonetheless not deferred any of its major projects, has it?

8 A. There are no major projects included in our  
9 filing.

10 Q. Has the Company deferred any projects based on  
11 economic conditions in this state?

12 A. The capital program for PacifiCorp as a whole is  
13 always under review given various sets of circumstances.  
14 Mr. Dalley can testify on the revenue requirement in this  
15 case. But, yes, constant adjustments are being made.

16 Q. Let's focus then on Exhibit RPR-3C, Company's  
17 response to Staff data request 163. And I believe the last  
18 page is -- excuse me, the last two pages are confidential,  
19 but I don't have any specific questions on them.

20 JUDGE CLARK: I just want to remind everyone that  
21 because this document is a document that's been marked  
22 confidential, if any portion of the inquiry or any portion  
23 of the answer would entail use of the confidential  
24 information it would be necessary to conduct an in camera  
25 portion of this hearing.

0204

1 MR. TROTTER: Thank you, Your Honor.

2 Q. (By Mr. Trotter) In this request Staff sought  
3 documents related to the process PacifiCorp uses for  
4 determining what projects will be undertaken and determining  
5 how the projects will be financed, and then on the third  
6 page there is a supplemental request where we asked for the  
7 documents that evidence management's capital recommendations  
8 to the board, management's recommendation for approval and  
9 so on. Do you see that?

10 A. Yes, I do.

11 Q. We didn't find anything in this document that  
12 indicated that PacifiCorp considered project deferrals. Do  
13 you find anything in that exhibit that states that?

14 A. That PacifiCorp considered project deferrals. And  
15 are you referring to the confidential table at the back or  
16 the --

17 Q. I'm referring to the entire exhibit. If you need  
18 to refer to the table to respond feel free to do so.

19 A. I would say to you that the capital expenditure  
20 summary included in this exhibit was done in the year 2008,  
21 that is an annual refresh of our ten-year plan. I do know  
22 from experience that the forecast amount listed is in fact  
23 substantially in excess of what was actually spent in the  
24 year 2010. Of course, that's outside the scope of our case  
25 here but would be an example of the fact that the management

0205

1 of PacifiCorp and Pacific Power is constantly evaluating our  
2 capital program.

3 Q. You could have a lower amount because the cost of  
4 the project was overstated at one point and more reasonably  
5 stated at another point; is that right?

6 A. I don't think that's the case as a general matter.

7 Q. So you're relying on figures on the confidential  
8 pages to suggest that the Company has been deferring  
9 projects?

10 A. I am, you know, relative again to what we have  
11 included in this case. Mr. Dalley can cover the revenue  
12 requirement specifically. I am suggesting that we do go  
13 through a rigorous capital budgeting plan, and in fact that  
14 there are examples of revisions year over year in our  
15 capital forecasts. And I am testifying that the fact that  
16 the capital program in 2010, while forecasts here at  
17 XXX XXXXXXXX was actually XXX, which is an indication that  
18 the Company does take into account changing circumstances as  
19 it reviews its capital program.

20 Q. While those changing circumstances --

21 MS. MCDOWELL: Can I just jump in? I'm sorry I  
22 was not on top of this better, but those numbers that  
23 Mr. Reiten just testified to are confidential numbers. So,  
24 Mr. Reiten, I'll just ask you, if you are going to get into  
25 numbers turn to me and then we can make the appropriate

0206

1 designation. So is it possible that these specific numbers  
2 that Mr. Reiten testified to, is it possible to designate  
3 those as confidential?

4 JUDGE CLARK: Certainly. I'll instruct the court  
5 reporter on a recess that we are to excise the actual  
6 numbers from the public transcript and that those will need  
7 to be in a separate sealed and bound transcript.

8 MS. MCDOWELL: Thank you.

9 Q. (By Mr. Trotter) Mr. Reiten, referring to page 3  
10 of the exhibit, the third bullet, we ask for documents  
11 indicating specifically what management said to the Board  
12 with respect to the financing of the projects/capital  
13 budget. Second bullet, board minutes with respect to  
14 capital budgeting process and decision making. There's no  
15 document in here that's talking about deferral of projects  
16 or whatever reason might be for a lower capital budget, be  
17 it reduced demand or whatever?

18 A. That's as a result of the fact that no such board  
19 minutes exist.

20 Q. Turn to page 6 of your direct testimony, RPR-1T.  
21 And on line 3 you characterize your filing as a "make whole"  
22 filing, do you see that?

23 A. Yes, I do.

24 Q. Isn't it true, that a make whole case refers to a  
25 case where the utility does not seek an increase in its

0207

1 profits?

2 A. What I meant by make whole in this context was  
3 that the result of our last case did not result in adequate  
4 actual earnings, and in fact we are seeking to include in  
5 this case--as Mr.Dalley can testify on the revenue  
6 requirement--items that were not included in the last  
7 settlement in order for us to be made whole from an earnings  
8 standpoint.

9 Q. So when you use the term make whole, you were not  
10 referring to a case in which the Company is not seeking an  
11 increase in its profits?

12 A. Well, the -- we viewed the last settlement  
13 holistically. Clearly the filing stands on its own in terms  
14 of what we're requesting from our return standpoint.

15 Q. Let's focus on that. It's true that the Company  
16 is seeking to increase its profits in this case over the  
17 previously authorized return levels?

18 A. The Company is seeking a 10.6 return. The  
19 settlement carried forward the return on the litigated case  
20 in '06 authorizing us a rate of return of 8.06. And the  
21 current case filing is in excess of that, yes.

22 Q. In fact, the largest part of this, the largest  
23 single cause of the rate increase in this case is due to  
24 PacifiCorp's request for increase of profit levels; correct?

25 A. I think Mr. Dalley could confirm that, but I

0208

1 believe that's correct.

2 Q. You mentioned the Company is seeking a higher  
3 return on equity. It's also seeking a higher equity ratio  
4 than previously used; correct?

5 A. The filing includes a 52.1 percent equity rate and  
6 that is based on our actual results as included in  
7 Mr. William's testimony, and that is higher than the  
8 current, yes.

9 Q. Dr. Hadaway is PacifiCorp's rate of return  
10 witness; is that correct?

11 A. Yes, he is.

12 Q. He is recommending a return on equity range of  
13 10.3 percent to 10.8 percent; is that right?

14 A. I believe that's correct. Mr. Hadaway is  
15 certainly available to testify on his recommendations.

16 Q. I'm not crossing you on the numbers, I'm crossing  
17 you on that's his range. You know that's his range or  
18 you're uncertain?

19 A. No, I believe that is his range, and the rationale  
20 for it he can certainly testify to.

21 Q. And the Company is seeking a 10.6 return on equity  
22 which is well above the 10.3 percent low end of the range,  
23 and in fact it's above the midpoint of its range; isn't it?

24 A. Well, you know, we can quibble on semantics over  
25 it's well above or not, but it is above the low point of its

0209

1 range.

2 Q. And it's above the midpoint?

3 A. Simply mathematically, yes.

4 Q. Turn to page 3 of your rebuttal testimony, RPR-2T.

5 A. I'm sorry, could restate the page?

6 Q. Page 3.

7 A. Thank you.

8 Q. And the three bullets at the bottom of the page  
9 you refer to the weighted average cost of capital in three  
10 states, Utah, Wyoming and California, you see that?

11 A. Yes, I do.

12 Q. That list is not complete, didn't you get an order  
13 from the Idaho Commission recently?

14 A. We -- Rocky Mountain, the Rocky Mountain Power  
15 platform of PacifiCorp recently received a draft order from  
16 the Idaho Commission.

17 Q. Well, with respect to Rocky Mountain Power which  
18 of the two states on lines 21 -- three states on lines 21  
19 through 23 are Rocky Mountain Power?

20 A. Utah and Wyoming.

21 Q. When you say draft order do you mean -- isn't it  
22 true that the Commission's determination on return on equity  
23 is final?

24 A. It is an interlocutory order. The rationale for  
25 which we have not yet received. We -- I was not a witness

0210

1 in that case, Mr. Hadaway was and certainly is willing to  
2 testify as to the aspects of that, but, yes, I believe the  
3 answer to your question is yes.

4 Q. And the Idaho Commission determined PacifiCorp's  
5 ROE to be 9.9 percent, let me be precise, Rocky Mountain  
6 Power, I guess, 9.9 percent with an overall rate return of  
7 7.98 percent; is that correct?

8 A. That I believe is correct.

9 MR. TROTTER: Thank you, Mr. Reiten, those are all  
10 my questions.

11 THE WITNESS: You're welcome, thank you.

12 JUDGE CLARK: Mr. Sanger.

13 MR. SANGER: Thank you, Your Honor.

14

15 CROSS-EXAMINATION

16 BY MR. SANGER:

17 Q. Good morning, Mr. Reiten.

18 A. Good morning.

19 Q. Can you tell me how many times you have testified  
20 on behalf of PacifiCorp in state regulatory proceedings?

21 A. In a contested hearing setting this is the second  
22 time.

23 Q. Thank you. And can you tell me who is the direct  
24 author of the testimony that you sponsored in this  
25 proceeding?

0211

1           A.    The testimony was put together by our regulatory  
2   group and reviewed by me.

3           Q.    But you did review it and make revisions to it?

4           A.    I did.

5           Q.    Thank you.  Now, Mr. Trotter asked you a question  
6   about the amount of PacifiCorp's current proposed increase  
7   and is that 48.5 million or 7.85 percent?

8           A.    The current requested increase on rebuttal is  
9   48.5 percent and 17.85 percent, yes.

10          Q.    And that is an over 20 percent rate increase for  
11   residential and industrial customers?

12          A.    That is correct.

13          Q.    Is that the largest proposed rate increase the  
14   Company has ever made in its Washington service territory?

15          A.    Well, I've been with the Company now about four  
16   and a half years.  So my memory does not go back very far,  
17   so I couldn't say.

18          Q.    Is it the largest that you are aware of?

19          A.    It is the -- it's the largest filing under my  
20   tenure, yes.

21          Q.    And is the Company planning on filing a general  
22   case next year or in this year in 2011 in Washington?

23          A.    I couldn't say.

24          Q.    Can you tell me when PacifiCorp was acquired by  
25   MidAmerican Energy Holdings Company?

0212

1 A. The deal went final in March of 2006.

2 Q. Do you know how many rate cases PacifiCorp has  
3 filed since its been acquired by MEHC?

4 A. I do not.

5 Q. When did you start your tenure at PacifiCorp?

6 A. My first day was September 15, 2006.

7 Q. And you're not aware of how many rate cases they  
8 filed in Washington during your tenure?

9 A. In Washington I am. Since my tenure we filed and  
10 settled a case in 2009 and now have filed this case.

11 Q. So your testimony would be there has been two  
12 cases?

13 A. If I remember correctly that is -- actually let me  
14 think about that. We did settle the 200- -- we did fully  
15 litigate the 2006 case in which I testified. Then we  
16 settled another case in 2009, and now have filed this, so I  
17 guess that would be three.

18 Q. Are you aware that the Company filed a general  
19 rate case in 2008 in Washington?

20 A. Perhaps I am forgetting.

21 Q. That's all right, I can move on, Mr. Reiten.

22 A. Thank you.

23 Q. In those rate cases that the Company filed did the  
24 Company file double digit rate increases in each of those  
25 rate increases?

0213

1           A.    I cannot remember right now what it was we filed  
2   for, so I wouldn't be able to answer that.

3           Q.    Okay.  In your rebuttal testimony you discuss some  
4   adjustments that the Company made that were sponsored by  
5   other witnesses; is that correct?

6                    JUDGE CLARK:  You're referring to RPR-2T,  
7   Mr. Sanger?

8                    MR. SANGER:  Yes.

9           Q.    (By Mr. Sanger) In RPR-2T it starts with the  
10   summary of PacifiCorp rebuttal filing, starting at lines 11  
11   through 16.

12           A.    I'm not sure that I have that.  RPR-2T, page?

13           Q.    Page 1.

14           A.    Oh, page 1, I'm sorry, I do.  And the line is?

15           Q.    Well, starting at line 10 is the summary of the  
16   rebuttal filing, and starting at lines 11 and 12 you discuss  
17   adjustments that PacifiCorp made in response to other  
18   parties?

19           A.    Yes.

20           Q.    Is it correct that these revenue requirement  
21   adjustments were proposed by ICNU, Staff and Public Counsel?

22           A.    I believe some of the adjustments were.  Would  
23   though defer, depending on whether they were net power costs  
24   or -- I would assume that they were made by those two  
25   entities, though depending on the subject would defer to the

0214

1 expert witness.

2 Q. Okay. Are you aware if Wal-Mart made any revenue  
3 requirement adjustments in this case?

4 A. I am not specifically aware of whether Wal-Mart  
5 made any revenue requirement adjustment requests in this  
6 case.

7 Q. Okay. Are you aware of whether there were any  
8 revenue requirement adjustments that PacifiCorp agreed to  
9 that were only proposed by ICNU and Public Counsel but were  
10 not proposed by Staff?

11 A. You know, I'm not aware of who proposed which  
12 revenue requirement adjustment specifically. Generally I  
13 have an idea of which that we accepted resulting in the  
14 \$8.2 million reduction in our case.

15 Q. Then I will move on, Mr. Reiten. My next question  
16 is do you remember what PacifiCorp's original proposed rate  
17 increase for Schedule 48, industrial customers on Schedule  
18 48 was?

19 A. I believe that the Company in its original filing  
20 filed a comment amongst the customer classes rate increases  
21 which would be 20.88.

22 Q. And how much lower is the -- after accepting  
23 adjustments from other parties how much lower is the  
24 industrial customer rate increase now?

25 A. The -- on rebuttal the proposed adjustment to

0215

1 industrial customers is 20.20 percent.

2 Q. Do you know why the industrial customer increase  
3 is -- hasn't changed significantly?

4 A. Well, as a general matter the rate spread is  
5 determined based on a sense of equity and cost of service  
6 analysis. But on the specifics I would defer to our expert  
7 witness in that regard who I believe is Mr. Griffith.

8 Q. Okay. I would like to ask you some questions  
9 about the impact of this rate increase on customers. Do you  
10 know how many customers PacifiCorp has in Washington state?

11 A. On a general matter approximately 125,000.

12 Q. Would you accept, subject to check, that the  
13 Company's application in the case said it was 131,000?

14 A. Subject to check I would.

15 Q. What are the main counties that PacifiCorp  
16 provides electric service in Washington?

17 A. Walla Walla and Yakima would be the main counties.

18 Q. Which of those counties is larger than the other  
19 one?

20 A. Our service territory in Yakima would be larger.

21 Q. Do you know what the unemployment rate is in  
22 Yakima County now?

23 A. I do not know specifically.

24 Q. Would you have an estimate?

25 A. The last time I checked during a customer visit

0216

1       there it was about a percentage point below the State  
2       average, the State average runs somewhere in the nine five,  
3       nine six range, so I would say it was somewhere perhaps in  
4       the mid eight range, but certainly that could have been  
5       sometime ago.

6           Q.    When was that that you checked?

7           A.    It would be hard for me to say.

8           Q.    But you believe at least within what? the last  
9       maybe six months that it was lower than the State average?

10          A.    Yes.

11          Q.    And likely in the single digits?

12          A.    Yes.

13          Q.    Do you think that a 20 percent industrial customer  
14       rate increase can impact the unemployment rate in  
15       PacifiCorp's service territory?

16          A.    It would be hard for me to generalize.

17          Q.    Could you please turn to your direct testimony at  
18       page 5 which has been marked RPR-1T?

19          A.    That again is page 5?

20          Q.    Yes.

21          A.    On direct?

22          Q.    Yes, on direct. Does this portion of your  
23       testimony summarize the steps that PacifiCorp has taken to  
24       control its costs and mitigate the rate increase request?

25          A.    Which line specifically?

0217

1 Q. Well, starting at line 3 through the rest of the  
2 entire page.

3 A. Yes, it is.

4 Q. Has PacifiCorp implemented any travel bans or  
5 restrictions in light of the current economy?

6 A. Well, we have as a general management matter  
7 managed prudently and, you know, attempted to make sure, as  
8 always, that any travel is as prudently incurred. I think  
9 the broader point is that we've managed the overall  
10 operations and maintenance, the A&G costs at a level that  
11 has been essentially flat since 2005, and in this case is  
12 actually about \$200,000 below the prior case filing.

13 Q. But have you implemented any travel bans in light  
14 of the current economy?

15 A. We have not implemented any blanket bans, no,  
16 which would be imprudent given the size of our service  
17 territory.

18 Q. Now, does your testimony state that PacifiCorp has  
19 increased it's Washington-allocated net plant in service by  
20 approximately 44 million since the Company's 2009 rate case?

21 A. That's correct, subject to Mr. Dalley's testimony  
22 who is our cost of revenue requirement witness.

23 Q. If you turn to page 4 I found those numbers in  
24 your testimony on page 4, lines 11 through 13, your direct  
25 testimony?

0218

1 A. Yep, that is correct.

2 Q. Now, Mr. Trotter asked you some questions about  
3 deferring costs, you remember those questions, Mr. Reiten?

4 A. I do, I think they were specifically related to  
5 major capital items, if I recall.

6 Q. Can you tell me in a dollar figure how much  
7 capital the Company has decided to defer because of the  
8 current economy?

9 A. Off the top of my head I cannot. I would suggest  
10 though again that that might be a good subject for either  
11 Mr. Dalley, our revenue requirement expert, or our CFO who  
12 testifies later in the proceeding, Mr. Stuver.

13 I can tell you as a general matter as an overall  
14 CAPEX number for 2010, which is again outside the test  
15 period here, the forecasted XXX was reduced to an overall  
16 corporate number of XXX XXXXXXXX.

17 Q. Were those numbers confidential?

18 A. I'm sorry, I did that again.

19 MS. MCDOWELL: I'm sorry, those are confidential  
20 numbers, and I didn't jump in quickly enough.

21 THE WITNESS: My apologies.

22 JUDGE CLARK: Again, the court reporter will be  
23 advised during the recess that the specific numbers that are  
24 in this document, the confidential exhibit, I believe it was  
25 RPR-3C, will be excluded from the public transcript.

0219

1 THE WITNESS: Thank you, Your Honor.

2 JUDGE CLARK: That's two.

3 Q. (By Mr. Sanger) But talking about the capital  
4 programs--the Company has requested recovery in this  
5 case--you do not have a specific number that the Company has  
6 deferred because of the economy?

7 A. No, I would ask that you ask the previously  
8 identified expert witnesses and point out that we seek to  
9 recover no major capital items in the case in the filing.

10 Q. Now, Mr. Trotter asked you some questions about  
11 your testimony about the under-recovery of historic costs,  
12 do you remember those questions?

13 A. I do.

14 Q. You address that issue on your testimony, your  
15 rebuttal testimony at page 4; is that correct?

16 JUDGE CLARK: That's RPR-2T?

17 MR. SANGER: Yes.

18 A. Which lines are you referring to?

19 Q. (By Mr. Sanger) I'm sorry, I designated the wrong  
20 exhibit, that is RPR-1T, that is your direct testimony. Has  
21 the Company made a pro forma adjustment to the test period  
22 in this case to increase it's rates to account for this  
23 alleged revenue deficiency in foregone higher base rate  
24 increases?

25 A. As included in the testimony of Mr. Dalley the

0220

1 answer is yes.

2 Q. In previous proceedings in Washington has  
3 PacifiCorp, or previous general rate proceedings, has  
4 PacifiCorp ever been allowed to increase its rates by the  
5 full amount of its initial proposal in any state general  
6 rate case?

7 A. To my knowledge the answer is no.

8 Q. Now, did the Company's last rates, how were those  
9 increased in the Company's last rate case?

10 A. How were they increased?

11 Q. Yeah, was it the result of a contested case  
12 proceeding or a settlement?

13 A. It was a result of a settlement.

14 Q. Do you recollect how much rates were increased  
15 pursuant to the settlement?

16 A. They were -- let me see if I have the exact  
17 numbers. I believe that's in testimony, but I don't have it  
18 at hand right off the top of my head.

19 Q. Would you accept, subject to check, that it was  
20 \$13.5 million?

21 A. Yes, I would.

22 Q. Did the Company agree that that rate increase  
23 would provide it with sufficient revenues?

24 A. Well, I think the result of the rate increase is  
25 that it has not, as Mr. Dalley testifies, the ROE in the

0221

1 test period is 3.1 percent. Certainly you settle on a  
2 variety of factors, and there were some significant ones in  
3 that case, not the least of which was the deferral of the  
4 Chehalis project, as well as inclusion of our Marengo II  
5 wind project, but the result of the cases resulted in  
6 under-recovery compared to the allowed.

7 Q. But at the time the Company agreed to the  
8 settlement did the Company agree that the 13.5 million  
9 increase would provide it with sufficient revenues?

10 A. The Company agreed on, again, a combination of  
11 factors and exposures. And I would not stipulate that the  
12 Company agreed that it would make whole in terms of allowing  
13 us to reach the authorized return, and in fact that has not  
14 happened.

15 Q. Can I refer you to ICNU cross-exhibit which is  
16 RPR-10 at page 10, it is a copy of the settlement in the  
17 last PacifiCorp rate case. You don't have to read it in the  
18 record, but can you read the first sentence on the top of  
19 page 10?

20 A. On the top of page 10?

21 Q. Of Exhibit No. 10.

22 MS. MCDOWELL: You're referring to RPR-10?

23 MR. SANGER: Yes, RPR-10.

24 Q. (By Mr. Sanger) It's an ICNU cross-examination  
25 exhibit, it's a copy of the settlement stipulation in the

0222

1 last PacifiCorp rate case, and Exhibit 10 at page 10. "The  
2 Parties agree that this Stipulation is in the public  
3 interest and would produce rates for the Company that are  
4 fair, just, reasonable and sufficient." Did the Company  
5 provide the Commission with any information at that time  
6 that the rates would not be sufficient?

7 A. I'm not aware of -- I don't know the answer to  
8 your question.

9 Q. I would like to ask you a question about the  
10 renewable energy credits that were included in the  
11 stipulation in the last PacifiCorp general rate case. Do  
12 you know how much revenues from the sale of renewable energy  
13 credits were assumed to be included in rates under the  
14 stipulation in the last PacifiCorp general rate case?

15 A. I believe in general the level was set in the  
16 \$650,000 range but am not entirely sure. As you may know  
17 REC sales and resulting revenues are overseen under the  
18 PacifiCorp Energy platform of PacifiCorp. And so I hate to  
19 go too far into the details myself because I don't receive  
20 those reports or otherwise oversee them. Fortunately  
21 though, we do have Mr. Duvall here as an expert witness who  
22 is prepared to do that.

23 Q. But you are the overall policy witness and  
24 responsible for whether the Company enters into a  
25 stipulation; correct?

0223

1           A.    I make the decision in terms of whether or not the  
2    Company enters into a stipulation in conjunction with the  
3    CEO of PacifiCorp who also oversees PacifiCorp Energy.

4           Q.    Okay.  I won't ask you any questions given what  
5    you just said about the PacifiCorp REC reports specifically,  
6    but do you know whether the Company has earned more REC  
7    revenues than was assumed in the last PacifiCorp  
8    stipulation?

9           A.    Again, I don't have much specific knowledge of the  
10   actual REC revenues, but the Company certainly wants to be  
11   forthcoming.  Mr. Duvall is prepared to answer on the  
12   specifics.

13          Q.    Do I take it you do not know?

14          A.    I don't know what our actual REC revenues were.

15          Q.    I'm not asking what your actual REC revenues were,  
16   I'm asking do you believe they were larger than the 650,000  
17   that was assumed in the stipulation?

18          A.    Again, I defer that to Mr. Duvall.

19                MR. SANGER:  Thank you.  Mr. Trotter asked my  
20   other questions so I have no further questions at this time.

21                JUDGE CLARK:  Ms. Shifley.

22                MS. SHIFLEY:  Thank you, Your Honor.  Given the  
23   cross-examination by other parties we'll waive our cross of  
24   Mr. Reiten.

25                JUDGE CLARK:  Thank you.  Mr. Purdy.

0224

1 MR. PURDY: Yes, thank you.

2

3 CROSS-EXAMINATION

4 BY MR. PURDY:

5 Q. Good morning, Mr. Reiten.

6 A. Good morning.

7 Q. I just want to ask you a few brief questions that  
8 deal strictly with your company from a managerial philosophy  
9 standpoint. If I get into technical data you're  
10 uncomfortable with please let me know.

11 A. Thank you.

12 Q. Do you -- have you read Mr. Schooley's testimonies  
13 in this proceeding?

14 A. I have not.

15 Q. Okay. Are you at all familiar with your company's  
16 level of bill assistance funding in comparison to Puget  
17 Sound -- excuse me, Puget Electric and Avista?

18 A. In a very general way but not specifically, though  
19 we do have Ms. Eberle here to testify on that on its  
20 specifics.

21 Q. Thank you. Do you know of those three utilities  
22 your company is at the lowest level of bill assistance  
23 funding?

24 A. I believe that that is in fact correct. I would  
25 also, I guess, point out that compared with other IOUs

0225

1 serving Washington state our residential rates are also  
2 substantially lower and in fact amongst the lowest in the  
3 country.

4 Q. Okay. Is there anything about your company  
5 compared to PSE or Avista that would justify it being the  
6 lowest in terms of bill assistance funding?

7 A. Well, I guess I just stated one potential reason  
8 which would be the fact that our residential rates, the last  
9 time I checked Edison Electric data, we're in the top three  
10 in terms of being low in the country.

11 Q. Do you perceive that your company's bill  
12 assistance program offers any benefits that can be  
13 characterized as system-wide?

14 A. I'm not sure what you mean by system-wide.

15 Q. Well, let me throw some examples at you. By  
16 helping those customers, low-income customers who are at,  
17 let's say, the margin of their ability to pay their utility  
18 bills every month, are there benefits related to keeping  
19 them as customers to improving -- to keeping them more  
20 timely on their payments, improving your cash flow, reducing  
21 your bad debt writeoff, things of that nature?

22 A. Well, certainly in addition to the low-income bill  
23 assistance program, you know, it has been interesting to see  
24 over the last couple of years we've seen actually flat to  
25 declining disconnects, and some of that is due to a program

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1 of proactively calling them, using outbound calling  
2 processes out of our call center. Those have been very,  
3 very good results in terms of creating opportunities to  
4 interact with customers to avoid disconnects. I'm not sure  
5 whether that's responsive to your question or not.

6 Q. My question is do you attribute any of that to the  
7 bill assistance program itself?

8 A. The bill assistance program is certainly a  
9 positive program for our customers. There's no question  
10 about it. And there is demonstrative need in terms of the  
11 economy certainly, and Ms. Eberle is here to testify as to  
12 that, but, you know, we definitely see it as a good thing.

13 Q. All right. Are you at all familiar with the  
14 actual day-to-day implementation of the bill assistance  
15 program?

16 A. I am somewhat removed from that so I would say no.

17 Q. So you don't have any idea of the tasks performed  
18 by those agencies that are responsible for administering the  
19 program or what it costs them to administer the program?

20 A. No, I do not. I do know that we interact with  
21 them regularly on matters of program design. But in terms  
22 of my personal knowledge of those tasks I couldn't testify  
23 to that.

24 Q. Is it fair to say though that they have a job to  
25 do in terms of administering bill assistance?

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1 A. No question about it.

2 Q. And just again strictly from a managerial  
3 philosophical standpoint it's important to provide them with  
4 the adequate tools and resources to perform that task or  
5 job, is it not?

6 A. Yes. And certainly the extent to which is a  
7 policy call on the Commission's basis, but we do support the  
8 work of the action agencies and think they have an important  
9 job to do here in the State.

10 MR. PURDY: Thank you. That's all I have.

11 Thanks.

12 JUDGE CLARK: All right. Ms. McDowell, before I  
13 return to you for redirect we're going to see if the  
14 commissioners have any inquiry. Commissioner Jones.

15

16 CROSS-EXAMINATION

17 BY MR. JONES:

18 Q. I'll keep this short, Mr. Reiten. Since it did  
19 come up on cross-examination, you did mentioned -- and it's  
20 on page 2 of your rebuttal, the Oregon, all-party  
21 stipulations where you wrote that it resulted in a combined  
22 overall average increase of approximately 14.3 percent.  
23 Were you involved in that case in terms of overseeing it?

24 A. I was.

25 Q. Can you briefly describe the major elements that

0228

1 led to that, what I would describe as cost drivers in that  
2 case?

3 A. Sure. The overall result that's quoted here of  
4 14.3 is a combination of the general rate case outcome, and  
5 in Oregon we have a power cost tracker called the transition  
6 adjustment mechanism. So certainly -- I'm trying to  
7 remember the exact split, but a fair portion of that was an  
8 updating for market curves and contracts and fuel supply  
9 costs. I think significantly there were some major capital  
10 additions and notably the completed populous to terminal  
11 transmission segment was included as a major capital item in  
12 that case.

13 Q. All right. And you stated on the record that you  
14 think your retail rates are the lowest of any in the country  
15 based on the EEI surveys. What would be your estimate with  
16 this increase in the state of Oregon about what your average  
17 retail rates might be after this, do you have any idea?

18 A. It's an excellent question, and the data that I'm  
19 quoting I actually have here is the 12 months ending  
20 6-30-2010 where we are the third lowest on residential. In  
21 terms of the impact of this rate increase on our rates  
22 relative to other utilities it's very, very hard to guess  
23 what that might be because other utilities certainly are in  
24 proceedings themselves, and I don't have a good sense of the  
25 magnitude of those on average.

0229

1 Q. And, finally, these rates became effective this  
2 month; correct?

3 A. I'm sorry, which?

4 Q. The Oregon increase.

5 A. Yes.

6 Q. On January 1st?

7 A. In fact both the Oregon general rate case and  
8 transition adjustment mechanism as well as the California  
9 general rate case and energy cost adjustment clause both  
10 went into effect January 1st of 2011.

11 Q. And have you noticed any reaction to the price  
12 increase thus far from any customer class in terms of  
13 reduced usage? Obviously I think you said you're sensitive  
14 to the needs of customers in tough economic times, and  
15 Oregon's unemployment rate is higher than Washington's;  
16 correct?

17 A. It is.

18 Q. So you are sensitive to the needs of your  
19 customers in terms of elasticity in terms of prices going up  
20 and perhaps reducing demand. What has been the response  
21 you've noticed so far?

22 A. It is -- you ask a very good question. I do not  
23 have--since the rates just went into effect--any data on the  
24 demand response of those pricing changes. It might be an  
25 interesting question to ask Mr. Duvall as a result of his

0230

1 work overseeing the load forecasting. I would comment, you  
2 know, PacifiCorp as a whole in the three states have had  
3 weather normalized real load loss from '08 through 2010.  
4 Again, if you look at the worst customer segment it would be  
5 Oregon industrial which are I think over 24 percent down.

6 So we've tried to minimize the impact of net power  
7 increases and new capital additions where they're subject to  
8 those cases by managing the expenses out of our business  
9 very, very carefully. And I mentioned in response to an  
10 earlier question we've held our operations maintenance, A&G  
11 flat at '05 run rates. An interesting diagnostic for me as  
12 a manager is this case which has about \$200,000 fewer  
13 operations maintenance, A&G costs submitted compared to the  
14 last case, and so we have clearly had some success  
15 offsetting increases in labor and material costs through  
16 other efficiencies. But we're attempting in these times to  
17 manage our company very, very conservatively given those  
18 factors. Not that we shouldn't always.

19 MR. JONES: Thank you.

20 JUDGE CLARK: Commissioner Oshie.

21 MR. OSHIE: No questions.

22 JUDGE CLARK: Chairman Goltz.

23 MR. GOLTZ: Thank you.

24 ///

25 ///

0231

CROSS-EXAMINATION

1

2 BY MR. GOLTZ:

3 Q. Mr. Reiten, just referring to your direct  
4 testimony Exhibit 1T on page 5, several people have referred  
5 you to regarding, I guess, you say it the cost-cutting or  
6 cost pudency efforts by the Company, and you mentioned  
7 several times that your O&M and A&G costs combined are  
8 \$200,000 less than that which was in the 2009 rate case. Is  
9 that allocated to Washington or is that system-wide?

10 A. The 200,000 is allocated to Washington, yes.

11 Q. And then am I correct, I gather on lines 15  
12 through 22 where you're describing how the economic  
13 challenges facing many of your customers, and then the  
14 Company's response to that, I sense that basically you're  
15 saying you are cutting costs in response to the overall  
16 economic situation as are many other businesses?

17 A. Absolutely. We're looking for efficiencies  
18 everywhere we can. We've challenged our teams to be  
19 aggressive there and to -- with the obvious goal of  
20 minimizing rate impact.

21 Q. And I mean I know it's not a perfect analogy to  
22 state Washington state government, but I know there's a lot  
23 of cutting going on in state government as well, but the  
24 idea that in better times some of that -- it would be  
25 different if it was better times.

0232

1           So my question is are you implying that there are  
2 some things you did not ask for in this rate case that you  
3 would have asked for had we been in better times?

4           A.    As a general management measure we have attempted  
5 to achieve efficiencies that are sustainable.  And, you  
6 know, while we certainly have attempted to hold labor costs  
7 down consistent with, you know, the market and the cost of  
8 inflation, and I think a good example is that last year, you  
9 know, nobody at the higher levels of the Company, me  
10 included, got a merit increase, we were all at zero.  In  
11 normal times you would seek to adjust some cost consistent  
12 with growth in customer numbers and loads served.  But we  
13 have not done that, we have managed flat to '05 run rates.  
14 And my hope as a manager is again that those things are  
15 sustainable and we will find other ways to minimize any  
16 future increase in operations, maintenance, A&G certainly  
17 that that's the responsible thing to do, whether it's in  
18 this period or any other.

19           Q.    So I guess what I'm wondering, what assurance can  
20 we give to ratepayers, or can we, that the rate increase  
21 requested is less than it otherwise would have been if we  
22 were in better economic times?  How do I know that?

23           A.    In my role as president of the company I have a  
24 pretty broad purview to talk to lots of customers.  And what  
25 I'm finding in talking to businesses that we interact with

0233

1 is absorbing all labor and materials and other costs flat at  
2 '05 run rates is fairly extraordinary amongst other  
3 companies. Our goal is to show that we're managing our  
4 business as efficiently as the customers that we serve, that  
5 as a management ethic. So on its face the fact that the  
6 case is 200,000 below in those areas as our previous  
7 submission filing in the last case is evidence that those  
8 efforts are working. And on a going forward basis, you  
9 know, the proof will certainly be in future filings but the  
10 intention from the management team is squarely towards  
11 managing those costs very, very conservatively.

12 Q. Thank you. I'm sure your words of the proof in  
13 future filings will come back in some future filings.

14 A. We, as always, will have to justify our costs.

15 MR. GOLTZ: Thank you, I have nothing further.

16 THE WITNESS: Thank you.

17 JUDGE CLARK: Redirect, Ms. McDowell.

18 MR. SANGER: Your Honor.

19 JUDGE CLARK: Mr. Sanger.

20 MR. SANGER: Based on the questions by  
21 Commissioner Jones I had a couple of clarifying questions  
22 for Mr. Reiten.

23 JUDGE CLARK: I am going to strictly limit any  
24 additional cross-examination. You will need to refer to  
25 Commissioner Jones' inquiry in your question.

0234

1 MR. SANGER: Okay. Thank you, Your Honor.

2

3 RE CROSS-EXAMINATION

4 BY MR. SANGER:

5 Q. You testified first in response to a question from  
6 Mr. Purdy that your residential rates were in the top three  
7 of the Edison Electric Institute study; is that correct?

8 A. Yes, and by that I mean the third lowest.

9 Q. Correct. And then Mr. Jones asked you some  
10 further questions about that, but his questions were not  
11 directed specifically to residential customers, and I  
12 believe you also responded they were in the top third. Is  
13 that correct that your average rates or your industrial  
14 rates are also in the top third or is it just the  
15 residential rates that are in the top third?

16 A. I testified that the residential rate was the  
17 third lowest in the most recent EEI survey.

18 Q. Okay. And do you know where your average rates or  
19 your industrial rates are in that same survey?

20 A. I do not specifically.

21 MR. SANGER: Thank you.

22 JUDGE CLARK: Redirect?

23 MS. MCDOWELL: No redirect, thank you.

24 JUDGE CLARK: All right. Thank you for your  
25 testimony, Mr. Reiten.

0235

1 THE WITNESS: Thank you, Your Honor.

2 JUDGE CLARK: Is there any objection to this  
3 witness being excused? Hearing none you're excused. Why  
4 don't we take a moment off record to allow Mr. Reiten to  
5 clear the witness stand and allow the next witness to set  
6 up. We'll be off the record.

7 (Brief break taken off the record.)

8 JUDGE CLARK: All right. We're back on the  
9 record. Ms. McDowell, would you call your next witness  
10 please?

11 MS. MCDOWELL: The Company's next witness is  
12 Dr. Samuel Hadaway.

13 JUDGE CLARK: Thank you. Dr. Hadaway, if you  
14 would raise your right hand, please.

15 (Samuel C. Hadaway sworn on oath.)

16 MR. HADAWAY: I do.

17 JUDGE CLARK: Thank you, please be seated. Could  
18 you state your full name for the record please and spell  
19 your last.

20 MR. HADAWAY: Samuel C. Hadaway, H-a-d-a-w-a-y.

21 JUDGE CLARK: Thank you, Dr. Hadaway.

22 Ms. McDowell.

23 ///

24 ///

25 ///

0236

1                               SAMUEL C. HADAWAY,  
2                               having been first duly sworn  
3                               on oath was examined and testified as follows:

4  
5                               DIRECT EXAMINATION

6 BY MS. MCDOWELL:

7               Q.    Dr. Hadaway, do you have any changes or  
8                    corrections to your prefiled direct or rebuttal testimony?

9               A.    No.

10               MS. MCDOWELL: This witness is available for  
11               cross-examination.

12               JUDGE CLARK: Thank you. Mr. Trotter.

13

14                               CROSS-EXAMINATION

15 BY MR. TROTTER:

16               Q.    Welcome back, Dr. Hadaway.

17               A.    Thank you, Mr. Trotter.

18               Q.    My name is Don Trotter, counsel for UTC Staff.

19               And you're the Company's witness on the cost of equity  
20               capital for PacifiCorp; is that right?

21               A.    Yes.

22               Q.    And to estimate PacifiCorp's cost of equity you  
23               use a DCF method and a risk premium method; is that right?

24               A.    Yes.

25               Q.    You did not use the CAPM, that is Capital Asset

0237

1 Pricing Model, because in your judgment it understates  
2 return on equity; is that right?

3 A. I gave a little longer explanation than that, but  
4 that's the gist of it.

5 Q. You've never rejected use of CAPM on the basis  
6 that it overstates ROE, have you?

7 A. I would have to think about that, Mr. Trotter. I  
8 have rejected similar risk premium methods when I was much  
9 younger, many years ago when interest rates were much higher  
10 such methods were rejected. I don't remember whether the  
11 CAPM was part of that or not.

12 Q. In any event, you made a judgment call not to use  
13 it in this case; is that correct?

14 A. Yes, sir, that's right.

15 Q. In developing your cost of equity estimate you use  
16 a sample group of 22 utilities; is that right?

17 A. Yes.

18 Q. And two of those are Black Hills Corp and FPL  
19 Group; correct?

20 A. Yes, FPL Group's name has changed now, but those  
21 two are in the initial group, yes.

22 Q. Okay. Would you prefer I call it something else?

23 A. I think they're called NextEra now, just so it's  
24 not confusing.

25 Q. Okay. And in your workpapers you provided copies

0238

1 from Value Line reports for each of the 22 companies in your  
2 group?

3 A. Yes, sir.

4 Q. Isn't it true that Value Line reports for Black  
5 Hills Corp that it serves 202,000 electric customers and  
6 557,000 gas customers?

7 A. I don't have my workpapers here with me, but I'll  
8 accept that subject to check.

9 Q. Would you also accept -- maybe you know that Black  
10 Hills also has a gas exploration and production business?

11 A. Yes.

12 Q. And would you also accept, subject to check, that  
13 Value Line also reports that FPL Group or NextEra gets more  
14 than half of its corporate profits from nonregulated  
15 activities?

16 A. We looked at regulated revenues, and to be in our  
17 group those revenues had to be at least 70 percent, but I  
18 don't know about its profits.

19 Q. Would you accept what I said subject to your  
20 check?

21 A. Yes.

22 Q. Now, in very basic terms in your DCF analysis you  
23 made estimates of dividend yield and estimates of dividend  
24 growth and the sum of those gives your DCF results; correct?

25 A. In the first two models it does, in the third

0239

1 model, which is a multistage growth model, it's a little bit  
2 more complicated than that.

3 Q. But in the basic formula it's yield plus growth?

4 A. Yes, in the constant growth models, that's  
5 correct.

6 Q. And in your multistage growth analysis once you  
7 derive the growth rate resulting from that you add that to  
8 the yield?

9 A. No, the model actually goes through a spreadsheet  
10 analysis where in the first five years we use Value Line's  
11 dividend growth, in years 11 all the way out to the future  
12 then we use a constant growth. In the interim period we use  
13 sort of an extrapolation between year six, seven, eight,  
14 nine and ten between those other two growth rates.

15 Q. At the end of that analysis you come up with a  
16 single growth number, don't you?

17 A. You could extract an implied growth number in the  
18 constant growth format if you wanted to do that. I don't  
19 know what that is, Mr. Trotter.

20 Q. Could you turn to your Exhibit SCH-12, that's your  
21 rebuttal?

22 A. Yes, I'm there.

23 Q. And page 1, does that summarize the methods you  
24 used for your DCF?

25 A. Yes, it does.

0240

1 Q. So you did two versions of constant growth and one  
2 version of the multistage?

3 A. Yes, that's right.

4 Q. And in the first constant growth you used growth  
5 rates from analysts; is that right?

6 A. Yes, those are shown on the next page.

7 Q. And then in the second version you use long-term  
8 GDP growth of 6 percent?

9 A. That's right. That's shown in Exhibit SCH-12.

10 Q. Page 3?

11 A. It's actually used in this exhibit on page 3, but  
12 the derivation of the GDP growth rate is in SCH-12.

13 Q. Well, we are on Exhibit SCH-12, aren't we?

14 A. I'm sorry, I misspoke, I'm looking at the tabs  
15 here. The GDP growth rate was actually derived in my direct  
16 testimony. I said the wrong exhibit number.

17 Q. But in your second version of constant growth DCF,  
18 if we look at page 3 of SCH-12 we see that you used a GDP  
19 growth rate of 6 percent; is that right?

20 A. That's exactly right.

21 Q. And then page 4 for your multistage you show in  
22 table form, which you just discussed a minute ago, you use  
23 various factors for your one through six, and then years  
24 five through 150 you use the 6 percent GDP growth?

25 A. Yes, Mr. Trotter. And I need to correct my

0241

1 previous testimony. What I described is a three-stage model  
2 which some jurisdictions used. What we've actually used in  
3 this testimony is a two-stage model. There's absolutely no  
4 material difference in the results from the two.

5 Q. For each company in your sample group you did not  
6 consider growth and dividends per share, growth and book  
7 value per share or similar indicators of growth and  
8 dividends per share, did you?

9 A. Yes, Mr. Trotter, in years one through five we  
10 specifically used Value Line's dividend projections. So  
11 they're projected growth rates and dividends are used in  
12 years one through five.

13 Q. Aren't those actual dividends, Dr. Hadaway?

14 A. No, sir, no. That would be like for 2011, '12,  
15 '13, for the first five years of the model Value Line  
16 estimates a dividend, I believe it's three to five years  
17 out, and that's the extrapolation that I should have been  
18 talking about before when I mistakenly described the  
19 three-stage model.

20 Q. Isn't it true, if you had used 7 percent GDP  
21 growth instead of 6 percent your ROE estimate would be  
22 one percentage point higher, and conversely if you had used  
23 a 5 percent GDP growth your ROE estimate would be a full  
24 percentage point lower?

25 A. In the second of my three models that is exactly

0242

1 right. In the third model, because its a blend of GDP and  
2 dividend growth rates, that wouldn't be exactly the case.

3 Q. Would you turn to your Exhibit SC -- or which is  
4 put in through your SCH-14.

5 A. I'm sorry, Mr. Trotter, may I have just a moment?

6 Q. Sure.

7 A. I don't think I have that. (Document handed to  
8 the witness.) I'm sorry, yes, the cross-examination  
9 exhibit. I didn't understand, I have that now.

10 Q. Okay. We asked you for the support for your  
11 estimate of longterm GDP growth in your analyses and you  
12 said that's Exhibit SCH-5?

13 A. Yes, I misspoke before, that's what I meant to say  
14 when I said I had estimated it in my direct testimony, it is  
15 Exhibit SCH-5.

16 Q. You didn't revise that on rebuttal did you?

17 A. No, I did not.

18 Q. Let's turn to Exhibit SCH-5, please. Here you  
19 show actual GDP from data from 1949 through 2009; is that  
20 right?

21 A. Yes.

22 Q. And then down near the bottom you calculated 10,  
23 20, 30, 40, 50 and 60 year averages; is that right?

24 A. Yes.

25 Q. And you average those to get your 6 percent figure

0243

1 which is shown in the percent change column at the bottom?

2 A. That's right, yes, sir.

3 Q. Now, if you had weighted these decades or years  
4 differently you would have arrived at a different growth  
5 rate and GDP and thus a different growth rate in dividends;  
6 correct?

7 A. Yes. And there is an explanation for how I did it  
8 if you want that, but I could also say it later if you like.

9 Q. Go ahead.

10 A. In the bottom of this exhibit where Mr. Trotter  
11 has very correctly pointed me to six averages, the 10-year  
12 average is for the most recent 10 years, the 20-year average  
13 includes that most recent 10 years and the prior 10 years.

14 So what happens in the overall average of  
15 6 percent at the bottom is that last 10-year period gets  
16 weighted six times. And the 20-year period gets weighted  
17 five times. So it's a weighted average forecasting  
18 mechanism that's intended to reflect more recent data. And  
19 because we've had low inflation that more recent data shows  
20 lower GDP growth rates. Thank you, Mr. Trotter.

21 Q. You're welcome. Now, if you had just used the  
22 data for 10-year average, 20-year average and 30-year  
23 average you would have come up with a GDP average of under  
24 5 percent, wouldn't you?

25 A. No, I think if we used up to the 30-year average

0244

1 it would be 5.8 percent if I'm not mistaken.

2 Q. I thought you just -- for those average  
3 percentages under the percentage change column at the bottom  
4 you just averaged the six figures there to get your 6  
5 percent?

6 A. Yes.

7 Q. I'm saying if you just averaged the first three  
8 figures, the 4.2, the 4.9 and 5.8 you'd get a figure under  
9 5 percent?

10 A. Yes, I believe you would.

11 Q. Okay. And if you used -- I'd like you to turn to  
12 page 26 of your testimony, your direct, SCH-1T.

13 A. Just about there. Okay, I have that.

14 Q. And here you have a chart called Graph 1, the Dow  
15 Jones Utility Average, which you say depicts that average  
16 over the last 25 years; is that right?

17 A. Yes.

18 Q. And you refer to this chart showing volatility.  
19 Would you agree that volatility in stock prices is a measure  
20 of risk?

21 A. Yes.

22 Q. And in fact the beta element from the CAPM and  
23 also modern portfolio theory shows that the volatility in  
24 stock price is related to risk; correct?

25 A. Well, there have been many studies. That's part

0245

1 of the problem with the CAPM is that those studies haven't  
2 exactly, in some cases at all, born out that theoretical  
3 concept. But that is a basic principle in theory. But the  
4 empirical tests don't necessarily support it.

5 Q. But it's your testimony you agree that volatility  
6 in stock prices is a measure of risk; correct?

7 A. Yes.

8 Q. Now, this chart shows that the Dow Jones Utility  
9 Average dropped 50 percent between March of 2000 and March  
10 of 2002; correct?

11 A. Yes, that's right.

12 Q. And that it increased 100 percent from March 2002  
13 to March 2006; correct?

14 A. That looks about right.

15 Q. And in March 2008 the Dow Jones Utility Average  
16 was at 500 and today it's around 400 for a drop of about  
17 20 percent; is that right?

18 A. It was a little earlier for the high point, that  
19 was actually I believe in November of 2007, by March 2008  
20 the market had already come down some.

21 Q. So in terms of volatility utility shares showed  
22 greater volatility in the earlier part of this decade  
23 compared to the latter part of the decade of 2000 to 2010;  
24 correct?

25 A. No, I don't think I can agree with that,

0246

1 Mr. Trotter. The purpose of this chart is to show that sort  
2 of since the end of the '90s utility shares have been more  
3 volatile. But they have in fact been very volatile in the  
4 most recent part of the decade, of the most recent decade.

5 Q. Isn't it true, that in April of 2006 in an order  
6 issued by this Commission in a PacifiCorp rate case the  
7 Commission maintained PacifiCorp's fair rated return on  
8 equity at 10.2 percent and an equity ratio of 46 percent?

9 A. I'm not sure about the equity ratio, but 10.2 is  
10 the ROE, yes.

11 MR. TROTTER: Thank you, Dr. Hadaway. Those are  
12 all of my questions.

13 JUDGE CLARK: All right. Mr. Trotter was the only  
14 individual who indicated cross-examination for this witness.  
15 So I'll turn to commissioners first. Commissioner Jones.

16

17 CROSS-EXAMINATION

18 BY MR. JONES:

19 Q. Good morning, Dr. Hadaway.

20 A. Good morning, Commissioner Jones.

21 Q. I'm going to start with your rebuttal Exhibit  
22 SCH-8T, could you turn to page 11 of that?

23 A. Yes, sir, I have that.

24 Q. Okay. And toward the bottom of that page on lines  
25 18 through 20 you cite a Puget Sound Energy rate case; do

0247

1 you not?

2 A. Yes, sir.

3 Q. So have you had the chance to read that order  
4 maybe in its -- well, at least on the cost of capital?

5 A. I did look at the cost of capital part but not in  
6 its entirety.

7 Q. Okay. Well, if I could, this relates to the CAPM  
8 discussion, and counsel Trotter crossed you a little bit  
9 about that. But just let me read you a bit from paragraph  
10 292 of that order where we quote, "It is not unusual for  
11 experts to disagree over these key analytic elements and  
12 assumptions. The Commission has said in more than one order  
13 that it appreciates and values a variety of perspectives and  
14 analytic results because these serve to better inform the  
15 judgment it must exercise than would a single model or a  
16 single expert's opinions. We reiterate that perspective  
17 here."

18 And then the discussion piece where we made our  
19 determination we considered five ROE analytical estimates,  
20 so are you aware of that as part of the order?

21 A. Yes, sir, I am.

22 Q. And CAPM was included in that analytic estimate;  
23 correct?

24 A. I'm not sure about the weight it was given, but  
25 yes, sir, it was there.

0248

1           Q.    But was it included in the analysis and in that  
2 table?

3           A.    Yes.

4           Q.    So my question is what makes you reading that  
5 order, what makes you think that -- what is the basis for  
6 that statement you make there that says CAPM results have  
7 diminished weight?

8           A.    I'm sorry, I didn't mean to say that I thought it  
9 had diminished weight. I'm not sure from your order that I  
10 could tell exactly how much weight you did give to it.  
11 That's what I meant to say.

12          Q.    I know it's always difficult to tell from the  
13 outside looking in, but based on that statement and reading  
14 our discussion piece on cost of equity and looking at the  
15 table and the way we came to our decision, I'm just curious  
16 as to why you think we either provide diminished weight or  
17 don't give CAPM substantial consideration?

18          A.    Commissioner Jones, I'm sorry, I may have  
19 misspoken, but I didn't intend to say that this Commission  
20 gave the CAPM no weight. But from my experience around the  
21 country and in my personal knowledge of the capital asset  
22 pricing model, depending on how it's calculated it gives  
23 very, very low results that simply aren't consistent with  
24 the other models. I was not part obviously of the Puget  
25 case so I don't know the details there.

0249

1           Q.    I'll get to that in a minute.  But also in  
2    paragraph 300 we say, "Considering that the experts, other  
3    corroborating analysis, including CAPM results produce  
4    results below 10 percent," then we go on to describe the  
5    capital witnesses in that case, Mr. Parcell and Dr. Morin's  
6    DCF results.

7           A.    Yes, sir, I understand.

8           Q.    So I guess my question is why didn't you perform a  
9    CAPM analysis, Mr. Gorman, is it that difficult to perform?

10          A.    It's not at all difficult, but it is my opinion  
11    that current capital market conditions, the levels of  
12    interest rates, the levels of the market risk premium that I  
13    think the right way to do it produces results that are  
14    artificially low.  The federal government is repurchasing,  
15    it is continuing to repurchase treasury securities.  And up  
16    until just very recently, up through at least October, those  
17    securities had extremely low interest rates on them.  Now  
18    because the Chinese government and others have stopped  
19    buying as much U.S. treasury securities, and other factors,  
20    we don't know what all the factors are, but treasury rights  
21    have now moved up.

22                    But at the time I prepared this testimony, if I  
23    did the CAPM the way that I believe it should be done, and  
24    as I have done in other cases, the results that I would  
25    obtain would be somewhere between 7 and 9 percent.  And that

0250

1 doesn't pass the smell test for me.

2           As I said, there are other ways of doing the CAPM  
3 where some witnesses calculate an independent market rate of  
4 return that is higher than the historical averages, and they  
5 subtract from that the currently low treasury rates for the  
6 risk free rate and they get a much larger risk premium. For  
7 example, in this case Mr. Gorman did not do that, that's why  
8 I criticize his CAPM results. But the way that --

9           I wrote my dissertation on the capital asset  
10 pricing model back in graduate school, and the correct way  
11 that most economists use the CAPM they use probably what's  
12 called the Ibbotson data for the market risk premium, that  
13 can't reflect all the turmoil that has occurred since 2008,  
14 so the risk premium is too small. These other efforts to  
15 use an independently estimated higher level of return from  
16 the market are not consistent with a lot of the other  
17 literature about what the rate of return should be. So I  
18 personally don't think the model works right now. There are  
19 ways to use it that will get higher returns that aren't like  
20 7 to 9 percent, but that's not the way that I came up using  
21 the model, and that's not the way the textbooks mostly say  
22 the model should be used.

23           Q. But you would admit that it doesn't take that much  
24 work to compute the basic elements of a CAPM model, as you  
25 said you did your dissertation on this, it's

0251

1 straightforward; correct?

2 A. It is in the simplest sense --

3 Q. Yes.

4 A. -- to get numbers from that model --

5 Q. Right.

6 A. -- now that are anywhere consistent with the way  
7 the market is --

8 Q. I know that.

9 A. -- is not simple.

10 Q. My question is the computation of the CAPM, does  
11 it take that much time and effort?

12 A. It does not if you give me the inputs.

13 Q. Okay. So your objection to using CAPM, and you  
14 went on at some length there, was that it doesn't pass the  
15 "smell test"; correct?

16 A. I think that's the bottom line.

17 Q. So my question to you is what's reality and what's  
18 the smell because the reality of economic conditions over  
19 the last two years have been the reality; correct?

20 A. Absolutely.

21 Q. So the federal reserve has decided to open the  
22 spigot and create a lot of money in our economy; correct?

23 A. That's right.

24 Q. Has that had the effect of lowering interest  
25 rates?

0252

1 A. Dramatically, yes, sir.

2 Q. Okay. Is that reality today?

3 A. It has created an artificially low capital market  
4 for those debt securities, and they've intentionally done  
5 that because some adjustable mortgage rates are attached to  
6 those. The government has done everything it can to push  
7 the cost of money down.

8 Q. But you would admit that's the reality today?

9 A. It is the reality but it's not the reality of an  
10 ordinarily functioning competitive capital market.

11 Q. I understand that, Dr. Hadaway. How often has  
12 PacifiCorp filed for rate cases here at this Commission?

13 A. I don't know, since I have been working for them I  
14 have done at least four.

15 Q. Okay. I think it's about every 18 months. Would  
16 that be adequate in your view if you think that financial  
17 market conditions today are abnormal/unusual if they return  
18 to in your view normalcy would that be adequate time for  
19 PacifiCorp to file a case based on new conditions?

20 A. I'm sorry, would 18 months be adequate?

21 Q. Uh-huh, 12 to 18 months.

22 A. Yes, sir, I assume they could do that.

23 Q. Okay. My next questions revolve around this issue  
24 of the proxy group and the fact that PacifiCorp is now a --  
25 it's not a privately held corporation is it, it's a

0253

1 subsidiary of a publicly listed corporation; correct?

2 A. I'm not sure of the legal definitions, MidAmerican  
3 Energy Holdings Company owns PacifiCorp but beyond that I  
4 don't know all the ins and outs.

5 Q. So is the common equity traded on public markets?

6 A. PacifiCorp's is not.

7 Q. Then how is the common equity calculated, the  
8 price of common equity for PacifiCorp?

9 A. As Mr. Trotter asked me about, I used 22  
10 comparable electric utility companies to make an estimate of  
11 that.

12 Q. My question is a little more philosophical and  
13 goes back perhaps, it's a little academic, and I would like  
14 to hear your answer on this. Is that for either private  
15 equity owned companies or companies that are held by a  
16 parent company where the subsidiary is not traded, in your  
17 view does that affect the evaluation of the Company in terms  
18 of traditional DCF CAPM risk premium methods?

19 A. Those things do not enter into my estimate of the  
20 cost of equity because I specifically insulate the analysis  
21 so that it only looks at those 22 comparable companies.

22 Q. So even though the common equity is not publicly  
23 traded, and I think it's basically set by MEHC at the parent  
24 level, when they make an equity infusion into PacifiCorp,  
25 for example, how do they calculate, how would MEHC calculate

0254

1 the equity price?

2 A. I don't know.

3 Q. You don't know?

4 A. No, sir.

5 Q. Would it be based on the proxy group that you used  
6 in this case, about \$37 per share?

7 A. Oh, no, not at all. I don't think those two are  
8 related to each other.

9 Q. Okay. But in your view the selection of the proxy  
10 group is very important then, and would the fact that it's  
11 privately held and there's no stock publicly trading make  
12 the proxy group even more important because you cannot --  
13 the price of the stock is not public and it's not  
14 transparent; correct?

15 A. I agree with the last part of that. I'm not  
16 sure -- I use a comparable company approach in every case  
17 that I do, and have for many, many years, and some of those  
18 companies are publicly traded. I do not make any  
19 differentiation.

20 Q. I understand. And is it true that of the three  
21 capital witnesses in this case, yourself, Mr. Elgin and  
22 Mr. Gorman, that you and Mr. Gorman basically agree on the  
23 size and the selection of the proxy group; correct?

24 A. Yes, we use the same one.

25 Q. But as you state in your rebuttal testimony,

0255

1 SCH-8T, regarding Mr. Elgin's testimony, you adamantly  
2 disagree with his winnowing down of the proxy group to six  
3 companies and adding Avista; correct?

4 A. The six companies, not counting Avista, are also  
5 in my group. So my major disagreement with Mr. Elgin is  
6 that his group is too small. And without those other  
7 companies in there then he has numbers that are difficult to  
8 deal with, so he makes adjustments to those numbers. In a  
9 larger group any one company's problem data tends to be  
10 balanced out by high numbers balance the low numbers and  
11 vice versa.

12 Q. Could you turn to page 7 of your rebuttal  
13 testimony. I think, Mr. Trotter -- this is the Dow Jones  
14 Utility Average graph.

15 A. Yes, sir, I have that.

16 Q. I guess I'm still having an issue trying to  
17 understand your assertion here on volatility of utility  
18 stocks. And, again, everything in financial markets is  
19 relative, I think, so are you stating there that increased  
20 market volatility for utility shares causes investors--well  
21 that's what you state--to require a higher rate of return.  
22 But are you stating here that relative to the S&P 500,  
23 relative to other market industries that it's your position  
24 that both over the past ten years and into the future there  
25 will be more volatility in utility shares relative to other

0256

1 shares?

2 A. Relative to the historical average, yes, sir,  
3 that's what this graph demonstrates. If you sort of put a  
4 ruler about where it says September 1998 and look back you  
5 see a very, what appears to be a very stable performance by  
6 utility stocks. If you look at the period after that it's  
7 simply been much more volatile. That's all I'm saying with  
8 that graph.

9 Q. But is your statement referring to just the  
10 utility stocks or to the market as a whole?

11 A. The market as a whole has also been more volatile.  
12 But certainly utility stocks has simply changed in character  
13 because of the change in the nature of the industry since  
14 the late 1990s.

15 Q. No, I'm very familiar with that, Dr. Hadaway. Are  
16 you familiar with the VIX Index?

17 A. Yes.

18 Q. Is the VIX -- briefly describe the VIX Index?

19 A. It's simply an index of volatility. You can hedge  
20 volatility by taking positions in that index.

21 Q. So you didn't put anything in here, you didn't  
22 include any evidence on the VIX Index both for the utility  
23 stocks and for the broader S&P 500, what would that look  
24 like on VIX?

25 A. I know VIX was much higher back when the markets

0257

1 were as turbulent as they were really through parts of 2009.  
2 It has declined as the markets have improved, but I don't  
3 follow it closely, and I don't know what the comparison  
4 would be.

5 Q. Dr. Hadaway, haven't credit spreads returned to  
6 whether it be a comparison to treasury bonds or other  
7 A-rated utility bonds, haven't credit spreads come back to  
8 more normal levels?

9 A. Yes, they have.

10 Q. Could you turn to page 8 of your testimony?  
11 That's the next page where there's a graph on top of the Dow  
12 Jones Utility Average versus the S&P 500, are you there?

13 A. Yes.

14 Q. And on lines 5 and 6 you state, "The relatively  
15 lower prices for utility shares indicate that the cost of  
16 capital for utilities is higher"; that's your statement;  
17 correct?

18 A. Yes, sir.

19 Q. Based on your observation of the financial  
20 markets, even during the crisis since the fall of 2008, is  
21 it your conclusion that utilities have had problems,  
22 challenges getting access to equity capital in the markets?

23 A. Not companies that have sound bond ratings. I  
24 don't know that some of the companies that have less than  
25 investment grade, and they're only a few in the utility

0258

1 industry, I don't believe they tried to sell equity during  
2 that time period, so I don't know if they could have or not.

3 Q. But there aren't that many?

4 A. No, there aren't very many.

5 Q. There aren't many utilities, I should say, that  
6 have lower than investment grade ratings?

7 A. There's a brand new S&P report out, and it's  
8 4 percent of the utility industry.

9 Q. I see. That's a small number.

10 A. Yes.

11 Q. So your position is not that the utilities --  
12 here, let me preface that. Stop.

13 Have the utilities raised a good deal of  
14 substantial amount of equity capital in 2008, nine and ten?

15 A. I know they have raised a lot of capital overall,  
16 but I don't know what the split has been between debt and  
17 equity capital.

18 Q. So your position is not that the access to capital  
19 markets, specifically for equity, has been closed to  
20 utilities, it's that perhaps the terms and conditions for  
21 lower rated companies, BBB-minus or, you know, lower than  
22 PacifiCorp, that the terms might be more expensive; is that  
23 your position?

24 A. No, Mr. Jones, it's a little more than that.

25 Q. Okay.

0259

1           A.    What I'm saying here in this graph is that for all  
2   the utilities in the Dow Jones Utility Average they simply  
3   haven't seen the price recovery that the general market has  
4   seen.  At this time you can see that the S&P when this graph  
5   was done had gone up quite a lot.  The Dow Jones had gone up  
6   very little.  In fact, Graph 3 on the next page in fact  
7   shows you what those percentages are.

8                    But my point is that even though interest rates  
9   were pushed down dramatically, and we sort of hit the bottom  
10  in September and October of 2010, we have seen interest  
11  rates now move back up.  Where they are now is almost where  
12  they were when we filed this case.  But when I did my  
13  rebuttal interest rates had come down by about 75 basis  
14  points, almost three-quarters of a percent.  They've now  
15  gone back up.  We've seen that.  There were questions about  
16  the Idaho case.  That case was decided right on the record  
17  based on the trough of those interest rates.  And that is no  
18  longer the case.

19                   And the equities markets continue to reflect the  
20  difficulties for utilities.  It's just not correct that the  
21  cost of equity for utilities has gone down as precipitously  
22  as interest rates drop, particularly as we saw them back in  
23  September and October of 2010.

24           Q.    The DJUA, the Dow Jones Utility Average, is the  
25  PacifiCorp stock included in that average, Dr. Hadaway?

0260

1 A. No, sir.

2 Q. And what would be the percentage of A-rated stocks  
3 versus BBB or BBB-minus stocks in that average, do you  
4 happen to know that?

5 A. I do not.

6 Q. But your assertion is that the DJUA, this index  
7 for utility stocks adequately serves as a proxy in terms of  
8 its price for PacifiCorp in this case?

9 A. I use it to serve as a proxy for the industry  
10 generally. I don't try to use it for PacifiCorp's price  
11 because I don't use that in my analysis.

12 Q. And, finally, and I don't have the cite in front  
13 of me, but I think it's probably in your rebuttal. This is  
14 when you criticize both Mr. Elgin's and Mr. Gorman's  
15 analysis, I think you used the word "gloom and doom" or you  
16 say something to the effect that they're too pessimistic  
17 about the economic growth of the economy, do you not?

18 A. Yes, sir. That's in response to their very much  
19 lower projections of GDP growth for our country, long-term  
20 growth. I say that the much lower numbers that Mr. Gorman  
21 uses for the next five and ten years are based on a  
22 permanent inflation rate of only about 2 percent, 2.1 to 2.2  
23 percent, and many of the other government forecasts use that  
24 same thing. Even the longer term ones Mr. Elgin talks  
25 about.

0261

1           That's simply not the experience that investors  
2     have had, and it's not the experience that right now  
3     inflation in China in this mornings paper is over 5 percent.  
4     McDonald's reported yesterday that they're about to start  
5     raising their prices. And food prices and energy prices and  
6     things like that and all the money that's been created by  
7     the government's bailout policies are going to start to  
8     cause concerns where 2 percent inflation rates will be a  
9     thing of the past, just as 4 percent inflation rates that  
10    occurred some years back haven't occurred recently.

11           But something in the 3 percent range is what  
12    investors have experienced, and I think that's much more  
13    consistent then what I call the "gloom and doom" long-term  
14    outlook that's embodied in the forecasts the others have  
15    used.

16           Q.    You must be familiar with Chairman Bernanke's  
17    testimony before various congressional committees on this  
18    subject; are you not?

19           A.    Yes, sir.

20           Q.    So what is the Federal Reserve estimate both of  
21    the GDP and inflation for the rate year for 2011?

22           A.    I do know for the rate year but it's probably  
23    really low if we're talking about 12 months from now.

24           Q.    Yeah, so what would it be both for GDP or for  
25    inflation?



0263

1 that you recommended the Commission adopt, the Oregon  
2 Commission adopt?

3 A. Mr. Chairman, as I sit here I don't know exactly,  
4 I think it was 10 and three-quarters, but it may have 10.6,  
5 I don't remember.

6 Q. Is there anything in the Oregon structure that is  
7 different from the Washington structure or regulatory  
8 structure that influenced your recommendation one way or the  
9 other?

10 A. There obviously are some differences, but not that  
11 influence my recommendation, no, sir.

12 Q. So the fact that, I believe it was mentioned  
13 earlier, that Oregon has a PCA mechanism, does that  
14 influence your recommendation?

15 A. It did not influence my recommendation, but it is  
16 part of the thought process.

17 Q. A thought process that would tend to nudge your  
18 recommendation up or recommendation down?

19 A. I didn't change it at all, but in other cases --  
20 and in fact in the last case that you fully heard here you  
21 might recall that there were many recommendations that if  
22 PKM, or whatever it was called then, were adopted that the  
23 ROE should be pushed down substantially.

24 Q. Do you agree with that?

25 A. No, I don't.

0264

1 Q. Strike substantially.

2 A. Well, excuse me, I may have misspoken. No,  
3 because all the companies in my 22 company comparable group  
4 have PCAM-type mechanisms. If there is a risk reducing  
5 effect that the market can see then that is already in the  
6 ROE estimate that I have made. And since you don't have  
7 one, the flip side would be that someone might recommend a  
8 little higher number. I've seen other witnesses that have  
9 testimony like that. I have not made that recommendation  
10 and I have not changed my recommendation to reflect that.

11 Q. If we can look at your SCH-8T on page 8 where you  
12 have the graph that several people have referenced comparing  
13 the S&P 500 with the Dow Jones Utility Average?

14 A. Yes, sir, I have it.

15 Q. And the x-axis on that graph runs through  
16 March 2009 to September of 2010. Would you happen to know  
17 if you had developed this chart so the y-axis started at  
18 March 2007 what the two graphs would look like?

19 A. In March 2007 until November of 2007 both the  
20 utilities and the overall market went up. I believe I was  
21 asked to look at some of that in some data requests. I  
22 don't remember the exact percentage changes, but they did  
23 both go up.

24 Q. And then in November -- to November 2008? What  
25 was the cutoff point that you just referenced, from

0265

1 March 2007 to what?

2 A. Up to November of 2007 the markets went up. And  
3 then after that they sort of started coming back down.

4 Q. And so the point you're making with what you have  
5 included in the chart on page 8 is that the delta and the  
6 y-axis is greater more recently than it was further in the  
7 past?

8 A. No, sir. That was my point with respect to Graph  
9 1 which is on page 7. Since the late 1990s the markets have  
10 become much more volatile as Commissioner Jones asked me  
11 about. The point of this Graph 2, if I may, and Graph 3, is  
12 to show that utility stocks since the market bottomed out in  
13 March of 2009 simply haven't recovered like the rest of the  
14 market.

15 Q. In order to really make it a valid statement don't  
16 you also have to look at before the market bottomed out? In  
17 other words, as the markets were going down look at the  
18 relative performance of the S&P 500 and the Dow Jones  
19 Utility Average?

20 A. Yes, sir. As I said, in a data request I believe  
21 that Mr. Elgin asked me to do I provided that information.  
22 And the S&P did go down more than the Dow Jones Utility  
23 Average and then it has come back up a lot more.

24 Q. So if you're looking at sort of expectations over  
25 time I think am I correct in assuming that would reflect

0266

1 that the S&P 500, at least during that time period, was more  
2 volatile than the Dow Jones Utility Average?

3 A. Yes, sir, it is.

4 Q. And so your statement on lines 5 and 6 on page 8  
5 of SCH-8T, that doesn't take into account the over time  
6 lower volatility of the utility stocks proposed to the  
7 general market?

8 A. Well, it does, Mr. Chairman. And it's really  
9 Graph 3 that shows that better. But my point here with this  
10 graph is that as interest rates have sort of tumbled down  
11 many witnesses, Mr. Elgin and Mr. Gorman and others, have  
12 brought their ROE estimates down almost right with those  
13 interest rates.

14 The purpose particularly of Graph 3 on the next  
15 page is to show that utilities not only haven't recovered as  
16 much but by far, far less. Utilities' betas are about .6 to  
17 .8 depending on who develops them. But utility stocks when  
18 I prepared this Graph 3 had only recovered by about  
19 20 percent, and the overall market had recovered by almost  
20 60 percent. So that's not consistent with just a beta of .8  
21 even. It's like if utilities' betas were .2, you know, then  
22 maybe that's okay.

23 But my point is that utilities just haven't  
24 enjoyed the recovery that the overall market has. And it's  
25 not just consistent with the general differences in the

0267

1 volatility that you're asking me about, it's more than that.

2 Q. Your direct testimony, SCH-1T on page 19 you talk  
3 about the "flight to safety" in footnote 1. And I guess my  
4 question is given what you just mentioned about how during  
5 the economic downturn utility stocks performed better than  
6 the general market why wouldn't utility stocks be in effect  
7 a destination of the flight to safety as opposed to an  
8 origin of the flight to safety?

9 A. They're two things. One, utility stocks didn't  
10 provide a safe haven by any means during that time period.  
11 They did decline in price a lot from 2007 to March of 2009.  
12 But they did not decline as much as the overall market,  
13 you're absolutely right on that.

14 The flight to safety that I'm referring to here is  
15 more one of going out of equities all together into treasury  
16 bonds is typically what people think about.

17 Q. Right. But wouldn't it also be true that not all  
18 flights to safety has the destination of bonds, don't some  
19 of them go to more stable stocks as well?

20 A. Sometimes they do, yes.

21 Q. Okay. And in your analysis do you distinguish  
22 between A-rated utilities and those that aren't A-rated,  
23 those that have lower ratings?

24 A. In some of my analysis I do. I believe  
25 Commissioner Jones asked me what the percentage of the Dow

0268

1 Jones Utility Average is for those characteristics, and I  
2 just don't know. It's 68 percent. In this S&P thing that I  
3 mentioned earlier at the end of 2010, 68 percent of the  
4 stocks were triple B-rated, 28 percent were A-minus or  
5 higher and 4 percent where are double B or lower. But I  
6 don't know if that's how the Dow Jones is constituted or  
7 not.

8 Q. But would it be your opinion though that the -- if  
9 you had sort of the Dow Jones A-rated utility index and a  
10 Dow Jones triple B-rated utility index that the Dow Jones  
11 A-rated would be even less volatile than the triple B-rated?

12 A. It might be but, you know, when we're doing these  
13 cases when we do a company whose senior securities are  
14 triple B-rated we use a larger group that includes those and  
15 the DCF results are not different.

16 MR. GOLTZ: Okay. I have nothing further.

17 Thanks.

18 JUDGE CLARK: Redirect, Ms. McDowell?

19 MS. MCDOWELL: No redirect. Thank you.

20 JUDGE CLARK: Thank you for your testimony,

21 Dr. Hadaway.

22 THE WITNESS: Thank you, Judge.

23 JUDGE CLARK: Is there any objection to this  
24 witness being excused? Hearing none you're excused. This  
25 might be an appropriate time for a lunch recess. We're at

0269

1 recess until approximately 1:00.

2 (Break taken from 11:48 a.m. to  
3 1:08 p.m.)

4 JUDGE CLARK: All right. We're back on the  
5 record.

6 Ms. McDowell, would you call your next witness,  
7 please.

8 MS. MCDOWELL: Our next witness is Mr. Bruce  
9 Williams.

10 JUDGE CLARK: Mr. Williams, rise, raise your right  
11 hand, please.

12 (Bruce N. Williams sworn on oath.)

13 MR. WILLIAMS: I do.

14 JUDGE CLARK: Please be seated and state your full  
15 name and spell your last name for record, please.

16 MR. WILLIAMS: Bruce N. Williams, W-i-l-l-i-a-m-s.

17 JUDGE CLARK: Thank you. Ms. McDowell.

18 MS. MCDOWELL: Thank you, Judge Clark.

19

20 BRUCE N. WILLIAMS,

21 having been first duly sworn

22 on oath was examined and testified as follows:

23 ///

24 ///

25 ///

0270

1

DIRECT EXAMINATION

2

BY MS. MCDOWELL:

3

Q. Mr. Williams, do you have any changes or

4

corrections to your prefiled direct and rebuttal testimony

5

in the proceeding?

6

A. No, I do not.

7

MS. MCDOWELL: This witness is available for

8

cross-examination.

9

JUDGE CLARK: Thank you. Mr. Trotter.

10

MR. TROTTER: Thank you, Your Honor. First of

11

all, Your Honor, with respect to BNW-21, we reached an

12

accommodation with the Company and we are preparing the

13

exhibit because they wanted some attachments which we're

14

attaching, so that will be a while before that gets here but

15

I'm ready to proceed.

16

JUDGE CLARK: All right.

17

18

CROSS-EXAMINATION

19

BY MR. TROTTER:

20

Q. Good afternoon, Mr. Williams.

21

A. Good afternoon.

22

Q. The first topic I would like to cover with you is

23

the standard you proposed to apply for capital structure.

24

In that regard please turn to page 8 of your rebuttal,

25

BNW-17, line 13.

0271

1 JUDGE CLARK: Mr. Trotter, can you repeat the  
2 page, please?

3 MR. TROTTER: Page 8, line 13.

4 A. Okay, I'm there.

5 Q. (By Mr. Trotter) And you state on that line that  
6 "The Commission has made clear that a company's capital  
7 structure should be based upon its own capital structure,  
8 absent a clear and compelling reason to impute other data,"  
9 do you see that?

10 A. I do.

11 Q. And Pacific is proposing in this case to use it's  
12 actual capital structure which has 52.1 percent equity,  
13 47.6 percent debt and .3 percent preferred; correct?

14 A. Correct.

15 Q. Would you turn to BNW-13 in which we explore with  
16 you the basis for the testimony I just quoted?

17 A. I don't think I have them numbered the same way  
18 you do. Can you help me identify which one you're looking  
19 at?

20 Q. Your response to Staff DR 155.

21 A. Okay.

22 Q. Part A we ask for the basis for your testimony and  
23 you refer to a PSE Commission order from January of '07 and  
24 then the Commission quoted that language again in its order  
25 in April of 2010, another PSE case; is that right?

0272

1 A. Yes.

2 Q. And part C of the request asked you to list the  
3 orders that you reviewed in reaching your conclusion and  
4 list those that applied the clear and compelling analysis;  
5 correct?

6 A. Correct.

7 Q. And your answer was the two PSE orders -- I guess  
8 you're just referring to the -- oh, excuse me. Okay, you  
9 refer to another PSE order in 040641 and 040640; correct?

10 A. Yes.

11 Q. And the Commission, at least the language you  
12 quoted here, the Commission did not use the clear and  
13 compelling language, did it?

14 A. I'm not certain if that language was used in those  
15 orders or not.

16 Q. Then you refer to an Avista order in Docket 050482  
17 and 483; right?

18 A. Yes.

19 Q. There you quote, "the Commission has approved  
20 'hypothetical' equity components and capital structures in  
21 the past when there was good reason to do so," you see that?

22 A. Yes.

23 Q. And in your mind is this an example of the  
24 application of the clear and compelling analysis you  
25 referred to in your testimony?

0273

1           A.    Well, I guess I would leave that up to the  
2 Commission in their determination, but it's clear they did  
3 approve a hypothetical capital structure in certain cases.

4           Q.    Well, the DR asks you to list those orders in  
5 which the Commission applied the clear and compelling  
6 analysis and you included this Avista order in response;  
7 correct?

8           A.    Yeah, the first part of the data request C list  
9 the orders that I or PacifiCorp reviewed in reaching the  
10 conclusion, so it's included as part in that, too.

11          Q.    So you're equating "good reason" with "clear and  
12 compelling"; isn't that true?

13          A.    I guess that would be up to the Commission's  
14 interpretation and their judgment.

15          Q.    I'm asking for -- you prepared this response did  
16 you not?

17          A.    I was involved in the preparation of it, yes.

18          Q.    Look at page 2, please?

19          A.    Yes.

20          Q.    Your name is opposite the phrase preparer?

21          A.    Yes.

22          Q.    But you're not clear whether "good reason" is the  
23 same as "clear and compelling"?

24          A.    Well, they're different words.  They might mean  
25 the same thing to certain people, they might mean different

0274

1 things.

2 Q. I'm asking what they mean to you. Do they mean  
3 the same thing to you?

4 A. Depends on the context, they certainly could.

5 Q. Okay. In this context they do, don't they,  
6 because you listed it in your response to part C?

7 A. I'll agree with you.

8 Q. And then in part D we asked you to list each order  
9 in a PacifiCorp rate case where the Commission used a  
10 hypothetical capital structure and identify those that did  
11 not apply the clear and compelling analysis, do you see that  
12 part of the request?

13 A. Yes.

14 Q. And you listed Docket 050684; is that right?

15 A. Yes.

16 Q. And that's a PacifiCorp docket?

17 A. Yes, that is.

18 Q. Let's turn to the issue of short-term debt and the  
19 Company's proposal in this case to exclude short-term debt  
20 from the capital structure for ratemaking purposes; correct?

21 A. No, that's not correct.

22 Q. Just one moment, please.

23 Turn to page 3 of your direct testimony, BNW-1T.

24 A. I'm sorry what page?

25 Q. Three.

0275

1 A. Okay.

2 Q. And on lines 1 through 7 you show the Company's  
3 proposed capital structure for ratemaking purposes, correct?

4 A. Correct.

5 Q. There's no entry for short-term debt on that part  
6 of your exhibit is there?

7 A. No, but if you read below that that's because the  
8 Company doesn't expect to have any short-term debt during  
9 the period.

10 Q. Okay. So your concern was my use of the term  
11 exclude?

12 A. Yes.

13 Q. So if I said the Company's proposal in this case  
14 is not to include short-term debt in the capital structure,  
15 you would agree with that?

16 A. I might say it a little bit differently. I'd say  
17 the Company is including the amount of short-term debt it  
18 expects to have.

19 Q. And you expect to have zero?

20 A. Correct.

21 Q. Please turn to Exhibit 14C, BNW-14C.

22 A. Again, you'll have to help me.

23 Q. Your response to Staff DR 65.

24 JUDGE CLARK: Again I would like to remind  
25 everyone this is a confidential exhibit. So if there are

0276

1 inquiries related to the confidential portion of the exhibit  
2 or any answers that might lead to confidential information  
3 we need to conduct an in camera session.

4 MR. TROTTER: Yes. And, Your Honor, I am going to  
5 ask him about amounts on these pages. It's my understanding  
6 that the amounts I'm going to ask him about are cumulative  
7 and are not confidential, but I'm going to leave that to  
8 him. If he says I can't answer that because it's  
9 confidential then I will accept that.

10 THE WITNESS: I would like to keep these  
11 confidential for competitive reasons.

12 Q. (By Mr. Trotter) Including -- I'll just ask you  
13 the question. In any event, we ask you to provide the terms  
14 of your short-term debt financing commitments; is that  
15 right?

16 A. Well, I think it is actually asking us for the  
17 cost associated with the Company's revolving credit  
18 agreements.

19 Q. That's fine. But turn to page 2. And your total  
20 short-term debt bank commitments are under the total bank  
21 commitments column items one and two; is that right?

22 A. Yeah, and that's not confidential, we can talk  
23 about that number.

24 Q. Tell me the total there?

25 A. It's a billion, 950 million dollars.

0277

1 Q. Can you say that figure again?

2 A. I'm sorry, a billion 395 million.

3 Q. Okay. So about 1.4 billion?

4 A. Yes.

5 Q. And that's the amount of your short-term credit  
6 line?

7 A. Again, I would say it a little bit differently. I  
8 would agree that's the amount of the Company's committed  
9 revolving credit facilities which are used for purposes  
10 including short-term borrowings or supporting commercial  
11 paper borrowings.

12 Q. And in the first page of the response in part B  
13 you tell us in what accounts the costs of those credit lines  
14 are booked; is that right?

15 A. Yes.

16 Q. You hold the same position now for PacifiCorp as  
17 you held under its prior owner Scottish Power; correct?

18 A. Correct.

19 Q. And under Scottish Power ownership PacifiCorp  
20 maintained short-term debt balances in the range of  
21 4 percent of total capital; isn't that right?

22 A. I don't recall. Subject to check I'll agree with  
23 you. I don't think there was a strategy to target a certain  
24 amount of short-term debt or a percentage. It really  
25 depended on the capital investment cycle, the cash needs the

0278

1 Company had, long-term capital market conditions, things  
2 like that. So if it was 4 percent, which I'm willing to  
3 agree subject to check with you, it wasn't sort of a stated  
4 intentional strategy.

5 Q. Was PacifiCorp prudently capitalized during the  
6 Scottish Power tenure, Scottish Power ownership?

7 A. Yes. I would say at times though the capital  
8 structure put a lot of distress on the Company, certainly  
9 following the Western power crisis of 2000 and 2001, but we  
10 were able to meet all our obligations and provide service to  
11 the customers.

12 Q. When the energy crisis occurred you came to the  
13 Commission to break a rate plan, didn't you?

14 A. We sought that.

15 Q. And you got it, didn't you?

16 A. I believe we did, yes.

17 Q. Turn to exhibit --

18 A. Can I clarify that. We also asked that of our  
19 other state Commissions as well, so it wasn't unique to  
20 Washington. We were asking for recovery of power costs from  
21 all the states.

22 Q. Did you have to break a rate plan in any other  
23 state?

24 A. I don't believe so.

25 Q. Turn to Exhibit BNW-15 which is your response to

0279

1 Staff DR 107. And am I correct this shows the short-term  
2 debt balances for PacifiCorp since its ownership by MEHC?

3 A. Yeah, through March of this year; correct.

4 Q. And it shows short-term debt basically going away,  
5 would that be fair to say?

6 A. Yeah, following our issuance in January of 2009  
7 the Company didn't have any short-term debt for a period of  
8 time following that.

9 Q. That's because PacifiCorp has been receiving  
10 equity infusions from its parent MEHC; correct?

11 A. No, I don't think you can say it's solely because  
12 of that. It's because of the large debt issuance we did in  
13 January 2009 to provide certainty that we would have funds  
14 to carry out the capital projects. You have to remember  
15 January 2009 was probably right in the midst of the  
16 financial crisis. So the Company had an opportunity to  
17 issue an amount of long-term debt after a period of time, in  
18 which it looked like the markets had been closed. So we  
19 took that opportunity to make sure we had certainty of  
20 funding to provide for capital needs of the business. Now,  
21 during that period of time we also received a capital  
22 contribution I believe in 2009 it was \$125 million, put that  
23 in context the debt issuance was a billion dollars. So I  
24 don't think you can say it was solely due to capital  
25 contributions.

0280

1 Q. I didn't say solely, but if you interpreted  
2 that --

3 A. I'm sorry.

4 Q. -- that's fine. Now, throughout the period of  
5 Exhibit BNW-15 you have the short-term credit lines that we  
6 talked about previously; didn't you?

7 A. We certainly had one of them, I'm trying to  
8 remember if we had both of them during this time period, but  
9 certainly during the second half of that we've had the  
10 credit facilities that was looked at on that prior exhibit.

11 Q. Turn to page 13 of your rebuttal.

12 JUDGE CLARK: That's BNW-7T.

13 MR. JONES: What number is it?

14 JUDGE CLARK: Seven T.

15 Q. (By Mr. Trotter) Well, I think I have the wrong  
16 reference here, sorry. No, I don't, I'm sorry.

17 On page 5 and -- excuse me, page 13, lines 5 and  
18 6, you say, "The relevant issue is whether investors and  
19 creditors would choose to invest in and lend to such a  
20 company and if so, on what terms and conditions," do you see  
21 that?

22 A. Yes, I do.

23 Q. By such a company you mean a company that's triple  
24 B-rated?

25 A. No, more specifically the capital structure

0281

1 Mr. Elgin proposed 46.5, which I think in his testimony  
2 would lead to a triple B-rating for the Company.

3 Q. Okay. And over on page 10, line 5, you say,  
4 "Having a triple B-rating imposes a tremendous risk for a  
5 utility like PacifiCorp," do you see that?

6 A. Could you cite the reference again, please.

7 Q. Page 10, lines 5 to 6.

8 A. Yes.

9 Q. Would you please refer to BNW-17 which is the  
10 September 29, 2010 RatingsDirect?

11 A. September 29, 2010?

12 Q. Right.

13 A. Okay.

14 Q. On page 2 -- first of all, this is a publication  
15 by Standard and Poor's; is that correct?

16 A. I believe so.

17 Q. On page 2 in the first line it says, "Heading into  
18 the fourth quarter of 2010, 89 percent of U.S. regulated  
19 electric companies had a stable outlook; the predominance of  
20 ratings is in the triple B-category, firmly investment  
21 grade," do you see that?

22 A. I do.

23 Q. Do you believe that the predominance of electric  
24 companies in this country rated triple B do not have  
25 reasonable access to capital?

0282

1 A. Not during September 2010 but prior they did not.

2 Q. So prior to September 2010 no triple B-rated  
3 company electric utility in this country had reasonable  
4 access to capital in your opinion?

5 A. No, that's not what I'm saying. I'm saying a  
6 triple B-rating exposed the company and its customers to  
7 tremendous amount of risk. And in my rebuttal testimony I  
8 believe I have excerpts there from letters by Arizona Public  
9 Service to the Arizona Corporate Commission in which they  
10 stated during 2008, 2009, the financial crisis, they were  
11 shut out of the commercial paper markets, they likely cannot  
12 issue long-term debt at that time. That's an example of a  
13 triple B company that does have those risks and what those  
14 risks can develop into in market conditions.

15 Q. And Arizona Public Service Company has a  
16 subsidiary named Pinnacle West; does it not?

17 A. No, I believe Pinnacle West is the parent company.

18 Q. Oh, parent company, excuse me. It has substantial  
19 and regulated operations, doesn't it?

20 A. I'm not familiar with their overall business. I  
21 know that Arizona Public Service is the regulating utility  
22 company. And it is the one who wrote the letter to the  
23 Arizona Commission citing their difficulties in the  
24 short-term and the long-term debt markets.

25 Q. Let's talk about PacifiCorp, and I think we just

0283

1 did. In the height of the energy crisis when PacifiCorp had  
2 an issue it went to its Commissions to seek relief; didn't  
3 it?

4 A. In 2001, 2002, yes, we sought relief or recovery  
5 of excess power costs.

6 Q. And during the past several years the Company has  
7 been into this Commission on an almost annual basis for rate  
8 relief, hasn't it?

9 A. Yeah, I believe the discussion earlier was  
10 approximately every 18 months.

11 Q. Puget and Avista are utilities operating in this  
12 state that are rated triple B, aren't they?

13 A. I believe that's true.

14 Q. Are you suggesting that they did not have  
15 reasonable access to capital in 2008 and 2009?

16 A. I'm not all familiar with their arrangements. I  
17 can tell you that the company was able to obtain much more  
18 favorable financing in January of 2009 then Puget was able  
19 to do. And the cost of that financing as you know is borne  
20 by the customers.

21 Q. Assuming the financed was prudent?

22 A. Yes.

23 Q. Please turn to Exhibit BNW-18, the Global Credit  
24 Portal RatingsDirect for June 18, 2010.

25 A. Okay.

0284

1 Q. And on the first line Standard & Poor's ratings  
2 services asserts that regulated electric, gas and water  
3 utilities as well as holding companies with both regulated  
4 and nonregulated assets will continue to support ready  
5 access to the debt capital markets to meet their substantial  
6 financing needs, do you see that?

7 A. I do.

8 Q. I would like you to refer to your rebuttal  
9 testimony, page 12?

10 A. Okay.

11 Q. And the question asks you if you have attempted to  
12 quantify what the Company's debt costs would be had it been,  
13 well, you say downgraded, as Mr. Elgin is proposing, but  
14 what you mean is if it was triple B-rated; right?

15 A. Yes, I believe that's Mr. Elgin's testimony that  
16 his capital structure would support a triple B-rating which  
17 is lower than the Company has today.

18 Q. Okay. On line 7 you conclude from your study that  
19 the cost would increase by 88 basis points; you see that?

20 A. Yes.

21 Q. And you did not include the analysis supporting  
22 that 88 basis points in your testimony or exhibits; did you?

23 A. No, it's in my workpapers.

24 Q. And please turn to Exhibit BNW-19 which is I  
25 believe the workpaper request?

0285

1 A. Okay.

2 Q. And this is the support for the 88 basis points?

3 A. Yes, it is.

4 Q. And on line 2 you show a \$600 million tranche,  
5 t-r-a-n-c-h-e, issued by Pacific in March 2007 that had an  
6 all-in cost of 5.76 percent; correct?

7 A. Yes.

8 Q. And in the second line you show if the Company had  
9 been triple B-rated the cost would have been 5.98 percent  
10 for a difference of 22 basis points; right?

11 A. Yeah, and that's based on the triple B-rated  
12 issue, I believe in this case footnote B shows it was  
13 Pacific Gas and Electric Company, they came to market about  
14 the same time the Company issued its debt that we're talking  
15 about, yes.

16 Q. Line 3, the \$600 million issuance on October 3rd  
17 of '07, and an all-in cost of 6.32 percent compared to in  
18 the second line 3, the same issuance, 6.625, a difference of  
19 31 basis points; right?

20 A. Yeah, and that's based on Appalachian Powers  
21 issuance at that time.

22 Q. So the 88 basis point figure you derive is driven  
23 by the fact that the Company issued two tranches totaling  
24 \$1 billion, that would be on line 4 and line -- excuse me,  
25 let me correct that, the 88 basis point analysis is driven

0286

1 by the issuances on lines 6 and 7 which were made in January  
2 of '09 during the height of the financial crisis; is that  
3 right?

4 A. No. The 88 basis points is the difference of all  
5 the issuances. I wasn't trying to be selective and include  
6 some or exclude some. I showed all the issuances since the  
7 Company was acquired by MidAmerican.

8 Q. My question was whether your 88 basis points  
9 analysis was driven by the issuances on lines 6 and 7  
10 because the ones we talked about earlier had a very small  
11 spread, so in order to get to 88 basis points you would have  
12 had to have had a couple of issuances with a very large  
13 spread. I'm defining that as driven as justifying the term  
14 driven, do you understand?

15 A. I'm trying to. I guess based on just the  
16 mathematics some are going to be larger than others. The  
17 largest ones derive the average difference. So  
18 mathematically I would agree with you. But it is clearly a  
19 comparison of all the debt issuances and not just picking a  
20 few but showing what the cost would be, would have been  
21 absent the ratings that the Company -- the ratings and the  
22 issuances that the Company did obtain.

23 Q. And looking at the cost of debt column the 88  
24 basis points is the difference of the amounts on line 7, the  
25 6.031 or the 6.906; correct?

0287

1 A. I'm sorry, could you repeat that?

2 Q. Just explain on this exhibit how you got 88 basis  
3 points.

4 A. In the bottom part of the table the cost of debt  
5 is summed at 6.906, which I rounded to 6.91, subtract that  
6 number from the sum at the top part of the table under the  
7 cost of debt, 6.03 and the difference was 88 basis points.  
8 I also quantified that in dollars, and it was about  
9 \$30 million per year of higher interest cost.

10 Q. And in your calculation let's just say the 6.031,  
11 did you weight the issuances on lines 1 through 6 by the  
12 amount of the debt issue?

13 A. I believe so, yes.

14 Q. And had you not issued those issuances on  
15 January 8th of '09, on lines 6 and 7, the differential would  
16 be substantially less than 88 basis points; correct?

17 A. Well, it depends on what the Company would have  
18 done instead of that. It's kind of speculation what other  
19 actions or alternatives the Company might have taken. What  
20 I'm trying to do here is just present a factual analysis.

21 Q. Well you could have used short-term debt to bridge  
22 into better times, couldn't you?

23 A. I don't know. I mean there were times in 2008  
24 when we couldn't issue commercial paper. There was a real  
25 financial crisis going on. So it was not an easy time.

0288

1 There was a lot of distress and turmoil in the markets. I  
2 think when the company saw an opportunity to lock in  
3 long-term debt for 10 and 30 years it was a prudent thing to  
4 issue the debt and make sure we could continue the capital  
5 investments and fund the company, fund the upcoming  
6 maturities and make sure we didn't have a financial crisis  
7 of our own.

8 Q. But the fact of the matter is you didn't use any  
9 short-term debt to bridge to a better time, did you?

10 A. Well, it's hard to say when a better time was  
11 going to come. I mean you have to remember, it was a very,  
12 very difficult time. You had Lehman Brothers going out of  
13 business, you had Bear Stearns being sold, you had Fannie  
14 Mae, Freddie Mac. You had an awful lot of things going on  
15 that were unprecedented. And I'm not sure it would have  
16 been prudent to borrow short-term thinking there was going  
17 to be a better day. We didn't know if a better day was  
18 going to come or when it would come.

19 Q. So really unprecedented financial crisis by any  
20 measure; correct?

21 A. I think by most financial commentators, yes.

22 Q. In your rebuttal testimony you discuss Puget and  
23 Avista, on page 11 near the bottom you compare the cost of  
24 long-term debt of PSE with the long-term debt of PacifiCorp,  
25 but you did not make the same comparison with Avista, did

0289

1 you?

2 A. No, I did not.

3 MR. TROTTER: And, Your Honor, I now have the  
4 revised BNW-21 I could hand out at this point?

5 JUDGE CLARK: Thank you, that would be great.

6 MR. TROTTER: How many do you need, Your Honor?

7 JUDGE CLARK: One for each commissioner, then if  
8 you give me three extra for our advisory staff. Thank you.

9 MR. TROTTER: Thank you.

10 JUDGE CLARK: All right. Mr. Trotter, I'm marking  
11 for identification purposes a revised BNW-21 which is --  
12 actually, I'm not sure what it is, maybe I will let you  
13 describe it.

14 MR. TROTTER: It is basically, Your Honor, some  
15 facts the Company is willing to stipulate to, I believe they  
16 said they would not object to this exhibit based on our  
17 negotiations, so I will offer it now.

18 MS. MCDOWELL: No objection.

19 JUDGE CLARK: So I'm going to title this exhibit  
20 what Mr. Trotter?

21 MR. TROTTER: Revised -- I guess we should just  
22 say Cost of Debt Information for Avista, PSE and PacifiCorp.

23 JUDGE CLARK: All right. A three-page document  
24 entitled cost of debt information for Avista, PSE and  
25 PacifiCorp has been marked for identification as BNW-21 and

0290

1 without objection received.

2 (Exhibit No. BNW-21 admitted.)

3 Q. (By Mr. Trotter) So, Mr. Williams, on page 11 of  
4 your testimony you refer to PSE's cost of debt in its most  
5 recent rate case being 6.82 percent, and in Avista's most  
6 recent rate proceeding before the Commission Avista's  
7 embedded cost of debt was 6.08 percent; wasn't it, we're  
8 taking about long-term debt?

9 A. I don't know Avista's cost of long-term debt. I  
10 didn't put it in my testimony. I did look at it, and  
11 frankly it confused me. I couldn't understand some of the  
12 things they had -- the securities in there, so that's why I  
13 didn't put it in my testimony.

14 Q. Okay. Well, we provided the support on page 3 of  
15 the exhibit, Your Honor, line 34, Column I?

16 A. Okay, I see that.

17 Q. I'd like to turn your attention to Exhibit BNW-22  
18 which is a Consolidated Statement of Cash Flows, you have  
19 that?

20 A. Yes.

21 Q. This is a page from the company's SEC 10-K filing;  
22 is that right?

23 A. I believe it is.

24 Q. And the filing was for -- the year ended  
25 December 31, 2009, but this page also shows the consolidated

0291

1 statements of cash flows for 2007 and 2008; right?

2 A. Yes.

3 Q. And does this exhibit show how the Company managed  
4 the cash flow of its operations which includes funding its  
5 construction program?

6 A. Yeah, I think this is a good -- this is a  
7 depiction of where the Company obtained financing and how it  
8 used those funds.

9 Q. And it's up to the Company to determine how it  
10 funds its operations if it's operations cannot generate  
11 sufficient cash to cover its investing activities; correct?

12 A. I believe that's part of management's  
13 responsibilities.

14 Q. I want to focus on the part of this exhibit about  
15 two-thirds of the way down, cash flows from financing  
16 activities?

17 A. Okay.

18 Q. For 2007 the Company retired 397 million in  
19 short-term debt; is that right?

20 A. Yes.

21 Q. And that it issued 1.193 billion of long-term debt  
22 and got, the next line was a figure, 200 million in equity  
23 from MEHC; correct?

24 A. Yes.

25 Q. Then going down we see it retired or redeemed

0292

1 127 million of long-term debt or lease obligations?

2 A. Yes.

3 Q. With a net cash flow from financing activities of  
4 842 million; right?

5 A. Yes.

6 Q. And just looking at 2008 and 2009 we see an equity  
7 infusion of 450 million in '08 and 125 million in '09; is  
8 that right?

9 A. Yes.

10 Q. And looking at the first line there under cash  
11 flows from financing activities there's about 85 million in  
12 short-term debt in '08 which was retired in '09?

13 A. Yes.

14 MR. TROTTER: Those are all my questions. Thank  
15 you, Mr. Williams.

16 JUDGE CLARK: All right. No other party indicated  
17 cross-examination for Mr. Williams, I'll turn to the  
18 commissioners. Commissioner Jones.

19 MR. JONES: No questions.

20 JUDGE CLARK: Commissioner Oshie.

21 MR. OSHIE: No questions.

22 JUDGE CLARK: Chairman Goltz.

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CROSS-EXAMINATION

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BY MR. GOLTZ:

Q. Just a clarification. On page 12 of your direct testimony the question at the top of the page, you see that in your answer on lines 3 through 5?

A. Yes.

Q. What are you comparing there? You say without continued improvement, financial metrics along with supportive regulatory outcomes in rate cases, you're saying it's more probable to have a lower rating than a higher rating; is that correct?

A. That's correct.

Q. What you mean by that is a rating -- more probable to have a rating below A, which is your current rating, than a rating above A?

A. Yes.

Q. So you aren't comparing a rating below A with a status quo of A, are you?

A. Not directly. But that's --

Q. You're comparing more likely to go down --

A. Down then up.

Q. -- then to get an upgrade?

A. Or even continue the existing ratings.

Q. But that's not what you said, you said either up or down?

0294

1           A.    Yeah, that's the words that are there.  I probably  
2   could have used better words but that's what it says.

3           MR. GOLTZ:  I have no further questions.

4           JUDGE CLARK:  I have just one for clarification  
5   for you, Mr. Williams.  When you were discussing with  
6   Mr. Trotter BNW-15, I think you misspoke.  You were talking  
7   about short-term debt balances through March of this year,  
8   and I think you meant March of 2010?

9           THE WITNESS:  Oh, yes, thank you for correcting  
10  that.

11          JUDGE CLARK:  Thank you.  Redirect.

12          MS. MCDOWELL:  No redirect.  Thank you.

13          JUDGE CLARK:  Thank you.  Thank you for your  
14  testimony, Mr. Williams, is there any objection to this  
15  witness being excused?  Hearing none you're excused.  We'll  
16  take a moment off record for changing of the guard.

17                               (Brief break taken off the record.)

18          JUDGE CLARK:  All right.  We're back on the  
19  record.

20          Ms. McDowell, would you call your next witness,  
21  please.

22          MS. MCDOWELL:  Thank you, Judge Clark, our next  
23  witness is Mr. Gregory Duvall.

24          JUDGE CLARK:  Thank you.  Mr. Duvall, raise your  
25  right hand.

0295

1 (Gregory N. Duvall sworn on oath.)

2 MR. DUVALL: I do.

3 JUDGE CLARK: Thank you, please be seated. Could  
4 you state your full name for the record please and spell  
5 your last?

6 MR. DUVALL: Gregory N. Duvall, D-u-v-a-l-l.

7 JUDGE CLARK: Thank you. Ms. McDowell.

8

9 GREGORY N. DUVALL,

10 having been first duly sworn

11 on oath was examined and testified as follows:

12

13 DIRECT EXAMINATION

14 BY MS. MCDOWELL:

15 Q. Thank you. Mr. Duvall, do you have any changes or  
16 corrections to your prefiled direct and rebuttal testimony  
17 in this matter?

18 A. I do not.

19 MS. MCDOWELL: This witness is available for  
20 cross-examination.

21 JUDGE CLARK: Thank you. Mr. Trotter, if my  
22 memory serves me correctly we're going to start with  
23 Mr. Sanger?

24 MR. TROTTER: Yes, Your Honor.

25 JUDGE CLARK: Mr. Sanger.

0296

1 MR. SANGER: Thank you, Your Honor.

2

3 CROSS-EXAMINATION

4 BY MR. SANGER:

5 Q. Good afternoon, Mr. Duvall.

6 A. Good afternoon.

7 Q. Are you familiar with PacifiCorp's inter-state  
8 cost allegation methodology that's used in this case?

9 A. Yes, I am.

10 Q. Were you in the room when Mr. Pat Reiten was  
11 cross-examined?

12 A. I was.

13 Q. I would like to ask you a few questions about REC  
14 revenues, are you the appropriate witness to ask those  
15 questions of?

16 A. I am.

17 Q. Thank you. Do you recollect how much REC revenues  
18 were included in the Company's filing in its last general  
19 rate case?

20 A. About \$650,000.

21 Q. What was the rate affected period for that amount?

22 A. That was -- I believe it was calendar year 2010.

23 And I guess until the first quarter ends this year until new  
24 rates go into effect.

25 Q. Was there a test period that was used for those

0297

1 REC revenues?

2 A. Yes, the test period was calendar year 2010 as I  
3 recall.

4 Q. Has PacifiCorp obtained more than \$650,000 in REC  
5 revenues in calendar year 2010?

6 A. We have.

7 Q. Do you know how much REC revenue PacifiCorp has  
8 received in calendar year 2010?

9 A. I do not know the total for 2010.

10 Q. Do you know the total for the calendar year, or  
11 the 12-month period ending in June of 2010?

12 A. On a total company basis that was about  
13 \$98 million.

14 Q. In PacifiCorp's initial filing in this proceeding  
15 how many REC revenues did PacifiCorp allocate to Washington?

16 A. The Company allocated no REC revenues to  
17 Washington because the Company's position that it needed to  
18 bank all of its RECs, its Washington-allocated RECs to meet  
19 compliance in Washington.

20 Q. And I believe the Company explained that in a data  
21 response which has been marked as Exhibit No. GND 58; is  
22 that correct, that the Company provided some explanation to  
23 that in that data response?

24 A. Yeah, that's right. One of the reasons had to do  
25 with the legislative, the potential legislative changes to

0298

1 allow additional banking, plus not banking all of  
2 Washington's RECs was consistent with our actual practice  
3 for the test period in this case.

4 Q. In that data response the Company -- it states  
5 that the Bills were introduced in a special session  
6 immediately following the regular session which ended  
7 shortly before the Company's initial filing in this  
8 proceeding. Would you accept that the special legislative  
9 session ended on April 12, 2010?

10 A. Yes, that's correct.

11 Q. And when did PacifiCorp file its general rate case  
12 in this case?

13 A. It was early May, I believe the 4th or 5th of May  
14 of 2010.

15 Q. Would it have been possible for PacifiCorp to have  
16 included a more accurate estimate of estimated REC revenues  
17 in this case?

18 A. Even though I think by that time the Company was  
19 pretty far along in preparing its case, but as I mentioned  
20 earlier, the Company's policy not to sell any of the RECs,  
21 the Washington-allocated RECs, during the test period is how  
22 we were operating and actually are still operating the  
23 Company with regard to the current test period.

24 Q. If it was the Company's policy not to sell REC  
25 revenues, why did the Company agree to include \$650,000 of

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1 REC revenues in the last general rate case?

2 A. The last general rate case was for the test period  
3 2010. And during 2010 there was no RPS requirements in  
4 Washington.

5 Q. And has that significantly changed for the  
6 upcoming rate period?

7 A. It has. The Washington Renewable Energy Standard  
8 Requirements go in place during the test period in this  
9 case. We have to have a certain number of RECs set aside as  
10 of January 1st, 2012.

11 Q. As of January 1, 2012; correct?

12 A. That's right, which is within the rate effective  
13 period, the test period.

14 Q. Has the Company agreed in this case to allocate  
15 some sales from REC revenues to customers?

16 A. We have. And it's probably worth noting that  
17 there's -- I think you've probably noticed in my testimony I  
18 talk about "pseudo" RECs. RECs -- the allocation of the  
19 physical RECs can only be done once. You can't use RECs  
20 twice. So we allocate those system-wide. And as I  
21 mentioned earlier on a Washington basis we are short  
22 physical RECs from a Washington control area or west control  
23 area basis as folks have shown in their testimony and as we  
24 understood from both the Staff and ICNU's testimony from a  
25 west control area basis the company is long RECs. So we're

0300

1 short physical RECs to meet our requirements but with the  
2 west control area allocation of what we call "pseudo" RECs  
3 we do have a surplus, and that's what gave rise -- basically  
4 we don't sell the "pseudo" RECs, but we can make a revenue  
5 allocation that we believe is fair to Washington customers  
6 based on the western control area allocation methodology.

7 Q. And how much has the Company proposed that it will  
8 include for ratemaking purposes in REC sales that will be  
9 credited to customers?

10 A. Revenues of 4.8 million with a revenue requirement  
11 of 5 million.

12 Q. What is the test period that these, that you use  
13 to determine this number of RECs, the REC revenues?

14 A. Well, they're based on the actual 2009 period. We  
15 looked at those and looked whether that would be a  
16 reasonable estimate of the amount of REC revenues that would  
17 be in place for the end rates period. And Mr. Falkenberg of  
18 ICNU actually did a calculation, a forecast for the end  
19 rates period, and he came up with a number that was about  
20 100,000 different than what the Company came up with, so we  
21 concluded that the 4.8 million in REC revenues was a  
22 reasonable amount to have for the test period for the end  
23 rates period.

24 Q. So the test period is calendar year 2009?

25 A. No, I'm sorry, for the end rates period which is

0301

1 the 12 months ending June 2012.

2 Q. The period in which you calculated the \$5 million  
3 or \$4.8 million, what time period was that based on?

4 A. That was for calendar year 2009.

5 Q. Okay. So you determined that amount based on the  
6 12 months ending on December 31st, 2009?

7 A. Right. And we looked at that, compared it to  
8 Mr. Falkenberg's forecast and determined that that was a  
9 reasonable estimate for the end rates period.

10 Q. You testified earlier that for the period of time  
11 ending June 2010 that the Company as a total company sold  
12 approximately \$98 million in REC revenue, a total company  
13 basis?

14 A. Yeah, that's correct. And that's not allocated to  
15 Washington.

16 Q. Correct, that's a total company number?

17 A. That's total company.

18 Q. Do you know how much PacifiCorp has already earned  
19 for the calendar year 2010 of Washington-allocated RECs?

20 A. Well, we don't earn RECs, we receive REC revenues,  
21 so I'm not quite sure I understand the question.

22 Q. For whatever period that you have information for  
23 calendar year 2010, how much REC revenues has the Company  
24 obtained in that the Company would allocate to Washington  
25 under your west control area method?

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1           A.    Well, first of all, the revenues that we received  
2   for 2010 are, those are not reflected in rates, nor are the  
3   increased costs that we've experienced in 2010.  I mean the  
4   rates were set in the last rate case, and we don't have a  
5   true-up mechanism for any portion of our cost.  I don't know  
6   if that answers your question or not.

7           Q.    I think that maybe -- I just want to know what  
8   that number is.  So for the period of time, whatever period  
9   of time you have information available for 2010, do you know  
10  what the amount of REC revenues that you would allocate to  
11  Washington are for 2010?  You testified regarding the  
12  calendar year 2009 numbers, what those actually were, and  
13  I'm wondering what the actual numbers were for calendar year  
14  2010, whatever information you have available?

15          A.    Okay.  The information I have available is that  
16  for the first five months of 2010 the allocation to  
17  Washington is 3.47 million.

18          Q.    And where did you derive that information from?

19          A.    That was actually derived from the same  
20  information that Mr. Falkenberg derived his numbers from for  
21  his -- what was it cross or cross-rebuttal, cross-answer  
22  testimony.  He has a mistake in there and basically it's  
23  from the same source of data that he used in deriving those  
24  numbers.

25          Q.    You were referring to Mr. Falkenberg's

0303

1 cross-answering testimony?

2 A. Correct.

3 Q. Did he use a six-month period or five-month  
4 period?

5 A. Well, he actually took six months worth of data  
6 but it was December through May, December 2009 through May  
7 of 2010. And if you look at the January, in the numbers,  
8 you would have to move it forward. From what he used we  
9 would have January through May. So basically recalculating  
10 that was the 3.47 million.

11 Q. So to clarify, Mr. Falkenberg's number was a  
12 six-month period but it included December of 2009?

13 A. Yeah, I think that's a fair way to say it, yeah.

14 Q. I would like to ask you some questions about the  
15 DC Intertie. Is it correct that PacifiCorp opposes the  
16 recommendations of Mr. Falkenberg and Mr. Buckley to remove  
17 the cost of the DC Intertie?

18 A. Absolutely.

19 Q. Is it your position that this contract should be  
20 judged based on information that was known at the time the  
21 contract was executed in 1994?

22 A. Well, I think as I read -- I mean I addressed all  
23 of that in my testimony, but as I read Mr. Falkenberg's  
24 testimony it looks like he's concerned about the used and  
25 useful aspects of it in the current day. And I believe that

0304

1 it is used and useful in that we -- it's connected to a  
2 California market which is the Nevada-Oregon border, and we  
3 do about over 200 transactions a year at the Nevada-Oregon  
4 border, 75,000 megawatt hours a year. We pay about \$2 a  
5 kilowatt month for that 200 megawatts of capacity, which  
6 could compare to the Bonneville Power Administration's  
7 capacity charge of \$8. So I think it's, you know, in terms  
8 of it being a used and useful it clearly is.

9 Q. Now, Mr. Duvall, there's a lot of aspects of all  
10 of your testimony I'm not going to ask questions about, but  
11 I want to just ask you some basic questions about your  
12 testimony, and we don't need to necessarily repeat  
13 everything that's in your rebuttal testimony. But is it  
14 correct that your testimony stated that the contract should  
15 be judged based on information that was known at the time  
16 the contract was executed in 1994?

17 A. With regard to prudence, yes.

18 MS. MCDOWELL: Excuse me, I hate to interrupt, but  
19 can we get a page and line reference?

20 MR. SANGER: Yes, that would be on Exhibit GND-5T,  
21 which is your rebuttal testimony, at page 42, line 17 and  
22 18.

23 A. Okay.

24 Q. (By Mr. Sanger) I guess I would like to refer you  
25 to page 43 of your rebuttal testimony, lines 20 through 21,

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1 do you have that available?

2 A. I do.

3 Q. Is it your position that the Commission should  
4 require ICNU to show substantial evidence that the utility  
5 acted imprudently at the time they entered into the  
6 contract?

7 A. If the issue is whether the contract was prudent  
8 the answer is yes. That was what the -- if you look at the  
9 two paragraphs above that, that's what the Commission  
10 required, when ICNU unsuccessfully challenged the WAPA  
11 contract which was a 43-year-old contract, and the SMUD  
12 contract which was a 20-year-old contract. This contract is  
13 16 years old.

14 Q. Now, who has the burden of proof to demonstrate  
15 reasonableness of any contracts in this proceeding?

16 MS. MCDOWELL: Objection, I think that's a legal  
17 question, not an appropriate question for this witness.

18 MR. SANGER: Well, he's testifying about --

19 JUDGE CLARK: Mr. Sanger. I'm sorry.

20 MR. SANGER: He's talking about the level of  
21 evidence that's required to show that they acted  
22 imprudently. So I think he's already opining about that.  
23 And I want to ask him whether or not he relates -- who has  
24 the burden of proof in this proceeding.

25 MS. MCDOWELL: I think it's appropriate to ask him

0306

1 what his understanding is, but he's not here to testify or  
2 argue as a lawyer on a legal point, and I just want to make  
3 that clear.

4 MR. SANGER: I can rephrase that question.

5 JUDGE CLARK: Yes, I was just going to ask you to  
6 rephrase, Mr. Sanger.

7 Q. (By Mr. Sanger) What is your understanding,  
8 Mr. Duvall, of who has the burden of proof in this  
9 proceeding?

10 A. Well, the discussion on this page has to do with,  
11 you know, looking back at a contract that's been around for  
12 many years, and I was just basically reiterating what the  
13 Commission found -- the Commission had found when they  
14 looked at this issue earlier on lines, you know, 6 through 8  
15 of page 43, the Commission found that under this  
16 situation--and this is where ICNU was challenging a contract  
17 that had been around for many years--it required at a  
18 minimum substantial evidence that the utility acted  
19 imprudently at the time of the contract. So I was just  
20 highlighting what the Commission had found, you know, not  
21 making an interpretation about anything, just pointing out  
22 what the Commission found in prior orders.

23 Q. Can you refer back to your testimony on page 41,  
24 there's a question starting on line 4 where you provide some  
25 background on the DC Intertie contract?

0307

1 A. Yes.

2 Q. Did you provide other documents, exhibits or  
3 contracts regarding the 1994 decision regarding the DC  
4 Intertie contract?

5 A. No, that was requested in a data response. We  
6 searched our files and were unable to find any economic  
7 analysis which would have been from 16 or 17 years ago.

8 Q. I would like to ask you some questions about  
9 another subject which is PacifiCorp's power cost update?

10 A. Okay. You have a page number?

11 Q. I believe you discuss this starting around page 15  
12 of your rebuttal testimony, actually starts on page 14 and  
13 goes for a number of pages?

14 A. Got it.

15 JUDGE CLARK: What's the exhibit number?

16 MR. SANGER: Exhibit No. GND-5T which is the  
17 rebuttal testimony of Mr. Gregory Duvall.

18 JUDGE CLARK: Page again.

19 MR. SANGER: Mr. Duvall begins discussing the  
20 power cost update on page 14.

21 JUDGE CLARK: Thank you.

22 MR. SANGER: I'm going to ask him a question about  
23 other pages 15 and 16.

24 JUDGE CLARK: Thank you.

25 A. Okay.

0308

1           Q.    (By Mr. Sanger) Did the Company's power cost  
2   update in this case include more recent forward price curve  
3   data, new prices for indexed contracts, new transmission and  
4   transportation costs and updated mark to market and  
5   financial swap values? I would refer you to page 15, lines  
6   8 through 4?

7           A.    Eight through 14?

8           Q.    Yeah, I'm sorry 8 through 14.

9           A.    Yeah, that's describing basically the market price  
10   update and all of the related impacts to the market price  
11   update has throughout the net power cost study. We did  
12   update for that in this rebuttal filing.

13          Q.    Now, does the Company propose to make a power cost  
14   update later on in this proceeding?

15          A.    We have made that proposal that we would update  
16   the power costs at the time of the compliance filing.

17          Q.    Can you tell me when exactly the Company would  
18   plan to make that update?

19          A.    Well, it would be after we received an order from  
20   the Commission.

21          Q.    Are you aware of any Washington Commission rule  
22   which allows the Company to make a power cost update with  
23   its compliance filing?

24          A.    No, I'm not.

25          Q.    Has the Company previously filed a power cost

0309

1 update with its compliance filing in previous Washington  
2 general rate case proceedings?

3 A. I don't know.

4 Q. Is there someone else within the Company who would  
5 know?

6 A. Well, I should know. I'm the one.

7 Q. Okay. Would you accept, subject to check, that  
8 the Company at least in the past five years has not made a  
9 power cost update with its compliance filing?

10 A. I'll accept that subject to check.

11 Q. Now, does the Company's plan to include a final  
12 power cost update, does that include an update of the prices  
13 for indexed contracts, new transmission and transportation  
14 costs and updated mark to market and financial swap values?

15 A. I think I talk about it in here. I think the only  
16 thing I say is that we would update for our official forward  
17 price curve which would be the December forward price curve.

18 Q. Okay. So you do discuss it on page 16, lines 7  
19 through 11, and it was unclear to me from that what would be  
20 included in the compliance filing. So are you stating now  
21 that compliance filing would only include the December 31st,  
22 2010, forward price curve?

23 A. Yes. And that covers both electric and gas.

24 Q. Does that mean that many of the items that you  
25 included in your rebuttal case update would not be included

0310

1 in your compliance filing update?

2 A. That's correct. And the types of things that we,  
3 you know, the forward price curve is very simple, it's gas  
4 prices, electric prices. The others that involve contracts  
5 I think is appropriate in the rebuttal phase. We actually  
6 provided a data response in September, prior to everyone  
7 else filing their testimony, that laid out what we were  
8 going to include in the update. And that was actually  
9 responded to by parties in their direct filing.

10 Q. Now, has the Company provided Staff and ICNU with  
11 information regarding the December 31st, 2010, forward price  
12 curve update?

13 A. We have not as far as I know.

14 Q. When is the Company planning on providing Staff  
15 and ICNU with that information?

16 A. We could provide it any time. We don't have a  
17 plan to do that.

18 Q. But the Company would not object to providing  
19 parties with that information?

20 A. We would not.

21 Q. Has the Company had any discussions with Staff or  
22 ICNU regarding the scope, the timing or discovery process  
23 regarding the final power cost update?

24 A. No, we have not.

25 Q. And have you had any discussions with Staff or

0311

1 ICNU regarding what procedural rights they would have if  
2 they disputed or challenged any components included in the  
3 Company's final power cost update?

4 A. No, we have not.

5 Q. Has the Company made any proposals regarding how  
6 parties would conduct discovery or challenge the final power  
7 cost update?

8 A. No, we haven't. And I guess that was the intent  
9 of limiting it to the forward price curves. We publish  
10 official forward price curves every quarter, they're  
11 basically done in the same way we could provide sort of the  
12 standard backup data that would support those, but it's a  
13 routine task the Company does every quarter.

14 Q. Has the Company filed its forward price curve  
15 updates in other state regulatory proceedings?

16 A. We do update on a periodic basis in our Washington  
17 filings through the transition adjustment mechanism and  
18 it's -- that's a fairly --

19 Q. Mr. Duvall, did you mean your Oregon?

20 A. Oregon. What did I say?

21 MS. MCDOWELL: Washington.

22 THE WITNESS: Okay, Oregon.

23 MR. GOLTZ: It's Tuesday, it must be Washington.

24 A. Yeah, we actually have guidelines that the parties  
25 have worked out in terms of the timing of those filings and

0312

1 discovery around those filings. Other states there's no  
2 rigorous sort of schedule that we follow, but we do  
3 occasionally update in the other states as well as we go  
4 through the proceeding.

5 Q. (By Mr. Sanger) And has the Company agreed to  
6 provide ICNU with discovery rights in that Oregon transition  
7 adjustment mechanism proceeding?

8 A. Yes, we have.

9 Q. Has the Company agreed to a process on how parties  
10 would challenge those updates?

11 A. Yes, we have.

12 Q. And has ICNU conducted discovery on those forward  
13 price curve updates in Oregon?

14 A. Yes, they have.

15 Q. And have there been disputes about the Company's  
16 final updates in the Oregon transition adjustment mechanism  
17 proceeding?

18 A. I'm not sure of their disputes but there's -- ICNU  
19 is going through the -- at least in this last one there's  
20 been -- there's outstanding discovery.

21 Q. Has that process resulted in the Company revising  
22 its final updates in the Oregon transition adjustment  
23 mechanism proceeding?

24 A. We have, yes, in this last year.

25 Q. Did those revisions reduce net power costs?

0313

1 A. Yes, they did.

2 Q. And by revisions the Company filed its--in the  
3 Oregon transition adjustment mechanism proceeding--it filed  
4 its final update, and how long before the rates were  
5 effective did the Company file its update?

6 A. The last update was about six weeks, I believe,  
7 before rates go into effect.

8 Q. And then am I correct that after that update was  
9 filed and after the discovery process PacifiCorp agreed to  
10 revise its final update downward?

11 A. That's correct. I would just follow up, that had  
12 nothing to do with forward price curves, that had to do with  
13 the contract.

14 Q. I would like to ask you some questions about the  
15 Company's November update in this proceeding now. Did the  
16 Company propose a change to how the Chehalis operating  
17 reserves would be modeled?

18 A. We did.

19 Q. When did the Company become aware of this Chehalis  
20 change?

21 A. April 30th, 2010.

22 Q. And that was immediately prior to filing the  
23 general rate case?

24 A. That's correct.

25 Q. Did PacifiCorp seek the Commission's permission to

0314

1 file a revision to its direct testimony incorporating the  
2 Chehalis change?

3 A. No, it did not. But it provided data on this  
4 change in response to discovery in September on the update.  
5 So when we laid out what it is we were going to update it  
6 was the forward price curves contracts. The reserve  
7 carrying capability of Chehalis was on that list and that at  
8 least gave folks an opportunity to respond to it in their  
9 direct testimony.

10 Q. Now, your rebuttal testimony has an exhibit  
11 attached to it which is GND-8C, it's a confidential exhibit.  
12 I'm not going to ask you any questions about the  
13 confidential material on the exhibit, but can you summarize  
14 in a nonconfidential manner what this information is?

15 A. Well, this is a sort of the culmination of a  
16 correspondence with Bonneville on trying to get dynamic  
17 scheduling for the Chehalis plant. There were actually two  
18 avenues that the Company pursued to get Chehalis into our  
19 control area or in some way so that we could carry reserves  
20 on Chehalis.

21 The first one was just to move it into our control  
22 area. And in doing that the Company would be required to  
23 participate in Bonneville's remedial action scheme  
24 associated with the outage of the AC Intertie. And so if  
25 the AC Intertie were to get loaded and then tripped we would

0315

1 have to shut down Chehalis, and we would also have to  
2 suspend automatic generation control in our entire western  
3 control area which basically would have us operating blind  
4 until that was restored. And that was unacceptable to the  
5 Company.

6 The alternative, which this attachment talks  
7 about, is the dynamic scheduling request. Bonneville had a  
8 pilot dynamic scheduling program going, and we tried to work  
9 with them to dynamically schedule Chehalis into our control  
10 area. It would require quite a bit of telemetering and  
11 automatic generation control and so on. And in the end it  
12 would probably take a couple years to get it done. By that  
13 time our Hermiston plant would be off its long-term gas  
14 contract and would be to market and we could carry reserves  
15 on that plant.

16 Anyway, to make a long story short, it was not  
17 economic to move forward. And even with the dynamic  
18 scheduling it wasn't fully clear if the Company would have  
19 additional conditions placed on it by Bonneville. We didn't  
20 quite get to that point.

21 Q. Now, did you provide copies of these emails to  
22 ICNU before your rebuttal testimony was due?

23 A. Not that I recall.

24 Q. Now, are you aware that ICNU believes that the  
25 prudence of the Chehalis operating reserve is now in

0316

1 dispute?

2 A. I know that Mr. Falkenberg mentioned prudence in  
3 his testimony, I don't know that I would, could paraphrase  
4 what he said.

5 Q. Now, after PacifiCorp filed its rebuttal testimony  
6 did ICNU request information in discovery regarding the  
7 prudence of PacifiCorp's decision to purchase Chehalis and  
8 the operating reserve issue?

9 A. Yeah, I believe that's correct.

10 Q. Now, I would like to refer to your  
11 cross-examination exhibit which is GND-38C, now this data  
12 request asks whether the Company performed any due diligence  
13 prior to its purchase of the Chehalis project to determine  
14 if the plant could have AGC installed, is this the due  
15 diligence preliminary assessment?

16 A. Yes, this is what was provided, it's a  
17 confidential exhibit, but I'm not going to say anything  
18 confidential. There's a section in there on integration  
19 costs which is on page 6 of 8, which identifies the  
20 different pieces of equipment and all that needed to be done  
21 or installed in order to integrate Chehalis into our control  
22 area.

23 Q. Did you provide a copy of this document prior to  
24 filing your rebuttal testimony?

25 A. I did not in this case. I don't know if it was

0317

1 provided -- I don't have the knowledge of whether it was  
2 provided when the Chehalis was actually -- the prudence of  
3 Chehalis was being examined by the Commission. I presume it  
4 had been asked for and provided, but I don't know for a  
5 fact.

6 Q. If I understand your earlier testimony if there  
7 are other changes to the operating reserve requirements for  
8 Chehalis or any other plant then those changes will not be  
9 included in PacifiCorp's final power cost update; correct?

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

11 Q. If there are changes to the Company's operating  
12 reserves for any of its power plants will those be included  
13 in your proposed final compliance filing on power costs?

14 A. The proposed final filing is just for the forward  
15 price curves.

16 MR. SANGER: Thank you, no further questions.

17 JUDGE CLARK: Mr. Trotter.

18 MR. TROTTER: Thank you.

19

20 CROSS-EXAMINATION

21 BY MR. TROTTER:

22 Q. Mr. Duvall, would you turn to page 35 of your  
23 rebuttal?

24 JUDGE CLARK: Page 35 of?

25 MR. TROTTER: GND-5T.

0318

1 JUDGE CLARK: Thank you.

2 Q. (By Mr. Trotter) Here you begin discussion of the  
3 SMUD, isn't that Sacramento Municipal Utility District --

4 A. Yes.

5 Q. -- contract? And two pages later, page 37, line  
6 18, you note that, "the Company is only one of the many  
7 participants in the market, and the only assumption is to  
8 assume that all the participates in the same market are  
9 rational and will exercise their rights to the flexible  
10 contract to lower their costs," do you see that?

11 A. I do.

12 Q. Is it fair then to assume that the counter-parties  
13 to the SMUD contract are lowering their costs for exercise  
14 of their contract rights and that the pattern of deliveries  
15 under that contract represent their ability to do so?

16 A. That's correct. And when you say the pattern of  
17 delivery under the contract, there are multiple parts to the  
18 contract with SMUD, not just the SMUD that's modeled in  
19 there, there's also the provisional deliveries and returns.

20 Q. I would like to follow up on some questions ICNU  
21 counsel asked regarding RECs. And I think you used the term  
22 "pseudo" RECs, and I think that term is used in your  
23 testimony also; right?

24 A. It is.

25 Q. Could you turn to your Exhibit GND-6C. I

0319

1 recognize this is confidential, but I do not need to go into  
2 the numbers, but looking at lines -- well, first of all,  
3 with respect to RECs, Washington gets under the western  
4 control area allocation method Washington gets no REC  
5 revenue from resources that are allocated to the eastern  
6 controlled area; correct?

7 A. That is correct.

8 Q. And regarding the "pseudo" REC issue, let's look  
9 at the last few lines of this document. And on line 10 you  
10 show an amount allocated to Washington under revised  
11 protocol, and revised protocol allocates things to all  
12 states in the PacifiCorp territory; correct?

13 A. That's correct.

14 Q. And that would include RECs?

15 A. And normally the revised protocol only allocates  
16 costs. And I think we have sort of a unique thing here  
17 because RECs are kind of a physical attribute, they can only  
18 be allocated once, they can't be used for multiple purposes.  
19 If we were just dealing with revenues this wouldn't be a  
20 problem in terms of the allocation. But we have the RECs,  
21 you know, you have to have real RECs to meet an RPS, you  
22 have to are real RECs to make a sale. And so I just want to  
23 make that distinction.

24 Q. Okay. But then there's a different number of RECs  
25 allocated under the west control area --

0320

1 A. Correct.

2 Q. -- method?

3 A. That's line 11.

4 Q. Right. Then line 12 is the difference, and that  
5 is your concern about the "pseudo" RECs; right?

6 A. Well, actually anything above the amount shown on  
7 line 10 would be "pseudo" RECs.

8 Q. Okay. Now, under revised protocol the Company  
9 allocates the Chehalis plant to all states, doesn't it?

10 A. That's correct.

11 Q. But under western control area that plant is  
12 allocated 100 percent to Washington; isn't that correct?

13 A. That's correct. Well, 100 percent to west control  
14 area.

15 Q. That's what I meant. I appreciate the  
16 clarification, thank you. And so Washington would be  
17 allocated more of the Chehalis plant under western control  
18 area then it would under revised protocol; is that fair to  
19 say?

20 A. That is fair to say.

21 Q. And I don't know how that works out, if the  
22 Company is regulated in the western control area in  
23 Washington and the revised protocol elsewhere. If you  
24 looked at the Company as a whole it would either have more  
25 than 100 percent of Chehalis in its rate base or less than

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1 100 percent just depending on how the allocation system  
2 worked; right?

3 A. That's exactly right.

4 Q. Conceptually that's the same kind of allocation  
5 issue that you're trying to explore with us on Exhibit 6C;  
6 correct?

7 A. It is with the distinction I mentioned before. If  
8 you're just allocating the cost of Chehalis it doesn't have  
9 to add up to 100 percent. If you're allocating RECs they  
10 absolutely have to add up to 100 percent because you can't  
11 use them twice.

12 Q. Well, in terms of ratemaking that's not an issue,  
13 it may be in terms of compliance but not in terms of  
14 ratemaking; right?

15 A. Right. In fact that's why we adopted the proposal  
16 to allocate the revenues based on the western control area  
17 or the REC sales revenues on a west control area basis in  
18 order to give Washington customers a credit for the total  
19 amount that's shown on line 11 as, you know, I guess reduced  
20 by what needs to be set aside for compliance.

21 Q. Okay. So the "pseudo" REC issue that you identify  
22 is really just an issue of RECs to be used for compliance  
23 and not revenues that are being addressed by various  
24 commissions for ratemaking; isn't that correct?

25 A. The "pseudo" REC -- I'm not sure we're on same

0322

1 page. The "pseudo" RECs are used to allocate the revenues  
2 so that we need "pseudo" RECs to be able to allocate more  
3 revenues than we actually have. So we overallocate the  
4 revenues. Just like we overallocate the cost of Chehalis we  
5 overallocate the revenues for REC sales off the Western  
6 renewable projects.

7 Q. And the comparison to Chehalis is what I was  
8 after. That's not a problem, is it?

9 A. No, it's not.

10 Q. And just to cement that point, the Company did  
11 defer costs associated with the Chehalis plant associated  
12 with Washington's allocated share of the Chehalis plant  
13 under the western control area method; right?

14 A. That's correct.

15 Q. And it's recovering those costs?

16 A. That's correct.

17 Q. And ratepayers are paying those costs?

18 A. That is correct.

19 Q. And they're paying with real dollars not "pseudo"  
20 dollars; isn't that correct?

21 A. They are.

22 Q. Okay. Turn to page 9 of your rebuttal, GND-5T.  
23 This a part of your -- actually it starts on page 8. Let me  
24 ask a follow up on the REC issue. Given that Washington is  
25 the only state that uses the western control area method and

0323

1 the other states use revised protocol; right?

2 A. That's correct.

3 Q. Given that is PacifiCorp underallocating RECs to  
4 the eastern control area based on the different  
5 methodologies used?

6 A. Well, for a plant that creates RECs that's located  
7 in the eastern control area we allocate the SG share or the  
8 system-wide share to all of the states except Washington and  
9 that's -- that applies to REC revenues, the asset costs, the  
10 operating expenses and everything that goes along with it.

11 Q. Let's turn to the temperature normalization  
12 adjustment on page 8 of your rebuttal. Just as background,  
13 the Company's weather sort of temperature normalization  
14 adjustment in this case related to the commercial class  
15 reduces test year revenues by approximately \$1 million;  
16 correct?

17 A. Can you -- I think that's right, can you show me  
18 where you're --

19 Q. Can you just accept that subject to your check, I  
20 believe it's in Mr. Dalley's, but you can check that?

21 A. Okay.

22 Q. Okay. Then on page 10 of your rebuttal, line 7,  
23 you cite a textbook for the proposition "that all relevant  
24 explanatory variables should be included in a full multiple  
25 regression equation, if they are believed to be

0324

1 theoretically relevant in explaining variations in the  
2 dependent variable," do you see that?

3 A. I do, line 6.

4 Q. And this deals with the difference of opinion  
5 between Staff and the Company, the significance of the  
6 R-squared value that the Company produced for its commercial  
7 class of .644; correct?

8 A. That's correct.

9 Q. And the variation in this instance is how the  
10 commercial class usage varies as temperature varies;  
11 correct?

12 A. That's correct.

13 Q. The textbook you quote here, that's not a  
14 ratemaking textbook, is it?

15 A. No, its an economics econometric textbook.

16 Q. That textbook doesn't address burden of proof;  
17 does it?

18 A. I don't know. I would be pretty sure that it does  
19 not.

20 Q. So that book does not advocate the standard that  
21 you propose on lines 8 through 11 that the Company's  
22 adjustment should be included "absent evidence that it is  
23 producing erroneous results or was calculated in a manner  
24 inconsistent with Commission practice"?

25 A. Yeah, and I think that is intended to follow from

0325

1 the principle that temperature is clearly theoretically  
2 relevant in explaining the usage of the commercial class.  
3 And Ms. Novak agrees with that, I agree with that. So the  
4 principle is that temperature should be included in the  
5 regression analysis. And Ms. Novak has taken temperature  
6 out of the regression equation.

7 Q. Well, she took it out because the R-squared value  
8 was so low, didn't she? She took out the adjustment because  
9 the R-squared was so low?

10 A. Yeah, that was -- she took it out because she  
11 thought the R-squared value was too low, but it doesn't  
12 undue the fact that temperature is theoretically relevant in  
13 describing the load usage of the commercial class.

14 Q. But it's the degree of relevance that's the issue,  
15 isn't it?

16 A. Yes, it is.

17 Q. Now, Ms. Novak testified that Avista's temperature  
18 normalization adjustment in its last general rate case had  
19 an R-squared for the commercial class of .85, or over .8 I  
20 should say; isn't that right?

21 A. I believe that's correct.

22 Q. Is it your testimony that an R-squared over .8 is  
23 consistent with an R-squared of .644?

24 A. No, that's not my testimony. I don't know what  
25 the makeup of Avista's commercial class is. I think the

0326

1 explanation that I have is that our commercial class in the  
2 Yakima and Walla Walla area may not be as homogenous as  
3 Avista's, so we're certainly willing to, you know, work on,  
4 work with Staff on improving this, and I've indicated that  
5 in my testimony.

6 Q. In that regard, Ms. Novak in her testimony  
7 suggested that PacifiCorp could develop subgroups within the  
8 commercial class, use individual regressions for the  
9 subgroups or use other methods to evaluate the data, do you  
10 recall that?

11 A. I do.

12 Q. Has PacifiCorp had a chance to do that?

13 A. Not to my knowledge. We have had discussions but  
14 I don't think we've made any progress on that.

15 MR. TROTTER: That's all I have. Thanks.

16 JUDGE CLARK: Ms. Shifley.

17 MS. SHIFLEY: Thank you, Your Honor.

18

19 CROSS-EXAMINATION

20 BY MS. SHIFLEY:

21 Q. Good afternoon, Mr. Duvall. I would just like to  
22 start by asking a few follow-up questions on the issue of  
23 REC revenues.

24 MS. SHIFLEY: And I believe, Judge Clark, that  
25 some of these questions will refer to and require a response

0327

1 that includes confidential information. So I think the --

2 JUDGE CLARK: All right. Are you going to start  
3 off with the confidential inquiry?

4 MS. SHIFLEY: Yes, I will.

5 JUDGE CLARK: Then the next portion of this  
6 proceeding shall be held in camera. There is a protective  
7 order issued in this docket. If you are not a signatory to  
8 the protective agreement filed in that docket now would be a  
9 grand time for you to exit the hearing room. And after  
10 we've taken a few moments off record to allow anyone who has  
11 not signed such an agreement to exit the hearing room I am  
12 going to ask counsel for PacifiCorp, Ms. McDowell, to verify  
13 that there are no individuals present in the hearing room  
14 who are not permitted to be here. We'll take a moment off  
15 record.

16 (Brief break taken off the record.)

17 (A portion of this transcript was  
18 removed and put in a confidential transcript  
19 marked Volume VI.)

20 JUDGE CLARK: All right. This concludes the in  
21 camera portion of this proceeding. The portion of the  
22 transcript relating to the in camera session should be  
23 separately bound and sealed. And the remainder of this  
24 inquiry is part of the public record. So if there's anyone  
25 sitting out in the hallway just dying to come in it would be

0328

1 an appropriate time for them to enter. Ms. Shifley, you can  
2 continue.

3 MS. SHIFLEY: Thank you, Your Honor.

4

5 CROSS-EXAMINATION (continued)

6 BY MS. SHIFLEY:

7 Q. Mr. Duvall, I would like to now turn to another  
8 subject that you addressed in your testimony, normalization  
9 of revenues. PacifiCorp is proposing to weather normalize  
10 residential usage in this case; is that correct?

11 A. That's correct.

12 Q. And this normalization adjustment substantially  
13 lowers the amount of test year residential revenues used to  
14 calculate the rates proposed; correct?

15 A. Well, the temperature normalization methodology is  
16 what was included in the temperature normalization  
17 stipulation that the parties have agreed to. So when you  
18 say it's lowered it it's stated it the way that the parties  
19 have agreed it should be stated.

20 Q. In your rebuttal testimony you respond to an  
21 adjustment proposed to by Mr. Meyer regarding normalization  
22 of residential revenues; correct?

23 A. That's correct.

24 Q. And Mr. Meyer testified that PacifiCorp's weather  
25 normalized usage was far lower than the actual average usage

0329

1 for residential customers in the last five years; correct?

2 A. Are you asking me if that's what he testified to?

3 Q. Yes, I am.

4 A. You would have to look at his testimony. That  
5 sounds about right.

6 Q. That's the recommendation that you responded to in  
7 your rebuttal testimony?

8 A. Okay.

9 Q. And as support for his adjustment Mr. Meyer  
10 presented actual residential usage from 2005 to 2009; is  
11 that correct?

12 A. That's correct, that's what he did.

13 Q. And again in your rebuttal testimony you didn't  
14 object to the usage data presented by Mr. Meyer when you  
15 were responding to his proposed adjustment?

16 A. Not the data points themselves, just the way he  
17 used it.

18 Q. So would you please turn to page -- it's a page of  
19 Mr. Meyer's testimony.

20 JUDGE CLARK: Do you have a copy of Mr. Meyer's  
21 testimony?

22 THE WITNESS: I have a book of it back there.

23 JUDGE CLARK: All right. If Mr. Duvall can be  
24 provided with a copy of that.

25 THE WITNESS: I have got it.

0330

1 Q. (By Ms. Shifley) Would you please turn to page 15?

2 JUDGE CLARK: Is this Mr. Meyer's direct  
3 testimony?

4 MS. SHIFLEY: Yes, this is Mr. Meyer's direct  
5 testimony, page 15, specifically Table 3.

6 JUDGE CLARK: Page 15.

7 THE WITNESS: I have a revised version and it's on  
8 page 17.

9 Q. (By Ms. Shifley) This table shows that the amount  
10 of residential usage that the Company proposes in this case  
11 is 15,128-kilowatt hours?

12 A. That's correct.

13 Q. And subject to check, that number is 360-kilowatt  
14 hours less than the actual usage was in 2006?

15 A. In 2006? I haven't --

16 Q. Looking just up the table to where the actual  
17 residential use per customer is shown?

18 A. So the 15,492 less the 15,128?

19 Q. Yes.

20 A. I'll take your math subject to check.

21 Q. Thank you. And in two -- the proposed usage that  
22 the Company is proposing here is, subject to check,  
23 639-kilowatt hours less than actual usage in 2007?

24 A. Well, the numbers are what they are in Table 3.

25 Q. Okay. And again the amount that the company is

0331

1 proposing in this case is, subject to check, 1,133-kilowatt  
2 hours less than the actual usage in test year 2009; is that  
3 correct?

4 A. That looks about right.

5 Q. Would you agree that Table 3 shows, except for one  
6 year, that residential usage has increased steadily from  
7 2005 to 2009?

8 A. No, I wouldn't because those numbers are not  
9 temperature adjusted. That's exactly why we use 20 years of  
10 historic temperature to adjust the actuals because there's a  
11 lot of -- this is the residential class, there's a lot of  
12 impact of temperatures, both summer heat and winter cold, on  
13 the usage of residential customers so --

14 Q. I can just clarify. So the unnormalized actual  
15 calendar year residential usage has increased steadily from  
16 2005 to 2009 before any normalization for weather?

17 A. Well, there's a number of parts in there. I guess  
18 just to -- if you're saying are the numbers higher each  
19 year? Yes, they are, but that doesn't explain much of  
20 anything.

21 Q. And just to confirm, PacifiCorp is proposing rates  
22 based on an average residential usage that has been  
23 normalized, so it is substantially lower than what has been  
24 actual customer usage for the last five years?

25 A. I guess the answer is yes, it is lower, but it is

0332

1 based upon the Commission-approved 20-year temperature  
2 normalization methodology.

3 MS. SHIFLEY: I have no further questions, Your  
4 Honor.

5 JUDGE CLARK: All right. Thank you, we're going  
6 to take a recess for approximately 15 minutes.

7 (Break taken from 3:17 to 3:42 p.m.)

8 JUDGE CLARK: All right. We're back on the  
9 record. And we'll turn now to commissioner inquiry.  
10 Commissioner Jones.

11 MR. JONES: Am I on, ready to go?

12 JUDGE CLARK: Yes, we're good to go. Thank you.

13

14 CROSS-EXAMINATION

15 BY MR. JONES:

16 Q. Good afternoon, Mr. Duvall.

17 A. Good afternoon.

18 Q. Good to see you. A few questions to follow up on  
19 some of the inquiry.

20 Could you turn to page 16 of your rebuttal  
21 testimony GND-5T?

22 A. Okay.

23 Q. On lines 9 through 11 you state that the Company  
24 proposes a compliance filing on this issue of the NPC, net  
25 power cost, with the forward price curve using the

0333

1 December 31st, 2010, curve?

2 A. Correct.

3 Q. Is that the Company proposal then? I think I  
4 heard you say earlier in response to questions that this  
5 would be the extent of the data that you would submit to  
6 update the NPC?

7 A. Yes, that is. And in fact that proposal is really  
8 a response to Staff's proposal for the Company to do this.  
9 That was in Mr. Buckley's testimony.

10 Q. So you are not proposing as you do on the previous  
11 page, page 15, lines 10 through 13, you are not proposing  
12 updates on those three issues?

13 A. No, just the forward price curves.

14 Q. Okay. The next area of inquiry is the regulatory  
15 liability account proposal by Staff for the RECs. And as  
16 you stated earlier, you list three reasons why you oppose  
17 the Staff proposal for a regulatory liability account;  
18 correct?

19 A. That's correct.

20 Q. So let me go through those one by one and just  
21 explore the issue a bit. If there were not a possibility of  
22 double-counting, i.e., putting the REC revenues in base  
23 rates and REC liability account would that lessen your  
24 concern?

25 A. It would lessen it, yes.

0334

1           Q.    And if the "pseudo" RECs, your second objection,  
2    if there were some sort of way to bring actual REC sales  
3    into that mechanism, I'm not suggesting a PKM, but some sort  
4    of mechanism where you can use actuals, would that lessen  
5    your concern?

6           A.    I guess there's probably two parts to it.  I think  
7    the answer to that is yes, if there was a way to do that.  
8    I'm not sure that I could see that way.  But the other is  
9    that the RECs and energy arise from the same resource at the  
10   same time from the same generation.  And so to consider RECs  
11   not "pseudo" or consider power cost "pseudo", I think if we  
12   can get beyond this "pseudo" issue for both RECs and power  
13   costs we would be much happier.

14          Q.    Could you explain to me a little bit more the  
15   third issue of retroactive ratemaking, I don't fully  
16   understand that objection.

17          A.    That is that there's been no deferred accounting  
18   put in place, which was my understanding the situation with  
19   Puget.  If you don't have deferred accounting, my  
20   understanding, and I'm not a lawyer, is you cannot go  
21   backwards and recover things.  So we can't go back to  
22   January 1st, 2010, and say, hey, our costs were higher than  
23   we thought, we would like to collect those.  That's what I  
24   understand to be retroactive ratemaking.

25          Q.    Okay.  Could you turn, the next line of inquiry is

0335

1 on page 22 of your rebuttal, if you could get there, please,  
2 this concerns the inter-hour wind integration costs.

3 A. Okay.

4 Q. Of the non-owned resources.

5 A. Yes.

6 Q. Are you there?

7 A. Yes.

8 Q. My question is, I don't fully understand the  
9 rationale of why you support the removal of inter-hour wind  
10 integration costs of nonowned resources such as these as  
11 opposed to the Seattle City Light, the Stateline project,  
12 maybe could you just explain your rationale for that?

13 A. Stateline is a bit confusing because part of it is  
14 nonowned, and part of it is under an exchange agreement with  
15 Seattle City Light. So the nonowned piece to that is  
16 treated like the other nonowned. And so the -- I guess  
17 I've -- can you restate the question I just...

18 Q. Okay. So are you including the -- why are you  
19 objecting to the removal of the owned resource there? There  
20 is an inconsistency there, is there not? You're agreeing to  
21 the removal on rebuttal of these projects but not the owned  
22 resource at Stateline; correct?

23 A. That's correct.

24 Q. So what is the rationale for that?

25 A. Well, the rationale is that the owned resources at

0336

1 Stateline is just like any other owned wind facility. And  
2 the fact is that that's in our portfolio, and we have to  
3 take care of balancing it a day ahead, the inter-hour cost,  
4 so that's just like that.

5 The proposal to exclude the owned part of  
6 Stateline was because that Stateline contract expires at the  
7 end of the year and rather than -- and it made no sense  
8 because the proposal was to keep the Stateline contract in  
9 there but remove the wind integration part of it. So that's  
10 what we were objecting to.

11 MR. JONES: Okay. I think that's all I have,  
12 Judge. Thank you.

13 JUDGE CLARK: Commissioner Oshie.

14

15 CROSS-EXAMINATION

16 BY MR. OSHIE:

17 Q. Just a couple of follow-up questions, Mr. Duvall.  
18 So I'm curious as to how much time it would take the Company  
19 to perfect a compliance filing, and this is in relationship  
20 to when we need to get an order out and the date that your  
21 suspension period ends, which I think is April 3rd. So, you  
22 know, not to put the Commission's interests above that of  
23 the Company or the parties here, but if the Company needs a  
24 week to get the compliance filing completed, and I know that  
25 it is dependent on what we require you to do. So where's a

0337

1 safe period, let's say, that we need to get an order out so  
2 the Company can react to it and you can have rates in place  
3 and a final order done by April 3rd?

4 A. So I think your question, your assumption in your  
5 question was exactly right, is it's what the Commission  
6 requires because there's a lot of potential adjustments that  
7 different parties have proposed that we would want to  
8 aggregate those plus the update to the forward price curve.

9 Q. So let's start with if we just said let's just do  
10 the forward price curve?

11 A. Right.

12 Q. How long would that take you to get that job done  
13 assuming no other, you know -- I would think other than what  
14 you consider to be common compliance filing requirements  
15 after the rate case?

16 A. Right. The proposal is to use our official  
17 December forward price curve. So we already have those. So  
18 we have those files ready to go. We could do that in a  
19 day's time from our perspective in terms of the study, and  
20 then a little bit of processing time to get it pulled  
21 together and filed.

22 Q. And would that require you to run a new GRID you  
23 know, GRID forecast?

24 A. Yes.

25 Q. Okay. And so I guess maybe just to restate your

0338

1 testimony, you already have them, that means you probably  
2 already rerun it. Because how long would it take you -- how  
3 long does the GRID model usually take to run if you change  
4 just that one input?

5 A. The run time is very quick, 15, 20 minutes. It's  
6 the setup. But we have all the information already. We can  
7 get that set up.

8 Q. So what if the -- and then there were I think a  
9 group of adjustments that the parties have, at least some  
10 have requested or maybe you have requested, and I got a  
11 little lost in the cross-examination of Mr. Sanger as to  
12 what the Company was proposing to do and what it would  
13 object to doing because the -- I thought that at least from  
14 the testimony in your revised testimony that there were a  
15 number of updates that the Company would like to do if it  
16 were going to re-forecast its power costs and they included  
17 Mid-Columbia purchases, Chehalis spinning reserve  
18 capability, Idaho point-to-point transmission rate, Chehalis  
19 lateral pipeline expense and coal costs?

20 A. Right.

21 Q. Are those still requested by the Company? That's  
22 where I'm a little confused. It seemed in your  
23 cross-examination that you left those on the table so to  
24 speak?

25 A. Okay. Yeah, and in my rebuttal testimony we've

0339

1 included those updates. So I wouldn't propose updating them  
2 beyond what's in the rebuttal testimony, the only thing  
3 beyond what's in the rebuttal testimony would be the forward  
4 price curves.

5 Q. So would it be fair to say the issue joined is  
6 whether the adjustments that you've made in your rebuttal  
7 testimony would be accepted by the Commission?

8 A. That's correct.

9 Q. Okay.

10 A. And other, the other proposals by the other  
11 parties to change the net power cost study, the different  
12 assumptions that are in Mr. Falkenberg and Mr. Buckley's  
13 testimony.

14 Q. So is there anything in, not to name them  
15 specifically, but is there anything in Mr. Falkenberg's  
16 testimony or Mr. Buckley's testimony that would require more  
17 than one day to perfect the compliance filing?

18 A. Let me just take a quick look. So I think the --  
19 you know, there's -- just because of the sheer number of  
20 changes that would take more than a day to set them all up.  
21 But I think the one, and in fact we accepted the adjustment  
22 level which was the number 11, it's E-11 model wind  
23 inter-hour integration costs in GRID. So Mr. Falkenberg  
24 modeled those in GRID and came up with a 563,000 west  
25 control area, we accepted that number, not the modeling it

0340

1 in GRID at least for this time, and agreed that we would do  
2 that in the future. So I think if we used that number that  
3 solves that. But if we had to go in and set up GRID to  
4 model wind integration reserve requirements that would be a  
5 bigger job. But I think that's probably the only one that  
6 jumps out at me.

7 Q. When you say a bigger job, is that two days or  
8 three days or seven days?

9 A. I would say all together, yeah, a week.

10 Q. That is a business week or calendar week?

11 A. Five-day or seven-day. Five business days.

12 Q. I thought you were going to do a Scotty from Star  
13 Trek, well, we can get it done in seven days but then it  
14 shows up on day two?

15 A. Unfortunately, I'm not the one that does the work,  
16 so I'm committing others.

17 Q. Okay. So explain to me a little bit more what  
18 this "pseudo" REC credit is all about. I mean I'm really  
19 trying to get my arms around what is, you know, what the  
20 real issue is with that. I mean I understand what's going  
21 on but, you know, is there -- so let's start with why is it  
22 a "pseudo" REC and why do you get "pseudo" REC money  
23 revenues?

24 A. Well, they're "pseudo" RECs because, you know, I  
25 tried to describe it, obviously I didn't do it real well.

0341

1 The physical RECs they can only be used once, they can  
2 either be sold, they can be banked, whatever, so they're a  
3 limited amount. You can't like create additional real RECs.  
4 I mean you've got what you've got. So in order to, you  
5 know, accommodate the western side of our system and the  
6 western control area allocation where we have all of our  
7 renewable resources that are located in the western control  
8 area, you know, we have to allocate additional revenues from  
9 those sales. And in fact with regard to compliance in  
10 Washington we are short physical RECs. And we will need to  
11 actually purchase RECs to get up to the compliance level.  
12 But beyond that we don't plan to purchase RECs because  
13 beyond that it's just a revenue allocation and there's no  
14 need to buy RECs to sell them when you can allocate the  
15 "pseudo" REC revenues. So I don't know if that answered  
16 your question or not.

17 Q. So you allocate the "pseudo" REC revenues to  
18 Washington which you use to buy RECs to meet the RPS?

19 A. No, we would buy the RECs. That would be a  
20 shareholder expense to get up to the compliance level.

21 Q. And so the "pseudo" REC revenues would then be  
22 used as then an offset to the cost to purchase the RECs; is  
23 that the relationship?

24 A. Well, the "pseudo" REC revenues would be used --  
25 they would not be used to offset the purchase of those RECs

0342

1 because the cost of those RECs would not be included in  
2 rates. So they would be used to offset the cost of what's  
3 in rates which is the facilities themselves, you know,  
4 basically capital costs or the purchase power costs  
5 associated with those facilities.

6 Q. Okay. Remind me, are there facilities in  
7 Washington that generate RECs?

8 A. Yes.

9 Q. And what facilities are those?

10 A. Goodnoe Hills, Marengo I, Marengo II, then there's  
11 Leaning Juniper in Oregon.

12 Q. What's the capacity from Marengo Hills I and II  
13 and Goodnoe?

14 A. Marengo I and II are, they're 210 total, they're  
15 70 and 140. And the Goodnoe, as I recall, is somewhere  
16 around 90, between 90 and 100.

17 Q. 300 megawatts, round numbers?

18 A. Yeah, in Washington, plus the 100 megs of Leaning  
19 Juniper which is in Oregon, so about 400 megs all up in the  
20 western control area.

21 Q. But the 300 megs in Washington aren't sufficient  
22 to meet your RPS demand in 2012?

23 A. No, they're not. In fact, even with the Leaning  
24 Juniper when you allocate the RECs on a system-wide SG  
25 factor.

0343

1 Q. It's the allocation issue?

2 A. Yes.

3 Q. If you were to use the RECs generated in  
4 Washington to meet your RPS requirement it wouldn't be an  
5 issue, meeting the requirement in 2012 would not be a  
6 problem if it did not allocate?

7 A. If we held all the generation from the three  
8 facilities in Washington situs to Washington?

9 Q. Yes.

10 A. Yeah, I haven't done that calculation, but I'm  
11 pretty sure we would be able to meet our RPS obligations  
12 under that scenario.

13 Q. Okay. So it's the allocation issue that everyone  
14 here is fussing about because you end up with although  
15 they're generated in Washington you have to go out and buy  
16 RECs to meet the RPS from sources I suppose within  
17 Washington under the law?

18 A. They would have to be Washington eligible.

19 Q. Okay. Now, I think I understand what you're  
20 talking about with "pseudo" RECs given that context. Okay.  
21 On part of your testimony here, and I'm referring to GND-5T,  
22 your page 52, you're talking about the Bridger plant, Jim  
23 Bridger coal plant?

24 A. Yes.

25 Q. How many coal plants does PacifiCorp have, eastern

0344

1 control area?

2 A. In the eastern control area?

3 Q. You have Hunter?

4 A. Well, we have 26 total units, there are four at  
5 Bridger, two at Colstrip, so the rest of them, so that  
6 leaves 20. I guess that's right.

7 Q. Hunter?

8 A. Yeah, there's Hunter, Huntington, Carbon,  
9 Naughton, Dave Johnston and Wyodak.

10 Q. How many of those facilities are mine-mouth fed?  
11 Hunter?

12 A. Yes, Hunter and Huntington, but they do truck in  
13 some coal as well, it's not solely sufficient, the Naughton  
14 plant, the Jim Bridger plant and the Wyodak plant. Even  
15 with the Jim Bridger plant I think we do truck in some coal  
16 there too.

17 Q. Now, you make a statement in your study or in your  
18 testimony that the way that you're mining coal now at  
19 Bridger is less expensive than using coal from other  
20 sources?

21 A. That's correct.

22 Q. And was that based on a study that the Company had  
23 done when you projected out the future cost of now the  
24 underground mine operation at Bridger and the type of coal  
25 that you are now mining and using for that facility that

0345

1 that's overall less expensive than either being in the  
2 market or securing the long-term contract for the same  
3 resource?

4 A. Or doing surface mining. Yes, that's right.

5 Q. And was that in that study -- so a study was done,  
6 is there reference to it in the testimony?

7 A. I don't believe so.

8 Q. Okay. So there's no study in evidence on the  
9 issue of whether it's less expensive?

10 A. Well, I think what is in evidence is what the  
11 costs are of the underground coal.

12 Q. But without a study that could be either more or  
13 less than what might have been available in the marketplace  
14 to feed the plant?

15 A. Right, and I'm not sure what's in the record here.

16 Q. If the Company makes decisions as you did to move  
17 to a different mining operation and assuming that from the  
18 testimony it appears at least just from reading it that that  
19 operation has led to some difference in the quality of the  
20 coal, and it's that difference that's really at issue, the  
21 effect of it and the operation of the plant. So my question  
22 to you is I think you understand that, Mr. Duvall?

23 A. I do.

24 Q. Okay. And so if the Company -- let me -- excuse  
25 me, strike that, please.

0346

1           Since the Company is in control of the mining  
2 operation it's in control of the fuel source, it understands  
3 the requirements of the plant because they have been  
4 designed to be most efficient both in terms of its ability  
5 to generate heat and also to run consecutively over a period  
6 of time its designed for a particular coal at a particular  
7 site, wouldn't that be true?

8           A.    That's correct.

9           Q.    And so if that's true then when the Company makes  
10 a decision to accept the risks of changing an operation that  
11 provides fuel should that, the results of that decision, is  
12 that really the Company taking the risk that it's going to  
13 be able to perform at the levels the Company -- that the  
14 facility had performed at using the coal from its previous  
15 source?

16          A.    Well, let me, I guess, respond to that in a little  
17 longer answer and that is that --

18          Q.    Longer than the question?

19          A.    Yeah.  Is that going underground does reduce the  
20 cost, but it limits the ability to blend the coal, because  
21 you're taking the coal out of kind of a single seam, and  
22 down the road my understanding is the mining group is  
23 looking at putting in some more blending facilities, and  
24 it's all about the ash content.

25                When you do the surface mining you can mine

0347

1 multiple pits at the same time and your blending is a lot  
2 easier, but it's more expensive. So you have higher cost,  
3 better quality or more consistent quality. But from an  
4 underground mine you have lower cost coal that has a varying  
5 quality. And the way to fix that is to add some sorting  
6 facilities that by the time you get your cheap coal and get  
7 it sorted and keep your ash content down.

8           What the Company's concerned with is the  
9 adjustment here is to combine the cheap coal with the high  
10 quality coal. And that's where the problem is. Is that you  
11 can't have your cheap coal with the high quality. You know,  
12 so you get your cheap coal with the quality issues and, you  
13 know, we'll work through those. It adds a little bit of  
14 cost back, but it's still cheaper to go underground and have  
15 a little bit worse quality coal.

16           Q. And I did understand that from the Company's  
17 testimony that really you can't have it both ways, you  
18 either accept the low cost of the coal that's being mined  
19 now and the liabilities that are associated with it. I  
20 guess my question is the -- I don't know if there's -- it  
21 would seem to me that the Company would have understood the  
22 bargain that it was getting when it moved into this new  
23 mining operation in that it would have also understood that  
24 because of the variability in the fuel source that is going  
25 to be prevalent given the new mining operation that it would

0348

1 have been able to foresee perhaps the challenges of  
2 maintaining the capacity factor of the plant and not -- and  
3 avoid shutdowns. And I don't know, I guess if you can -- I  
4 don't know if you can answer that question or not,  
5 Mr. Duvall, whether that was a factor that the Company  
6 considered when it began its mining operations underground  
7 at the Bridger site?

8 A. I don't know the answer to that. I'm not close to  
9 that evaluation.

10 Q. Would you have expected that that factor would  
11 have been considered?

12 A. I would expect that it would have been considered.

13 MR. OSHIE: I don't have any other questions.

14 JUDGE CLARK: Chairman Goltz.

15

16 CROSS-EXAMINATION

17 BY MR. GOLTZ:

18 Q. My only question is probably repetitive because  
19 several people have asked about this, the timing of  
20 establishing the forward prices, and in your rebuttal  
21 testimony 5T at 9 to 11 your proposal is updated based on  
22 the December 31, 2010, data?

23 A. Correct.

24 Q. Does that data come out quarterly, monthly,  
25 weekly, when does that come out?

0349

1           A.    As a Company we actually, you know, every day our  
2   traders prepare a forward price curve so they can, you know,  
3   manage their position.  Once a quarter we actually, we go  
4   through a process where we have a risk management group  
5   independently get broker quotes and compare the two to make  
6   sure they're within 5 percent of each other.  And that's a  
7   process we have in place to create an official forward price  
8   curve that we then use for all kinds of regulatory purposes,  
9   rate filings, avoided cost filings and those sorts of  
10  things.

11           Q.    So basically you can do it any time you wanted  
12  except you only as a matter of routine do the thorough  
13  method every quarter?

14           A.    Yes, the audited method, I guess, from risk  
15  management.  That takes a lot of extra work and sometimes  
16  people are there until 10:00 at night making sure they have  
17  it tied down, so it's not something we want to do every day.

18           MR. GOLTZ:  I understand.  That's all I have.  
19  Thanks.

20           JUDGE CLARK:  Redirect.

21           MS. MCDOWELL:  I do have a few questions.  My  
22  first line of questions is on the confidential Exhibits 29C  
23  and 24C, so if we could take a moment to make sure the room  
24  is ready for me to discuss confidential information that  
25  would be great.

0350

1                   JUDGE CLARK: Okay. The next portion of the  
2 Commission proceeding will be an in camera hearing,  
3 therefore individuals who have not reviewed the protective  
4 order issued in this docket and agreed to abide by its terms  
5 and conditions should exit the hearing room at this time.  
6 I'm going to take a moment off record to allow counsel to  
7 identify there are no individuals present who are not  
8 allowed to be in the hearing room.

9                   Actually, I don't even need to go off record, she  
10 has just given me the thumbs up.

11                  MR. TROTTER: Is the bridge off?

12                  JUDGE CLARK: Yes, we'll go ahead and mute. See  
13 if I can do this without turning it off again. Mute the  
14 send. And so the next portion of this proceeding will be  
15 conducted in camera and the transcript will be separately  
16 bound and sealed.

17                  MS. MCDOWELL: Thank you.

18                                 (A portion of this transcript was  
19 removed and put in a confidential transcript  
20 marked Volume VI.)

21                  JUDGE CLARK: Okay. That concludes the in camera  
22 portion of this hearing. And the previous portion of this  
23 transcript will be separately bound and sealed. We're now  
24 in a public hearing session of this proceeding.

25                  MS. MCDOWELL: Thank you.

0351

1 REDIRECT EXAMINATION (continued)

2 BY MS. MCDOWELL:

3 Q. Mr. Duvall, do you recall when Ms. Shifley asked  
4 you a couple of questions about whether the REC reports  
5 included revenues from November and December of 2009?

6 A. Yes.

7 Q. Mr. Duvall, are you familiar with the results of  
8 operations reports that are filed with this Commission?

9 A. Yes, I'm generally familiar with those.

10 Q. And for calendar year 2009 did the Company file  
11 results of operation in April 2010?

12 A. Yes, we did.

13 Q. Would those results have included all such  
14 revenues for the entire, all REC revenues for the entire  
15 calendar year of 2009?

16 A. Yes, they would.

17 Q. Mr. Duvall, Ms. Shifley also asked you about a  
18 figure, the figure of around approximately \$650,000 that was  
19 in the settlement stipulation from the last, the Company's  
20 last general rate case, do you recall those questions?

21 A. I do.

22 Q. Was that number of 650,000, does it relate to 2009  
23 REC revenues or 2010 REC revenues?

24 A. It's the 2010.

25 MS. MCDOWELL: That's all I have. Thank you.

0352

1                   JUDGE CLARK: Thank you for your testimony,  
2 Mr. Duvall.

3                   THE WITNESS: You're welcome.

4                   JUDGE CLARK: Is there any objection to this  
5 witness being excused? Hearing none you're excused. We'll  
6 take a moment off record.

7                                   (Brief break taken off the record.)

8                   JUDGE CLARK: Is everyone ready to go back on  
9 record? All right. Ms. McDowell, would you call your next  
10 witness, please.

11                   MS. MCDOWELL: Thank you, Judge Clark, our next  
12 witness is R. Bryce Dalley.

13                   JUDGE CLARK: Mr. Dalley, raise your hand.

14                                   (R. Bryce Dalley sworn on oath.)

15                   MR. DALLEY: I do.

16                   JUDGE CLARK: Thank you, please be seated. Could  
17 you state your full name for the record please and spell  
18 your last name?

19                   MR. DALLEY: Yes, my name is R. Bryce Dalley,  
20 D-a-l-l-e-y.

21                   JUDGE CLARK: Thank you. Ms. McDowell.

22                   MS. MCDOWELL: Thank you, Judge Clark.

23                   ///

24                   ///

25                   ///

0353

1 R. BRYCE DALLEY,  
2 having been first duly sworn  
3 on oath was examined and testified as follows:  
4

5 DIRECT EXAMINATION

6 BY MS. MCDOWELL:

7 Q. Mr. Dalley, do you have any corrections to your  
8 direct, rebuttal and various revised and supplemental  
9 prefiled testimony that you filed in this case?

10 A. I do not.

11 MS. MCDOWELL: This witness is available for  
12 cross-examination.

13 JUDGE CLARK: Thank you. Mr. Trotter.

14 MR. TROTTER: Thank you, Your Honor.

15

16 CROSS-EXAMINATION

17 BY MR. TROTTER:

18 Q. Good evening, Mr. Dalley.

19 A. Good evening, Mr. Trotter.

20 Q. Could you turn to page 15 of your rebuttal,  
21 Exhibit RBD-4T?

22 A. Page 15?

23 Q. Yeah.

24 A. I assume this is the revised 12-10-10?

25 Q. Yes.

0354

1 A. I'm there.

2 Q. And line 15 through 18 you identify that Staff  
3 made three adjustments related to cash working capital, one  
4 was to remove all of the Company's cash working capital, and  
5 also removed fuel stock, and materials and supplies, do you  
6 see that?

7 A. Yes, I do.

8 Q. And the cash working capital element is the  
9 Company's one-eighth method figure; is that correct?

10 A. That's correct.

11 Q. We'll talk about that in a moment. For fuel stock  
12 I would like to ask you what that is. And the Company books  
13 fuel stock amounts to Account 151 which is entitled fuel  
14 stock; is that right?

15 A. That is correct.

16 Q. And for materials and supplies the Company books  
17 those to Account 154 which is entitled plant materials and  
18 operating supplies; is that correct?

19 A. That is.

20 Q. The uniform system of accounts classifies those  
21 two accounts, 151, 154, as current asset accounts; is that  
22 right?

23 A. Yes, I believe that is correct.

24 Q. And those are distinct from long-term assets or  
25 utility plant on the balance sheet; isn't that right?

0355

1 A. That is correct.

2 Q. From an accounting point of view current assets  
3 are those assets that will be or are likely to be converted  
4 into cash, sold or consumed within one year; is that right?

5 A. That is correct.

6 Q. So is it fair to say that for fuel stock and  
7 materials and supplies those will be consumed during the  
8 year either as an item used in a capital project or as a  
9 maintenance item in operations or some similar function?

10 A. That is correct. When an item gets placed into  
11 either materials and supplies or fuel inventory it will  
12 remain in that account for less than a year; however, the  
13 Company maintains balances in both of those accounts on an  
14 ongoing basis so the balances never go to zero.

15 Q. Understood, thank you. Let's turn to the  
16 one-eighth method, and the Company is proposing to using  
17 what it calls the one-eighth method for calculating working  
18 capital; is that correct?

19 A. That's correct.

20 Q. And using that method the Company takes the total  
21 Washington-allocated normalized O&M, or operations and  
22 maintenance expenses, subtracts out fuel and purchase power  
23 expense and divides the result by eight; is that correct?

24 A. That is correct.

25 Q. Now, the one-eighth method that you use always

0356

1 results in a positive amount for working capital; correct?

2 A. Yes.

3 Q. Turn to page 17 of your rebuttal. And here you're  
4 criticizing the Staff's balance sheet, use of the balance  
5 sheet to analyze working capital. And on lines 19 to 20 you  
6 contrast your method, the one-eighth method, and you say it  
7 uses Washington-specific normalized results of operations,  
8 do you see that?

9 A. Yes, I do.

10 Q. I'd like to evaluate that testimony, and to do so  
11 I need you to refer to your rather large Exhibit RBD-3 and  
12 turn to tab 8, the rate base adjustments, page 8.1.

13 A. Okay.

14 Q. And the top says PacifiCorp, Washington General  
15 Rate case December 2009, Cash Working Capital; right?

16 A. Yes, that's correct.

17 MR. GOLTZ: I'm sorry, can you give us the page  
18 number again?

19 MR. TROTTER: 8.1, maybe eight or nine pages into  
20 the exhibit.

21 JUDGE CLARK: Yes, just a minute.

22 A. I would note as well this is a page that was  
23 revised on November 23, 2010.

24 Q. (By Mr. Trotter) Okay. Going down to a little bit  
25 past the midpoint you have several entries under the caption

0357

1 pro forma CWC, do you see that?

2 A. Yes, I do.

3 Q. And then going down to pro forma CWC on the last  
4 line, that 11.1 million, that's what you derived as  
5 Washington's share of working capital under the one-eighth  
6 method; is that right?

7 A. That's correct.

8 Q. This is a section of the exhibit that summarizes  
9 what you did?

10 A. Yes.

11 Q. So you started with the \$233 million figure, total  
12 pro forma O&M expenses and you reduced that by fuel and  
13 purchased power and some restating adjustments to fuel and  
14 purchased power and then there were several other fuel and  
15 purchased power related adjustments that got you all the way  
16 down to the 88.8 million figure; right?

17 A. That's correct.

18 Q. Then you divided that by eight and that's the  
19 Washington's -- your calculation of the working capital  
20 adjustment to Washington rate base; right?

21 A. That's correct.

22 Q. Now, let's turn to tab 2 of the exhibit, page  
23 2.16. Okay.

24 JUDGE CLARK: Just a minute. Make sure everybody  
25 is on the same sheet of music here.

0358

1 MR. TROTTER: Okay.

2 JUDGE CLARK: Thank you.

3 Q. (By Mr. Trotter) I realize this is, this page is  
4 the end result of some prior pages, we'll talk about that in  
5 a second, but this is where you got the \$233 million figure  
6 that we just discussed from tab 8; right?

7 A. Correct.

8 Q. And so I would like you to look at lines 1044  
9 through 1050, do you see that?

10 A. Yes.

11 Q. And here we see how administrative and general  
12 expenses were allocated as part of that overall 233 million  
13 figure; right?

14 A. That is correct.

15 Q. And so these are also part of the 88 million  
16 figure that you then divided by eight to get to Washington  
17 share; right?

18 A. That's correct.

19 Q. And if we look on line 1046 over on the right-hand  
20 column we see \$10.9 million of A&G costs that were allocated  
21 based on the SO factor; is that right?

22 A. That's correct.

23 Q. And the SO factor is system-wide allocation  
24 factor; correct?

25 A. Yes.

0359

1 Q. It's not a western control area factor, is it?

2 A. No, Washington's percentage of that is developed  
3 based on their share of gross plant allocated to Washington  
4 versus total company gross plant. The Washington allocation  
5 of that is done using the west control area allocation  
6 factors. So it's a combination of -- it's Washington's  
7 allocation of other items. So I just wanted to clarify that  
8 it is a WCA factor.

9 Q. You also show SG factor and a CN factor, those are  
10 system-wide allocation factors; correct?

11 A. The CN factor is customer numbers, it's developed  
12 based on a number of customers in each state. What was the  
13 other factor, I'm sorry?

14 Q. SG.

15 A. Yes, that would be a system generation factor.

16 Q. Now, if we went through the prior pages of this  
17 exhibit looking for the nonfuel and nonpurchased power items  
18 that you later took out, remember that discussion from tab  
19 8?

20 A. Yes, I do.

21 Q. Would you accept, subject to check, that nearly  
22 20 million of your \$88 million figure was allocated to  
23 Washington using system-wide allocation factors?

24 A. Yes, consistent with the WCA allocation  
25 methodology.

0360

1 MR. TROTTER: That's all I have, Mr. Dalley.

2 Thank you.

3 JUDGE CLARK: Mr. Sanger.

4 MR. SANGER: Judge Clark, I previously discussed  
5 this with Ms. Shifley, we agreed that Ms. Shifley will go  
6 before me if that's okay with the Bench?

7 JUDGE CLARK: I have no problem with that order.  
8 Ms. Shifley. Except that I may actually. Just let me  
9 inquire for a minute here. I do have an hour estimated for  
10 your examination of Mr. Dalley; is that correct?

11 MS. SHIFLEY: No, I think that's going to be  
12 significantly revised downward, Your Honor.

13 JUDGE CLARK: All right. I hate to put you on the  
14 spot, but do you have an approximate estimate of how long  
15 you would like to examine Mr. Dalley?

16 MS. SHIFLEY: I would assume given the length of  
17 his answers no more than 15 minutes.

18 JUDGE CLARK: All right, please proceed.

19

20 CROSS-EXAMINATION

21 BY MS. SHIFLEY:

22 Q. Good afternoon, Mr. Dalley.

23 A. Good afternoon.

24 Q. I would just like to ask you a couple more  
25 questions about the 11.1 million in cash working capital

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1 that the Company is proposing here based on the one-eighth  
2 of O&M method. Would you please turn to page 11 of your  
3 rebuttal testimony, that would be page 14 of the revised.

4 JUDGE CLARK: I'm sorry, can you give me that page  
5 number again, Ms. Shifley?

6 MS. SHIFLEY: Certainly. Of the revised testimony  
7 it's page 14.

8 JUDGE CLARK: So it's RBD-4T.

9 MS. SHIFLEY: I believe the revision was made on  
10 12-10-10.

11 JUDGE CLARK: And it's page 14?

12 MS. SHIFLEY: Correct.

13 JUDGE CLARK: Okay. Thank you.

14 Q. (By Ms. Shifley) Beginning on line 9 you state  
15 that the lead-lag study method is PacificCorp's preferred  
16 approach for calculating cash working capital; correct?

17 A. That's correct.

18 Q. You also state that PacificCorp uses the lead-lag  
19 method for calculating cash working capital in all of its  
20 other jurisdictions; correct?

21 A. That is correct.

22 Q. And it's also true that the Company anticipates  
23 performing a lead-lag study sometime in 2011?

24 A. That is correct. We perform a study every three  
25 years, the last study was performed in 2008, so the next one

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1 will be performed in this calendar year.

2 Q. And that would be a lead-lag study for Washington  
3 specifically?

4 A. We've never done a lead-lag study on a state  
5 specific basis, first of all, but on the west control area  
6 basis we've historically only performed those studies on a  
7 system-wide basis.

8 Q. So you perform no lead-lag study to support your  
9 11.1 million cash working capital in this case?

10 A. That's correct. My testimony in this case uses  
11 the one-eighth of O&M method.

12 Q. I would just like to move to a slightly different  
13 topic. It's true, is it not, Mr. Dalley, that PacifiCorp  
14 assigns the majority of legal expenses through a system  
15 allocation factor and not on a state specific basis;  
16 correct?

17 A. That is correct.

18 Q. Would you please turn to your revised rebuttal  
19 testimony, specifically page 21, and the question that  
20 begins on line 16 of that page. Here you state that it is  
21 PacificCorp's policy to directly assign costs to individual  
22 states where it is possible and cost effective; correct?

23 A. Correct.

24 Q. And you also state that when costs cannot be  
25 directly attributable to a state a system allocation factor

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1 is used; correct?

2 A. Yes.

3 Q. Could you now please turn to what has been marked  
4 as RBD-18C. And I'll just note that the questions that I  
5 intend to ask about this exhibit do not implicate any of the  
6 confidential information. This exhibit is a response to a  
7 data request made by Public Counsel to PacifiCorp; correct?

8 A. Yes, it is.

9 Q. And in this data request Public Counsel asked you  
10 to provide a comparison of legal costs on a system-wide  
11 allocation method to comparing it to an allocation on a  
12 Washington situs basis; correct?

13 A. That is correct.

14 Q. Did the Company answer this data request?

15 A. Yes, we did.

16 Q. Was the Company able to provide an allocation of  
17 legal cost on a state specific basis for Washington in its  
18 response?

19 A. Yes, for the items specifically attributable to  
20 Washington we were able to situs assign.

21 Q. Was your response timely?

22 A. Yes, it was.

23 Q. And did your response contain any objection?

24 A. I do not believe so, no.

25 Q. I'm just going to move to another subject. In

0364

1 your testimony you proposed a pro forma adjustment for wages  
2 that adjusted the actual test year salary increases;  
3 correct?

4 A. We adjusted the wage levels from the test year  
5 actuals to account for known and measurable wage increases,  
6 yes.

7 Q. The wage increases that you adjusted it for were  
8 in 2010?

9 A. Correct. The union contracts were escalated using  
10 contractual contracts, and the nonunion wages were escalated  
11 using the actual increase that took place in January of  
12 2010.

13 Q. So for this escalation what was the level -- what  
14 was the employee count that PacifiCorp used to escalate  
15 wages?

16 A. The employee count was the calendar year 2009 test  
17 period historical average, there was no adjustment for head  
18 count in the case.

19 Q. So the adjustment took the 2010 changes for wages  
20 but based it on a 2009 employee count?

21 A. That is correct. We made limited known and  
22 measurable adjustments in the case as described in my  
23 testimony.

24 Q. Could you turn to what's been marked Exhibit  
25 RBD-12 -- excuse me, I believe that this is a data request

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1 in which Public Counsel asked you to give actual workforce  
2 levels for PacifiCorp; correct?

3 A. That is correct.

4 Q. Turning to page 2 of the exhibit this shows actual  
5 PacifiCorp workforce levels as of December 2008,  
6 December 2009 and June 2010; does it not?

7 A. It does.

8 Q. Could you just confirm for me that the total  
9 number of nonunion PacifiCorp employees decreased between  
10 2008 and 2009?

11 A. The nonunion?

12 Q. Yes.

13 A. Yes, I believe it decreased by eight between 2008  
14 and 2009.

15 Q. It decreased again between December 2009 and  
16 June 2010?

17 A. From December 2008?

18 Q. December 2009 to June 2010 did it again decrease?

19 A. Yes, it did.

20 Q. Did the number of union PacifiCorp employees  
21 decrease between December 2008 and December 2009?

22 A. Yes.

23 Q. Subject to check would you say it decreased by  
24 about 86?

25 A. Yes, subject to check.

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1 Q. And the number of union PacifiCorp employees also  
2 decreased in the six months between December 2009 and June  
3 2010, did it not?

4 A. It did.

5 Q. And this decrease was by about 40 employees; is  
6 that correct, subject to check?

7 A. That looks right.

8 Q. But just to clarify, the pro forma adjustment for  
9 the wage increases for 2010 was calculated using the average  
10 employee count from 2009?

11 A. That is correct. We made no adjustments to head  
12 count. And I would note that there's no -- there's been no  
13 Company program. I know this answer to this data request  
14 was responded to by Company witness Erich Wilson who is our  
15 director of human resources, who is also a witness in this  
16 case, he might be able to answer this more specifically.

17 But we've had no program in place to reduce the  
18 head count of our Company. And so we do see fluctuations  
19 from month-to-month, year-to-year. However, there's no  
20 program in place from the base historical year to this  
21 June 2010 period to reduce head count. So when you would  
22 see -- what this would show is a temporary lull but we would  
23 have to supplement staffing levels if we have lower  
24 full-time equivalents with contractor labor as well as  
25 overtime with other employees that --

0367

1 Q. But the fluctuation for the last two years has  
2 been downward; is that correct?

3 A. Since December 2008, yes. But I would also note  
4 that we use a calendar year 2009 average head count, not the  
5 ending points for the case.

6 Q. Could you turn to what's been marked RBD-11.  
7 Could you just confirm for me this is an order from the most  
8 recent PacifiCorp case in Idaho for its operating company  
9 Rocky Mountain Power?

10 A. Yes, it is, I believe this was referenced earlier  
11 in the hearing. I would just note that it's an  
12 interlocutory order, so it's an interim order, it doesn't  
13 provide a lot of detail.

14 Q. Could you just turn to the last paragraph of the  
15 second page under the heading Revenue Requirement. And  
16 about four lines down this shows that the Idaho Commission  
17 eliminated scheduled wage increases; is that correct?

18 A. Yes, that's what it says.

19 Q. And continuing onto the top of page 3 could you  
20 just confirm that the Idaho Commission noted that they were  
21 eliminating these wage increases in acknowledgment of the  
22 economic conditions of the Utility's service territory?

23 A. Yes, I'll acknowledge that that's what it says. I  
24 would note as well that we have no idea what the elimination  
25 of scheduled wage increases means. We did -- similar to

0368

1     this case we included annualized increases that occurred  
2     during the base historical period as well as increases that  
3     occurred in calendar year 2010. I would also note that this  
4     case -- the test period convention in Idaho is significantly  
5     different than what we have here in Washington in that it's  
6     much more forward-looking. The other aspects of the case  
7     such as rate base, for example, are much more  
8     forward-looking than what we have in this proceeding, so  
9     just for informational purposes.

10            MS. SHIFLEY: Thank you, Your Honor. I have no  
11     further questions.

12            JUDGE CLARK: Mr. Sanger, I have you down for  
13     about ten minutes, is that reasonably accurate?

14            MR. SANGER: Yes.

15            JUDGE CLARK: Thank you, please proceed.

16            MR. SANGER: Thank you, Your Honor.

17

18                                    CROSS-EXAMINATION

19     BY MR. SANGER:

20            Q.     Were you in the room when cross-examination of  
21     Mr. Reiten and Mr. Duvall occurred?

22            A.     I was.

23            Q.     Thank you. I wanted to ask you some questions  
24     which I believe might have been deferred to you. Have you  
25     reviewed the testimony of Mr. Reiten?

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1 A. I have.

2 Q. And you're familiar that he makes an argument on  
3 page 4 of his direct testimony regarding the under-recovery  
4 of historic costs, do you need a copy of Mr. Reiten's  
5 testimony.

6 A. No, I have a copy here, thank you. Just give me a  
7 moment, please. Yes, I see that in Mr. Reiten's testimony.

8 Q. Then I believe you address this as well, it's also  
9 addressed on page 2 of Mr. Reiten's testimony where he  
10 discusses the return on equity that PacifiCorp is currently  
11 earning in Washington. I believe your testimony addresses  
12 that same issue, or similar issue?

13 A. Yes, that's correct.

14 Q. Were you in the room when Mr. Duvall testified  
15 regarding the amount of renewable energy credits the Company  
16 has earned to date?

17 A. I was in the room during his testimony. You have  
18 to elaborate a little bit on what you mean to date.

19 Q. Are you aware that parties have testified that  
20 PacifiCorp assumed in its last general rate case that it  
21 would get \$650,000 in REC revenues?

22 A. Yes, that was what was included in the  
23 stipulation.

24 Q. And to your knowledge has PacifiCorp earned more  
25 than \$650,000 in calendar year 2009?

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1 A. In 2009?

2 Q. I'm sorry, in 2010, I apologize.

3 A. I believe Mr. Duvall answered this question, and I  
4 believe the answer was yes, it's more.

5 Q. Would those increased REC revenues have any impact  
6 on the Company's earnings?

7 A. That's a calendar year 2010 base that I believe  
8 Mr. Duvall was referring to. This case is a calendar year  
9 2009 test period. RECs for the test period -- or that are  
10 included in this case are forward-looking consistent with  
11 net power costs for the 12 months ending March 2012. So,  
12 no, I don't believe the REC revenue for 2010 would impact  
13 the return on equity in this case.

14 Q. Would it impact the return on equity that the  
15 Company is currently earning or that the Company was earning  
16 at the time you submitted your testimony in this case?

17 A. Return on equity is always measured over a period  
18 of time. If you're asking for the calendar year 2010 all  
19 revenues and costs would be included in that calculation of  
20 the return on equities? The answer would be yes.

21 MR. SANGER: Thank you.

22 JUDGE CLARK: Commissioner Jones.

23 MR. JONES: No questions.

24 JUDGE CLARK: Mr. Oshie.

25 MR. OSHIE: No questions.

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1 JUDGE CLARK: Chairman Goltz.

2

3 CROSS-EXAMINATION

4 BY MR. GOLTZ:

5 Q. I just had one follow-up question on what  
6 Mr. Shifley asked about the decreasing number of employees.  
7 I gather she may have been suggesting that maybe we had to  
8 base our decision on the lower number not the average  
9 number. And your response as I recall was, well, there's no  
10 program in place to reduce employees. I assume you were  
11 here for Mr. Reiten's testimony this morning?

12 A. Yes, I was.

13 Q. He did testify that the Company management was  
14 engaged in a number of cost-cutting measures or trying to  
15 reduce costs wherever possible. So couldn't the reduced  
16 number of employees just be part of that?

17 A. I don't believe so. I mean Mr. Wilson who's here  
18 as our director of human resources would be better equipped  
19 to answer that. But to my knowledge the Company has not  
20 implemented head count reductions as a cost saving measure.  
21 And so any fluctuations that we see on that exhibit that she  
22 was referring to we're hovering around 57, 5,600. So  
23 fluctuation of 100 or so employees is not a significant  
24 swing. And Mr. Wilson could testify again to more  
25 specifics, but we don't view that as a significant swing due

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1 to any Company program.

2 Q. But you don't know, since you aren't in the HR  
3 department, you don't know if this was part of a  
4 cost-cutting measure that the Company has decided not to  
5 fill some positions just like a lot of other companies  
6 aren't filling a lot of these positions?

7 A. I don't believe it is simply because I know we're  
8 actively recruiting for hundreds of positions at this point.  
9 I don't know the exact numbers. Again Mr. Wilson would be  
10 better to answer that. If these positions -- to my  
11 knowledge these are positions where individuals have decided  
12 to leave voluntarily and the Company is seeking to refill  
13 those positions so they're posting those and we're actively  
14 recruiting, but again Mr. Wilson would have the specifics on  
15 that.

16 Q. Let me ask you one other question regarding what  
17 may be a very minor point. On your RBD-3, tab 4, page 4.5  
18 in your original testimony, you have that?

19 A. Yes, I have that.

20 Q. I just see under the total, in the middle of the  
21 page or the middle column about under total -- or the second  
22 part I should say, the Adjustment Detail, the second line  
23 under that it says MEHC management fee booked 8.3 million or  
24 so?

25 A. Yes.

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1 Q. I also recall that in your revised testimony you,  
2 at page 6.7, Exhibit RBD-4T you state there's approximately  
3 11.5 million of management fees?

4 A. That's correct.

5 Q. What's the distinction between these two numbers?

6 A. I understand the confusion because it's a complex  
7 issue in that the Company has various commitments with each  
8 of its six states on the level of management fees that can  
9 be reflected in rates. Some of those states have  
10 restrictions on the amount that can actually be booked.

11 So due to a commitment in another jurisdiction,  
12 not Washington, the Company can only book \$9 million of MEHC  
13 management fees on its accounting records. And so even  
14 though we are invoiced as you mentioned a little over 11 and  
15 a half million from MidAmerican, we only book or pay them  
16 9 million. Of that 9 million, 8.3 is booked above the line  
17 and approximately 650,000 is booked below the line. And so  
18 there's an invoiced amount, and then there's amounts that  
19 actually hit the books.

20 And then to just take it a step farther,  
21 Washington commitment requires that the Company include no  
22 more than 7.3 million. So in my direct position we reduced  
23 the 8.3 million down to 7.3 million for reduction of an  
24 additional million. And then in my rebuttal, to take it the  
25 final step, the rebuttal case we evaluated all of the items

0374

1 from the invoiced and we removed a few other items to get us  
2 down to the 7.1 level that's reflected in the test period.

3 MR. GOLTZ: Okay, thank you.

4 JUDGE CLARK: Redirect.

5 MS. MCDOWELL: Thank you, Your Honor.

6

7

REDIRECT EXAMINATION

8 BY MS. MCDOWELL:

9 Q. Mr. Dalley, Mr. Sanger asked you a question about  
10 Mr. Reiten's testimony on under-recovery of historic costs,  
11 do you recall that question?

12 A. I do.

13 Q. Do you recall him asking a similar question to  
14 Mr. Reiten this morning?

15 A. Yes, I do. I recall Mr. Sanger asking if a pro  
16 forma adjustment was included in the case for under-recovery  
17 in the prior case.

18 Q. I believe that Mr. Reiten indicated that you would  
19 be the best person to explain or elaborate on that, can you  
20 please do that?

21 A. Certainly. I think what Mr. Reiten was referring  
22 to is that we have no pro forma adjustment, no adjustment in  
23 this case that adds to the test period costs related to  
24 under-recovery in the prior period. This test period stands  
25 on its own. The cost and balances included here, and those

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1 that are described in my testimony, are the actual costs for  
2 2009 with known and measurable adjustments.

3 The only item from the under-recovery of the last  
4 case that would be carried forward would be the revenue  
5 item. What I mean by that is the revenues that are ordered  
6 by the Commission in that prior proceeding are carried  
7 forward as a reduction to the revenue requirement in this  
8 proceeding.

9 In that prior case I believe we requested a little  
10 over \$38 million and settled for 13 million, 13 and a half  
11 million. So that \$13 and a half million would be reflected  
12 in the general business revenues in this case. There's no  
13 adjustment per se where we add in costs from that historical  
14 period. The revenue requirement in this case is determined  
15 based on the cost and balances of this test period. Does  
16 that clarify?

17 MS. MCDOWELL: Thank you, Mr. Dalley. That's all  
18 I have, Your Honor.

19 JUDGE CLARK: Thank you, Mr. Dalley. Is there any  
20 objection to this witness being excused? Hearing none  
21 you're excused.

22 And the Commission has determined, although I gave  
23 everyone notice that we would probably be likely running  
24 late that we will not be doing so today. And we will be  
25 reconvening tomorrow morning at 9:00 a.m. We are at recess

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1 until 9:00 a.m.

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\* \* \* \* \*

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(Whereupon, the proceedings went off

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the record at 4:59 p.m.)

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C E R T I F I C A T E

I, TAMI LYNN VONDRAN, a Certified Court Reporter,  
do hereby certify that I reported in machine shorthand the  
foregoing proceedings in the above-entitled cause; that the  
foregoing transcript was prepared under my personal  
supervision and constitutes a true record of the testimony  
of the said witness.

I further certify that I am not an attorney or  
counsel of any parties, nor a relative or employee of any  
attorney or counsel connected with the action, nor  
financially interested in the action.

DATED at Edgewood, Washington this 3rd day of  
February, 2011.

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Tami Lynn Vondran, CCR  
Certified Court Reporter  
License No. 2157