

BEFORE THE WASHINGTON STATE

UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
Complainant, )  
v. ) DOCKET NOS. UE-140762  
) and UE-140617  
PACIFIC POWER & LIGHT COMPANY, ) (Consolidated)  
Respondent. )

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HEARING - VOLUME IV

Pages 104 - 372

ADMINISTRATIVE LAW JUDGE DENNIS J. MOSS  
COMMISSION CHAIRMAN DAVID DANNER  
COMMISSIONER JEFFREY GOLTZ  
COMMISSIONER PHILIP JONES

9:30 A.M.

DECEMBER 16, 2014

Washington Utilities and Transportation Commission  
1300 South Evergreen Park Drive Southwest  
Olympia, Washington 98504-7250

REPORTED BY: ELIZABETH PATTERSON HARVEY, RPR, CCR 2731

Buell Realtime Reporting, LLC  
1325 Fourth Avenue  
Suite 1840  
Seattle, Washington 98101  
206.287.9066 | Seattle  
206.534.9066 | Olympia  
800.846.6989 | National

www.buellrealtime.com

1                                  CROSS-EXAMINATION

2                  BY MS. MCDOWELL:

3                  **Q**    **Good afternoon, Mr. Parcell.**

4                  A    Good afternoon.

5                  **Q**    **So can you turn to page 4 of your testimony in**  
6 **this case, DCP-1T?**

7                  A    Sure. I have that.

8                  **Q**    **And there at the top of page 4, just to get our**  
9 **bearings here, you're -- you testified that your common**  
10 **equity range for PacifiCorp is a range of 9 to 9.5.**

11                  Do you see that?

12                  A    Yes.

13                  **Q**    **And you have a range for your ROR, your rate of**  
14 **return, 7.07 to 7.31.**

15                  Do you see that?

16                  A    Yes, ma'am.

17                  **Q**    **In both cases you select the bottom of those**  
18 **ranges, so a 9 percent ROE and a 7.07 percent ROR, correct?**

19                  A    For my point recommendation, that is correct.

20                  **Q**    **Now, can you turn to page -- or to Cross Exhibit**  
21 **DCP-26 --**

22                  A    26, you said?

23                  **Q**    **26.**

24                  A    Sure. That's the PSE case, right?

25                  **Q**    **Yes. That's the case we were just discussing.**

1 Do you see that quote?

2 A Yes, ma'am.

3 Q And I'm asking you, did your recommendation in  
4 this case consider whether investors would continue to  
5 invest in PacifiCorp at that 9 percent?

6 A Again, interest rates are lower today than they  
7 were a year ago when the Commission gave PacifiCorp 9.5  
8 percent.

9 So -- and that part was on appeal at that time.  
10 So if 9.5 was appropriate based upon the context of your  
11 question a year ago, and interest rates are lower today,  
12 that logic would indicate on its own less than 9.5 percent.

13 Q Can you turn to page 39 of your testimony, please?

14 A You said 39?

15 Q Yes.

16 A Yes. I'm there. Thank you.

17 Q Again, lines 1 through 5. As another reason for  
18 justifying the bottom end of your range recommendation, you  
19 refer to the possible implementation of a PCAM mechanism in  
20 this case.

21 Do you see that?

22 A Yes, ma'am.

23 Q You agree that PacifiCorp currently does not have  
24 any PCAM mechanism, right?

25 A Right, as Mr. Williams points out in his

1 Q And do you recognize this as testimony previously  
2 filed in a Cascade Natural Gas case in this jurisdiction?

3 A At least the first four pages of it, yes.

4 Q And on page 5 of this exhibit, which is page 3 of  
5 the testimony, you recommend that if -- that Cascade's ROE  
6 should be 25 basis points higher if it does not have a  
7 decoupling mechanism; isn't that correct?

8 A As of 2006, yes, for a gas company.

9 Q So since PacifiCorp does not have a decoupling  
10 mechanism, is it your position --

11 MS. CAMERON-RULKOWSKI: I'm going to object.  
12 Mr. Parcell has not testified to making any adjustments  
13 whatsoever based on decoupling. And so I think that this  
14 question would be outside the scope of his testimony.

15 JUDGE MOSS: I'm going to overrule the  
16 objection.

17 Go ahead with the question.

18 Q (By Ms. Wallace) So since PacifiCorp does not  
19 have a decoupling mechanism, is it your position that  
20 PacifiCorp's ROE should be 25 basis points higher than a  
21 utility that has a decoupling mechanism?

22 A I have not addressed decoupling in the context of  
23 electric utilities such as PacifiCorp, or actually any  
24 electric company in two or three years now. So I have not  
25 run those numbers lately.

1           Certainly in 2006 it was a big factor for a gas  
2 company like Cascade.

3           But the analysis I make is the cost of capital for  
4 a broad spectrum of publicly traded companies. Maybe some  
5 of those companies may have a subsidiary with decoupling,  
6 but other subsidiaries do not. But whatever is there is  
7 built in, and it's not a factor that I would be comfortable  
8 either adding to or subtracting from based upon the  
9 information that I've done lately and what I've done in  
10 either this or the PSE case prior testimonies.

11           So I'm sorry. I just can't help you on that. I  
12 haven't studied it.

13           **Q     At least since the time you filed this testimony**  
14 **in 2006; is that your testimony?**

15           A     I'm sorry?

16           **Q     You haven't looked at this since 2006 when you**  
17 **filed this testimony previously?**

18           A     No. I said I have not looked at the decoupling  
19 impact on an electric utility in two or three years, is what  
20 I said.

21           What I did say in '06 is that I had an indicator  
22 of the impact for a gas utility in 2006, but that was eight  
23 years ago. That may be the same today; it may not be the  
24 same. I just don't know.

25           **Q     Well, you know, I was just wondering about it**