

BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES and TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, INC., Respondent. Docket Nos. UE-130137 and UG-130138 (Consolidated) - VOL. VII

HEARING - VOLUME VII Pages 772-847

ADMINISTRATIVE LAW JUDGE DENNIS MOSS

9:35 a.m. March 17, 2016

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

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<p>1 OLYMPIA, WASHINGTON; MARCH 17, 2016</p> <p>2 9:35 A.M.</p> <p>3</p> <p>4</p> <p>5 JUDGE MOSS: All right. Let's be on the</p> <p>6 record. Good morning, everyone. We are convened</p> <p>7 together -- and you'll forgive me if I read this long</p> <p>8 caption -- In the Matter of the Petition of Puget Sound</p> <p>9 Energy and Northwest Energy Coalition for an Order</p> <p>10 Authorizing PSE to Implement Electric and Natural Gas</p> <p>11 Decoupling Mechanisms, and to Record Accounting Entries</p> <p>12 Associated with the Mechanisms. That's Docket Nos.</p> <p>13 UE-121697 and UG-121705 that are consolidated; and in</p> <p>14 addition, a joint proceeding, Washington Utilities and</p> <p>15 Transportation Commission against Puget Sound Energy,</p> <p>16 Inc., Dockets UE-130137 and UG-130138, and those two are</p> <p>17 also consolidated.</p> <p>18 Our purpose today is that PSE, Commission</p> <p>19 Staff, Public Counsel, Industrial Customers of Northwest</p> <p>20 Utilities, Northwest Industrial Gas Users, The Energy</p> <p>21 Project, The Northwest Energy Coalition, the Federal</p> <p>22 Executive Agencies, and the Sierra Club filed on</p> <p>23 March 9th, 2016, a joint petition to modify Order 7,</p> <p>24 which was the Commission's final order entered on</p> <p>25 June 25, 2013, following the substantive phase of these</p>		<p>1 JUDGE MOSS: All right. Now, since we have</p> <p>2 so many parties, and I know there are -- I'm told at</p> <p>3 least that there have been a number of chimes on the</p> <p>4 conference bridge line indicating quite a few people out</p> <p>5 there listening in and perhaps participating in that</p> <p>6 fashion, and in fact, I had some preliminary e-mails</p> <p>7 indicating that would be the case, I'm just going to go</p> <p>8 through the parties who have not entered their</p> <p>9 appearances in the hearing room, and do like a roll</p> <p>10 call, and that way we'll -- oh, I'm sorry. You aren't</p> <p>11 at the table. I missed you.</p> <p>12 MR. PEPPLER: Yeah. Tyler Pepple for the</p> <p>13 Industrial Customers of Northwest Utilities.</p> <p>14 JUDGE MOSS: Okay. Thank you, Mr. Pepple.</p> <p>15 And you're welcome to sit over here in the witness area</p> <p>16 if you'd like. I don't usually look beyond the first</p> <p>17 row because without my glasses, I can't see that far.</p> <p>18 All right. So let me do that, then.</p> <p>19 Let's see. And of course we have Public</p> <p>20 Counsel present.</p> <p>21 Northwest Industrial Gas Users? Anyone on</p> <p>22 the bridge line for Northwest Industrial Gas Users?</p> <p>23 Apparently not.</p> <p>24 Northwest Energy Coalition?</p> <p>25 UNIDENTIFIED AUDIENCE MEMBER: (Inaudible).</p>	
<p>1 proceedings. And we're told in the petition that other</p> <p>2 parties from the proceedings do not oppose the</p> <p>3 petitions, and that's specifically Nucor Steel, Kroger</p> <p>4 and Cost Management Services.</p> <p>5 So with that lengthy recitation and a list</p> <p>6 of parties, we will begin by taking appearances, I'll</p> <p>7 have a few preliminary remarks, and then we'll take it</p> <p>8 from there.</p> <p>9 And we'll start with the company, just short</p> <p>10 form, please.</p> <p>11 MS. CARSON: Good morning, your Honor,</p> <p>12 Chairman Danner, Commissioner Rendahl and Commissioner</p> <p>13 Jones. Sheree Strom Carson with Perkins Coie</p> <p>14 representing Puget Sound Energy.</p> <p>15 JUDGE MOSS: We'll just go around the room.</p> <p>16 Go ahead, Mr. Roseman.</p> <p>17 MR. ROSEMAN: Good morning. My name is</p> <p>18 Ronald Roseman. I am an attorney representing The</p> <p>19 Energy Project.</p> <p>20 MS. GAFKEN: Good morning. Lisa Gafken on</p> <p>21 behalf of Public Counsel.</p> <p>22 JUDGE MOSS: Staff?</p> <p>23 MS. CAMERON-RULKOWSKI: Good morning.</p> <p>24 Jennifer Cameron-Rulkowski, Assistant Attorney General,</p> <p>25 appearing on behalf of Staff.</p>	Page 777	<p>1 JUDGE MOSS: Oh, are you going to make an</p> <p>2 appearance, then?</p> <p>3 UNIDENTIFIED AUDIENCE MEMBER: (Shakes</p> <p>4 head.)</p> <p>5 JUDGE MOSS: No? Okay. There is a</p> <p>6 representative present, the record will reflect, from</p> <p>7 the Northwest Energy Coalition.</p> <p>8 Federal Executive Agencies?</p> <p>9 MS. LIOTTA (via the bridge line): Yes. We</p> <p>10 have Rita Liotta and Larry Allen on behalf of FEA.</p> <p>11 JUDGE MOSS: Okay. Thank you very much.</p> <p>12 Sierra Club?</p> <p>13 MR. HOWELL: Present.</p> <p>14 JUDGE MOSS: And do you want to enter an</p> <p>15 appearance --</p> <p>16 MR. HOWELL: Doug Howell.</p> <p>17 JUDGE MOSS: -- formal appearance?</p> <p>18 MR. HOWELL: No.</p> <p>19 JUDGE MOSS: All right. We have a</p> <p>20 representative of the Sierra Club present in the room,</p> <p>21 but they will not appear in a representative capacity.</p> <p>22 Anybody from Nucor Steel?</p> <p>23 Kroger?</p> <p>24 MR. XENOPOULOS (via the bridge line):</p> <p>25 Your Honor, this is Damon Xenopoulos. I will not make</p>	Page 779

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<p>1 an appearance, just in a representative capacity. 2 JUDGE MOSS: Mr. Xenopoulos, the court 3 reporter did not get your name. Let me just ask her if 4 she can spell that without help, and she's shaking her 5 head in the negative. 6 Would you just spell your name for the 7 record, please? 8 MR. XENOPOULOS: Absolutely. 9 X-e-n-o-p-o-u-l-o-s. 10 JUDGE MOSS: Thank you, Mr. Xenopoulos. 11 Okay. Anybody for Kroger? 12 MR. BROOKS (via the bridge line): 13 Your Honor, this is Tommy Brooks. Can you hear me? 14 JUDGE MOSS: Yes, Mr. Brooks, we can hear 15 you. 16 MR. BROOKS: Sorry. I tried to pipe up 17 earlier when you asked about the Industrial Gas Users, 18 but it wasn't going through for some reason. But I am 19 here. 20 JUDGE MOSS: Okay. So you are appearing for 21 the Northwest Industrial Gas Users, Mr. Brooks? 22 MR. BROOKS: Correct. 23 JUDGE MOSS: All right. Thank you very much 24 for that. 25 Is there anyone for Kroger?</p>	<p>1 Commission, which is why we're here today. 2 It is, of course, the middle of March, and 3 so we're pushing right up against that April 1st, 2016, 4 deadline. And so we've -- we hastily gave notice of 5 this proceeding so we could conduct the hearing that is 6 necessary whenever there is a petition to alter, amend 7 or change a Commission order. 8 With an April 1, 2016, filing date, new 9 rates would become effective no later than the end of 10 February 2017. It thus appears the parties are 11 proposing, in effect, to extend the operation of rates 12 and the mechanisms approved in 2013, in the middle of 13 the year 2013, until mid-December 2017, or about nine 14 and a half months beyond the date approved in Order 7 15 originally. 16 The parties state their petition's in the 17 public interest for a number of reasons. We focused on 18 two in our notice: That PSE is continuing to work 19 towards developing a plan to address the future of 20 Colstrip Units 1 and 2, and the additional nine months 21 will provide an opportunity for PSE to work with 22 stakeholders to prepare a proposal to include in its 23 2017 general rate case filing contemplated by the 24 petition. 25 I believe that would be set for</p>
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<p>1 How about Cost Management Services? 2 All right. I believe I have inquired of all 3 the parties known to me. So if there's anyone else on 4 the bridge line who would like to enter an appearance, 5 please speak up now. 6 Hearing none, I think we've covered that 7 particular chore. 8 Now, just to open this up, a little 9 background for the record. In Order 7, the Commission 10 authorized a multi-year rate plan with an annual 11 escalation factor referred to as a K-factor. 12 The Commission also approved the Northwest 13 Energy Coalition/PSE Amended Decoupling Petition, and 14 allowed proposed electric and natural gas decoupling 15 mechanisms to become effective as filed. And the 16 decoupling mechanisms included a rate case stay-out plan 17 for about a three-year period. 18 What the order provided, and what the 19 parties proposed and the order approved, was a mechanism 20 to remain in place, at a minimum, until the effective 21 date of new rates set by means of a PSE general rate 22 case that would be filed no sooner than April 1st, 2015, 23 and no later than April 1st, 2016, unless otherwise 24 agreed to by the parties in the last general rate 25 case -- and I'll add to that -- and approved by the</p>	<p>1 January 17th; is that right? 2 MS. CARSON: (Nods head.) 3 JUDGE MOSS: And then the second principal 4 reason, I think I can say, for the petition, is a filing 5 in January 2017 as opposed to next month would alleviate 6 some of the workload pressures that Staff, Public 7 Counsel and other intervenors face, considering that 8 there are several other rate cases and significant other 9 filings that are pending currently before the 10 Commission. 11 The additional reasons stated in the 12 petition are essentially assurances that the earning 13 sharing mechanism will remain effective, and that a 14 planned filing concerning variable power costs will 15 still occur as planned. We'll return to those points in 16 a little bit, because we have some questions about them. 17 So all this is fine insofar as it goes. The 18 Commission does, of course, have its attention focused 19 on Colstrip, among many other things. The Commission 20 understands the constraints on resources that Staff and 21 other parties face with several rate cases in the door 22 at the same time and other significant matters on the 23 docket. 24 But what you're asking the Commission to do 25 is to extend what was designed to be, and approved for,</p>

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<p>1 a three-year period, and you're asking that to be 2 extended for almost another year. 3 And the Commission is concerned about 4 whether this is an entirely appropriate thing to do in 5 the current environment, considering that PSE is in the 6 position of having a relatively higher authorized ROE 7 than the other jurisdictional utilities regulated here 8 in Washington State. 9 Power costs have been trending down, and 10 other factors that would be considered in a GRC will not 11 be considered now under this petition until 2017. 12 And we wonder, under those circumstances, 13 whether it might be appropriate to build in some 14 additional protections for customers under the rate 15 plan, or whether things can just go forward as the 16 parties apparently contemplate they will. So we gave 17 notice of the hearing, as I mentioned, required, in any 18 event, under WAC 480-07-875. 19 So to begin, having acknowledged that we do 20 see the merits of the parties' proposal, but also having 21 laid out the general concerns, I would ask each of the 22 parties, if they wish, to respond to these concerns by 23 way of a brief opening statement in support of the 24 petition, and then we'll have an opportunity for 25 colloquy with the bench, which is really the principal</p>	<p>1 information that is more definitive, additional time to 2 work with stakeholders, to work with the parties 3 involved. 4 And so from PSE's perspective, this 5 additional time will allow PSE to provide more 6 definitive information in its filing in January. And 7 specifically, PSE believes that a filing in January will 8 allow it to identify a date certain for retirement for 9 Units 1 and 2, whereas that is not something that can 10 happen with a filing in a couple of weeks. 11 So that's the primary driver for PSE in 12 terms of why this is a positive for the Company, for the 13 Commission, for stakeholders. But there are other 14 important protections that I think need to be recognized 15 with this carefully crafted joint petition that the 16 parties put together. 17 And one of those key protections is the 18 earlier power cost adjustment that will occur as part of 19 this agreement. Power costs are definitely trending 20 down, and with a rate case filed the end of March, we're 21 not going to have rates in effect until next February. 22 So as it stands, the parties agreed that 23 power costs would be adjusted December 1st, so it would 24 be three months earlier, at the time when PSE otherwise 25 is authorized to make its Centralia PPA adjustments.</p>
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<p>1 purpose of us being here today. 2 And I'll start with you, Ms. Carson. 3 MS. CARSON: Thank you, your Honor. 4 PSE does believe that the joint petition as 5 filed is in the public interest. To begin with, I just 6 want to give a little background. 7 This joint petition actually was not -- PSE 8 did not initiate this joint petition. PSE has been 9 working diligently towards preparing its general rate 10 case for a filing at the end of March, and PSE continues 11 to do that, although this has taken some time away from 12 those endeavors. 13 JUDGE MOSS: We suspected it might. 14 MS. CARSON: Yes. PSE was approached by 15 Staff and other parties because of a variety of concerns 16 that are reflected in the joint petition, but workload 17 concerns, I think, were a primary driving force for some 18 of the other parties. 19 From PSE's perspective, the Colstrip issue 20 is a major driver of the need and desire for an 21 extension. The Commission has made it clear that you 22 all are interested in hearing more about plans for 23 eventual retirement of Colstrip, and in this case, we 24 intend to address decommissioning, remediation, 25 depreciation. But additional time is needed to provide</p>	<p>1 And power costs would be adjusted using the 2 2014 PCORC filing, compliance filing, and update the few 3 accounts, the power costs and contracts that it 4 typically updates when it has a power cost update. So 5 that will allow customers to enjoy the benefit of lower 6 power costs three months earlier than otherwise would be 7 provided with a general rate case filing. 8 I think it's important to recognize that 9 even at the time of the amended decoupling petition and 10 the decoupling hearing, it was recognized that there was 11 a possibility that there would be an extension of the 12 general rate case filing if parties agreed. At the 13 time, nobody thought that would probably ever happen, 14 but everything came together and, in fact, it did seem 15 to be in the interest of most parties to do that for 16 various reasons, but that was anticipated in the amended 17 decoupling petition. 18 And the other thing that was anticipated in 19 the final order and in the decoupling petition and in 20 the exhibits was that the decoupling mechanism and the 21 K-factor would remain in place until new rates go into 22 effect from the next GRC. 23 And you know, a key part of this joint 24 petition is that the parties are agreeing that there's 25 no further K-factor escalation beyond the 2017 K-factor</p>

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<p>1 escalation that has been authorized by the Commission in 2 the tariff and in the decoupling docket. So we think 3 that what the joint parties have put forth is in the 4 public interest, it's a good thing, and it will provide 5 for a much more thorough examination of Colstrip in 2017 6 when we file. 7 JUDGE MOSS: So you have explained the first 8 sentence of paragraph 8D. Thank you for that. 9 MS. CARSON: You're welcome. 10 JUDGE MOSS: The 2014 PCORC was approved 11 when? 12 MS. CARSON: December 2014. 13 JUDGE MOSS: Okay. So we're talking about 14 pushing out about a year, then, or two years. 2014? 15 MS. CARSON: For power costs, yes. 16 JUDGE MOSS: For power costs, yeah. Okay. 17 I had one other question, but it slips my 18 mind. So why don't we move along, and if the question 19 comes back to me, I'll return to you, Ms. Carson. Thank 20 you very much. 21 I think, with all due deference to the 22 parties, I would prefer if we hear from Staff and Public 23 Counsel and then go to all the intervenor parties. And 24 so I'll follow that order and I'll start with Staff. 25 MS. CAMERON-RULKOWSKI: Thank you,</p>	<p>1 applying, and that's what we would have here as well. 2 We would simply have the same rates applying out for a 3 longer period of time. 4 JUDGE MOSS: My recollection was that the 5 K-factor adjustments are in the April/May timeframe as 6 opposed to January. Am I wrong about that? 7 MS. CAMERON-RULKOWSKI: So they are 8 actually -- they're -- they actually change in January, 9 is my understanding, but then they start to actually 10 be -- and they're collected starting in January, but 11 they don't actually get collected until the Company 12 makes the filing in May. But they're due, if you so 13 will. 14 JUDGE MOSS: Okay. 15 MS. CAMERON-RULKOWSKI: And we're -- I have 16 Mr. Schooley next to me, and we'd be happy to go into 17 technical details about that. 18 And I also should mention, we do have -- we 19 do have an illustrative exhibit here, which -- which -- 20 to help with that explanation. And if we get there, 21 we'll be happy to pass that out. I'd earlier passed out 22 the decoupling tariff in case that was helpful to refer 23 to during this discussion, but we do have another 24 illustrative exhibit. 25 JUDGE MOSS: Are these the same numbers that</p>
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<p>1 your Honor. 2 Staff has approached postponing the rate 3 case filing as an opportunity to have -- to place our 4 full attention into the proceeding. When PSE does file, 5 there are going to be a number of major issues here and 6 potentially a contentious proceeding. And the main 7 purpose of the postponement was to be able to focus on 8 that with the resources that would be appropriate for 9 it. 10 The -- it's -- it's noteworthy that all of 11 the parties have signed on to this petition or are not 12 opposing it, and also there may be some opportunities to 13 lessen some of the contentiousness of the eventual 14 proceeding with a postponement. Some of these issues 15 have already started to be discussed. The Staff views 16 the postponement as basically a continuation of the 17 status quo, as far as rates are concerned. 18 The K-factor increase will occur in January, 19 and if we -- if the rate case is postponed, it simply 20 means that rates will continue through the year at the 21 same -- at the same rate that they were at in January 22 and February. 23 This -- this happens in any -- in any case 24 where a rate case is expected to be filed and then ends 25 up being filed later. You end up having the same rates</p>	<p>1 we find in Attachment A to the current petition in terms 2 of the daily -- allowed revenue per customer? 3 MR. SCHOOLEY: This is Tom Schooley, 4 Assistant Director, Energy Regulation. 5 Yes, I believe they are up to the March of 6 17 point from -- and the numbers that we're extending go 7 from the rest of that year, and that's what my 8 illustrative example here shows. 9 JUDGE MOSS: Attachment A, as I recall, goes 10 all the way through 2017? 11 MR. SCHOOLEY: Yes. 12 JUDGE MOSS: Yes. Okay. All right. 13 MS. CAMERON-RULKOWSKI: Would you like me to 14 hand that around? 15 JUDGE MOSS: Well, sure. The more paper we 16 have, the better. Thank you. 17 And again, the numbers in red on this 18 exhibit, Mr. Schooley, I assume are the same as the 19 Attachment A? 20 MR. SCHOOLEY: Yes. 21 JUDGE MOSS: And for the record, 22 Mr. Schooley responded in the affirmative. Sorry to 23 catch you away from your mic there, Mr. Schooley. I was 24 looking down instead of up. 25 Anything else, Ms. Cameron-Rulkowski?</p>

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<p>1 MS. CAMERON-RULKOWSKI: No, your Honor. 2 Thank you. 3 JUDGE MOSS: Thank you. All right. We'll 4 go to the Public Counsel, then, Ms. Gafken. 5 MS. GAFKEN: Thank you. 6 I thought Ms. Strom Carson gave a pretty 7 nice overview of the joint position, and so I won't 8 repeat, in the interest of time, a lot of the things 9 that she said. But I do want to highlight a few reasons 10 why Public Counsel felt comfortable with the petition as 11 it's presented. 12 We are anxious for a review of Puget Sound 13 Energy's rates. We think that that's pretty important. 14 They've had a rate plan in place for several years now, 15 and it is important to review where they are and what's 16 happened and what should happen going forward. We feel 17 that that's a very important thing. 18 However, on the other hand, we also see the 19 Colstrip issue as an important bucket of things to talk 20 about, and it's a big bucket to talk about. And we 21 understand that, with the additional time, that Puget 22 Sound Energy will be able to put together a more formed 23 proposal. They won't have one if they file now, but if 24 we give them a little bit of extra time, they will be 25 able to provide a more formed proposal, and we think</p>	<p>1 potential change and those sorts of things, but 2 Ms. Carson summarized those nicely. 3 JUDGE MOSS: Yes. You're at risk of 4 confusing me again about the first sentence in paragraph 5 8D, so we don't want to do that. No, I think I do 6 understand the two perspectives on that, but -- and 7 there's no real reason to debate and resolve those 8 different perspectives because we win anyway. So that's 9 okay. 10 That did -- this did -- the discussion here 11 did trigger that other question I had for you, 12 Ms. Carson, and that was simply whether there's any 13 magic to the January 17th. Seems like sort of an odd 14 choice of dates. I'm wondering if there's any magic to 15 that or whether it could be the 24th or the 10th or 16 whether it could be, say, June of this year? 17 MS. CARSON: It was just a carefully 18 negotiated date, I would say. There are differing 19 opinions about how long this should be, and that's the 20 date we ended up with. And I would say, you know, it 21 ranged from eight months to a year, and then there were 22 concerns about the holidays and, you know, January 2 23 didn't go over well. Then there's Martin Luther King 24 Day. And so anyway, it ended up January 17th, that's 25 the long story. And those are confidential settlement</p>
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<p>1 that that's a very good thing. 2 We also thought that it was very important 3 that no additional K-factor increases are granted under 4 our proposed extension of time. The 2017 K-factor would 5 happen anyway. Just given the timing, they would have a 6 K-factor that would go into effect in 2017. 7 So the proposal here is to memorialize that. 8 It's essentially a housekeeping item to memorialize the 9 K-factor annualization across the remaining months of 10 2017, along with the decoupling deferrals as well, so 11 the decoupling mechanism would continue to function as 12 it would anyway. 13 And so we don't view this as being an 14 extension of the K-factor plan. There's no additional 15 dollars going to PSE that they wouldn't otherwise 16 receive. From our point of view of the tariff, it stops 17 at the March 2017 time period because there was an 18 anticipation that new rates would go into effect. But 19 the amounts that we're filling in would be rolled into 20 those new rates. They don't go away. They would still 21 be there. 22 And so again, we do see this as a 23 housekeeping item and not an extension of new dollars to 24 the company. But I think I'll stop there. There were a 25 few other points about things that were anticipated, the</p>	<p>1 discussions, but -- 2 JUDGE MOSS: Well, of course, I'm not trying 3 to pry into those. I was just curious. 4 MS. CARSON: But that is this magic date, 5 yeah. 6 JUDGE MOSS: Okay. So -- 7 MS. CARSON: But I do think -- I should say 8 it's important -- I mean, to PSE, it didn't really make 9 sense to have an extension of a few months, and that 10 wouldn't really serve the purpose of addressing some of 11 these Colstrip issues. And then I think other parties 12 had concerns about stretching it out too long. So 13 that's where we ended up. 14 JUDGE MOSS: And let's see. We'll have your 15 next Commission basis report at the end of next month, 16 right? 17 MS. CARSON: Yeah, in -- 18 JUDGE MOSS: April? 19 MS. CARSON: Yeah, in April. 20 JUDGE MOSS: Thanks. Okay. All right. 21 Well, I should stop now and turn to the commissioners, 22 in whose interest we are principally here. 23 I'm sorry, Mr. Pepple, did you want to 24 make -- you know, it's funny. I've been doing this for 25 so many years, I get locked in. I'm looking over here</p>

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<p>1 and I don't look over there, and my apologies.</p> <p>2 MR. PEPPLER: That's okay. Just speaking</p> <p>3 from the witness stand, I guess, is a new experience for</p> <p>4 me. I'm not sure I like it.</p> <p>5 JUDGE MOSS: Would you like to be sworn?</p> <p>6 MR. PEPPLER: I'll just echo the comments of</p> <p>7 the other parties. Frankly, it pretty much covers the</p> <p>8 same reasons that ICNU has decided to join in the</p> <p>9 motion.</p> <p>10 JUDGE MOSS: Okay. Mr. Brooks, did you want</p> <p>11 to chime in, anything to comment?</p> <p>12 MR. BROOKS: Not much to add. We obviously</p> <p>13 have a little bit different take on this, only because</p> <p>14 the added benefits to the delay seem to mostly fall on</p> <p>15 the electric side. But we know that a smooth electric</p> <p>16 general rate case makes for a smoother gas general rate</p> <p>17 case.</p> <p>18 So we were, you know, willing to listen to</p> <p>19 the parties and were persuaded that -- you know, that</p> <p>20 that status quo that kind of continues is okay, so</p> <p>21 that's why we were willing to support it.</p> <p>22 JUDGE MOSS: All right. Thank you,</p> <p>23 Mr. Brooks.</p> <p>24 Anything from the federal executive</p> <p>25 agencies?</p>	<p>1 So I guess my question to you now is, how</p> <p>2 confident are you -- I appreciate you're saying they're</p> <p>3 housekeeping, but in my view, it's more than</p> <p>4 housekeeping because you're delaying the effective date</p> <p>5 of new rates, which could be lower, could be higher,</p> <p>6 could be where they are now. I don't know.</p> <p>7 But how confident are you that these</p> <p>8 escalation factors are appropriate?</p> <p>9 Have you done analysis?</p> <p>10 Have you done some calculations that could</p> <p>11 give us some confidence on this?</p> <p>12 MS. GAFKEN: So I think you're asking about</p> <p>13 the actual percentage that would go into effect, but I</p> <p>14 thought that the K-factor was a set percentage amount.</p> <p>15 COMMISSIONER JONES: Correct.</p> <p>16 MS. GAFKEN: And so we haven't done a</p> <p>17 calculation of these numbers that Staff has presented.</p> <p>18 And in large part, I am relying on that analysis.</p> <p>19 But where I find comfort is that the 2017</p> <p>20 K-factor -- so the January 2017 K-factor -- that's going</p> <p>21 to go into effect whether we have a general rate case</p> <p>22 tomorrow or whether we have a general rate case in</p> <p>23 January of 2017. That's already been approved under the</p> <p>24 plan.</p> <p>25 And you're absolutely right. Public Counsel</p>
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<p>1 MS. LIOTTA: No, your Honor. I don't think</p> <p>2 we have anything further to add that hasn't been already</p> <p>3 mentioned.</p> <p>4 JUDGE MOSS: All right. Mr. Xenopoulos,</p> <p>5 I'll give you an opportunity as well.</p> <p>6 MR. XENOPOULOS: Thank you, your Honor.</p> <p>7 Nothing further.</p> <p>8 JUDGE MOSS: Okay. Anybody else want to</p> <p>9 comment on this before I ignore you and feel embarrassed</p> <p>10 again?</p> <p>11 All right. Well, with that, then, we will</p> <p>12 turn to the commissioners, and I don't know if you all</p> <p>13 have decided who you wish to go first.</p> <p>14 COMMISSIONER JONES: Start from this side.</p> <p>15 Well, thank you all for coming today and</p> <p>16 giving short presentations at the beginning. I'll have</p> <p>17 a few questions here. I'm going to start with Public</p> <p>18 Counsel.</p> <p>19 In the order that we approved in June of</p> <p>20 2013, you will recall we had a big debate about</p> <p>21 escalation factors, a big discussion, and I think you</p> <p>22 opposed them. Some of the reasons you opposed them was</p> <p>23 that there was no full evidence in the record on</p> <p>24 attrition or a solid basis for the 3 percent for</p> <p>25 electric and the 2.2 percent for gas.</p>	<p>1 did not like the K-factor idea or the escalations, and</p> <p>2 we felt that there were some evidentiary issues, and</p> <p>3 we've had a long fight over that. But at this point,</p> <p>4 that's been resolved. There have been decisions that</p> <p>5 went to the direction that we didn't favor, but there's</p> <p>6 a decision now and --</p> <p>7 COMMISSIONER JONES: I see what you're</p> <p>8 saying.</p> <p>9 MS. GAFKEN: -- so -- right.</p> <p>10 COMMISSIONER JONES: My question more goes</p> <p>11 to the staleness of the data, because 2013 the K-factors</p> <p>12 were based on 2012 and 2013 data, and we're in 2016</p> <p>13 now --</p> <p>14 MS. GAFKEN: Yes.</p> <p>15 COMMISSIONER JONES: -- going into 2017.</p> <p>16 Your job is to protect 1.1 million electric rate payors,</p> <p>17 as I understand your statute, residential and small</p> <p>18 business. So I -- I -- it's trying to be a factual</p> <p>19 question, like what kind of analysis did you do to give</p> <p>20 you comfort that these allowed revenue per customer</p> <p>21 numbers, or the escalation factors, are still</p> <p>22 appropriate three years later.</p> <p>23 MS. GAFKEN: Well, it was a weighing of</p> <p>24 interests. And absolutely, our job is to protect the</p> <p>25 customer, and that's what we lead with every day that we</p>

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<p>1 come in to work. But there's a lot of issues to be 2 weighed. The Colstrip issue isn't going to go away, and 3 if we could more effectively deal with that, then I 4 think that that also benefits customers. I did have 5 another thought and it just left me. 6 COMMISSIONER JONES: Well, I have just one 7 more for you, and then I'm gonna go to Mr. Roseman on 8 low income. 9 But the ROR is set at 7.7 percent, right? 10 MS. GAFKEN: I believe that's correct. 11 COMMISSIONER JONES: And the ROE is 12 9.8 percent. 13 MS. GAFKEN: Right. 14 COMMISSIONER JONES: So again, I appreciate 15 your thoughts on housekeeping, but if -- if we were to 16 start a proceeding on a new rate case in April and we 17 were to render a decision nine months later or ten 18 months later, and we were hypothetically to adjust the 19 ROE, that would be of a benefit to the consumer earlier, 20 right? 21 MS. GAFKEN: Right. And Commissioner Jones, 22 I think you're bringing up a lot of the reasons why 23 Public Counsel was initially skeptical of the proposal 24 to extend the time. We did have some discomfort about 25 that for all the reasons that you're bringing up.</p>	<p>1 I'm sorry I don't have the rate case before the 2 decoupling case, but that was the last one where there 3 was a substantial increase in the low-income assistance 4 program. I think it was \$5 million at that point in 5 time. There was -- as we -- there was a settlement 6 agreement for higher than a million dollars, but that 7 settlement agreement was thrown out by the Commission, 8 was not accepted by the Commission. 9 The commissioners recognized that this 10 continues to be a problem, and I think it was the 11 Commission that added the million dollars. I don't 12 think that was a settlement agreement among the parties. 13 We were hap -- I mean, the cards fell where they laid. 14 We had a settlement agreement. It was -- 15 for reasons that you articulate, was not accepted. And 16 to try to make up part of that difficulty on the 17 low-income issue, the million dollars was put in and 18 that's where we were. 19 We have not done an analysis, and it does -- 20 I mean, the Commission is correct in their questions. I 21 mean, power costs have gone down. We would hope that 22 rates would be somewhat lower in the next case, but you 23 know, we aren't sure about that. 24 And we relied on actually some analysis from 25 the Company with us on the low income, and relied on</p>
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<p>1 COMMISSIONER JONES: Okay. 2 MS. GAFKEN: But in talking with the 3 parties, and in looking at what we could gain by 4 postponing, we felt that the balances tipped in favor of 5 the joint petition. 6 COMMISSIONER JONES: Okay. So it seems to 7 me, in conclusion, that a lot of your analysis of the 8 weighing of the interests revolved around Colstrip 1 and 9 2 discussion. 10 MS. GAFKEN: That was a big part of it. 11 COMMISSIONER JONES: Mr. Roseman, kind of 12 the same question for you. 13 What kind of analysis did you do, because in 14 the 2013 plan, one million extra was provided per year 15 to low-income bill assistance, right? 16 MR. ROSEMAN: That's correct, your Honor. 17 COMMISSIONER JONES: And you've been 18 involved in the Avista cases and other cases where we've 19 done substantially higher than that, or we've had a 20 different formula to benefit low-income customers who 21 are -- who are still hurting, aren't they? I mean, 22 we -- real wages haven't been going up, people are still 23 having problems paying their bills, I think. 24 So what kind of analysis did you do? 25 MR. ROSEMAN: That's correct, your Honor.</p>	<p>1 what Public -- I mean, worked closely with Public 2 Counsel. You heard what Public Counsel said. We relied 3 on that. We are not a big player. 4 COMMISSIONER JONES: Right. 5 MR. ROSEMAN: Even though we know it's 6 important in where the Commission is going on the 7 Colstrip 1 and 2, this was not a big issue for The 8 Energy Project. 9 COMMISSIONER JONES: Right. 10 MR. ROSEMAN: There are other issues, how 11 much rates go up and the problems with low-income people 12 paying for them. That has been a problem. It continues 13 to be a problem. 14 COMMISSIONER JONES: Sure. I understand. 15 MR. ROSEMAN: But there was a big increase 16 in the LIURP program over the last, I would say, four 17 years. There needs more to be done in that, but we -- 18 we are -- I don't think we could truthfully -- we signed 19 on, we're in agreement with what the discussion was in 20 the -- in reaching this agreement. We were part and 21 parcel to that discussion with Staff, with the Company, 22 with Public Counsel. But is this a guarantee of the 23 absolute best way that one should go? 24 COMMISSIONER JONES: I understand. 25 MR. ROSEMAN: We don't know.</p>

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<p>1 COMMISSIONER JONES: Mr. Roseman, are you in 2 agreement, then -- obviously you signed it, but 8F -- 8F 3 of the plan addresses low-income bill and weatherization 4 assistance. 5 So you're telling me that you're in 6 agreement with that, right? 7 MR. ROSEMAN: Yes, your Honor, we are. 8 COMMISSIONER JONES: Just one follow-up both 9 for you -- and I'm going to go back to Ms. Gafken on 10 this, too. I apologize, Ms. Gafken, going back to you, 11 but on the over-earnings question, that's another way, 12 right, that consumers could get some assistance during 13 this extension? 14 MS. GAFKEN: That's correct, there is a 15 protection there -- 16 COMMISSIONER JONES: And there are two 17 dates -- May 1st, 2016, and May 1st, 2017 -- where 18 over-earnings could be passed back to customers based on 19 a 25-basis-point increase and a 50/50 sharing mechanism. 20 So do you -- not yet. I'm just asking a 21 factual question. Do either of you have any 22 calculations from the Company, or have you done any 23 yourself about what kind of assistance, over-earnings, 24 if any, could be passed back to customers on those 25 dates?</p>	<p>1 depreciation schedule that you've been really working on 2 hard, I assume, for the past year or two to get ready to 3 modify it for accelerated retirement of Colstrip 1 and 4 2? 5 MS. CARSON: Well, that's hard to know. 6 You're right, we have a depreciation study that's been 7 done that assumes certain life of the plant. And we -- 8 I believe, you know, there's a mechanism by which that 9 can be adjusted with a new assumption for a retirement 10 date or closure date. 11 COMMISSIONER JONES: Okay. So not too much 12 work? 13 MS. CARSON: It can be done. 14 COMMISSIONER JONES: Okay. And then on 8E, 15 you're making a commitment not to file, quote, any new 16 deferred accounting petitions until the filing of this 17 rate case. 18 Could you define what a deferred accounting 19 petition is? I just want to be clear. 20 Is this ASC980 or a FAS -- what we call 21 FASB 71 accounting petitions only, or is it something 22 else? 23 MS. CARSON: I think it's accounting 24 petitions in general. And I guess I can't get into the 25 FASB accounting definitions and description, but Kathy</p>
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<p>1 MS. GAFKEN: I don't have a concrete number 2 of what might be anticipated in terms of over-earnings. 3 But there is the sharing mechanism in place that is a 4 consumer protection. So if there are over-earnings, 5 then they would be protected that way. 6 COMMISSIONER JONES: Mr. Roseman, same 7 answer as Ms. Gafken? 8 MR. ROSEMAN: Yes, your Honor, same answer. 9 JUDGE MOSS: Okay. 10 COMMISSIONER JONES: For the Company, the 11 depreciation schedule, as you said, you've already done 12 that depreciation schedule and you were prepared to 13 submit that for the new GRC, right? 14 MS. CARSON: That's correct. And in fact -- 15 COMMISSIONER JONES: So tell me how this 16 works. So this is the first new depreciation 17 schedule -- I've been doing this about 11 years. I 18 think this is the first one in six, seven years. 19 MS. CARSON: 2007, I believe, was the last 20 one. 21 COMMISSIONER JONES: '7. Okay. So how is 22 this going to work? Let's say hypothetically -- and I'm 23 not confident there will be an agreement on Colstrip 1 24 and 2 by these dates, but let's say there is. So how 25 much work is involved for the Company in modifying the</p>	<p>1 Barnard may be able to help us on that. I think it's 2 more general accounting petitions. 3 COMMISSIONER JONES: More general accounting 4 petitions. Don't you already have a lot on your books 5 of accounting petitions on the balance sheet? 6 MS. CARSON: The regulatory assets and 7 liabilities? 8 COMMISSIONER JONES: Yeah, regulatory 9 assets. 10 MS. CARSON: Yeah, and it's not addressing 11 those; it's addressing new petitions for deferred 12 accounting. 13 COMMISSIONER JONES: This makes an 14 exception, though, for storm deferrals. I think I 15 already have the petition on my desk from you from the 16 storm in -- what was it -- December or November? I 17 think there's -- 18 MS. CARSON: That could be. 19 COMMISSIONER JONES: You've defined that as 20 a major event and you want an exception both from state 21 fees and perhaps some cost recovery on that? 22 MS. CARSON: I was not a part of preparing 23 that. I can consult with the Company, but I know there 24 was a storm, and so I would not be surprised if there 25 was a filing on your desk for that.</p>

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<p>1 COMMISSIONER JONES: Okay. For Staff, 2 Mr. Schooley. 3 So how much analysis did you do on the 4 numbers here, on calculations on this 10- or 11-month 5 delay on the impact on customers given? 6 Did you do -- is it primarily a workload 7 issue? That's the way I understand this. But did you 8 do some calculations for the impact on the 1.1 million 9 electric customers and the 730,000 gas customers if 10 rates are higher than they normally would be for that 11 period of time? 12 MR. SCHOOLEY: No, I can't say that we 13 evaluated what they could otherwise be if the rate case 14 were filed. I would assume that accelerated 15 depreciation would be a major factor and that would 16 probably drive rates higher, certainly, on the electric 17 side, but I'm not certain what that would be. 18 Workload was an issue, and I think 19 Ms. Cameron-Rulkowski said it well, that by delaying 20 this filing, we'll be able to give it more attention 21 than it would get during the next several months. 22 And I would think that that would also allow 23 you more -- to give more attention to the immediate 24 filings, as well as the later one, without all of them 25 colliding near the end of the year.</p>	<p>1 what the Company anticipated would be their investments 2 over the next few years -- 3 COMMISSIONER JONES: Right. Right. 4 MR. SCHOOLEY: -- and there have been 5 reports on what those investments turned out to be. 6 COMMISSIONER JONES: Right. 7 MR. SCHOOLEY: I can't recall off the top of 8 my head how they've been lining up with what the 9 anticipation was. Maybe someone from the Company could 10 answer that question. 11 COMMISSIONER JONES: Right, but that raises 12 another question. I mean, you in the past -- and I 13 don't want to get into attrition adjustments versus 14 K-factors today, but they are -- they accomplish, in my 15 view, roughly the same purpose. 16 But the issue has been the trending 17 analysis, because it's a way of -- you have to estimate 18 into the future -- cap X, O and M -- about where the 19 expenditures are going to be in the future. And as I 20 recall, Staff has had some difficulty in the past 21 accepting the company's trending analysis on both O and 22 M and cap X. Isn't that true? 23 MR. SCHOOLEY: That is -- that is true. I'm 24 trying to recall what the trends or factors were 25 involved in the case three years ago, but I think it was</p>
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<p>1 COMMISSIONER JONES: Well, thank you for 2 thinking of us, but you don't need to do that, 3 Mr. Schooley. I'm not asking the question of me -- at 4 least I'm just speaking for me, I think. I'm okay. But 5 I'm asking questions of you, Staff. 6 MR. SCHOOLEY: Yes, I understand. And -- 7 but no, there wasn't any explicit analysis of what could 8 otherwise be. It seemed fair to just continue extending 9 the 2017 level of dollars per customer in the Company's 10 revenues, and that will be manifested to customers in -- 11 well, in a soon filing to do the 2016 factor, or an 12 increase, as well as truing up the decoupling from 2015. 13 And the same would occur for rates effective in May of 14 '17 to true up the 2016 decoupling effects, as well as 15 capture the new K-factor increase. So it seemed like it 16 was fair to me. 17 COMMISSIONER JONES: Well -- 18 MR. SCHOOLEY: It was my idea, after all, 19 so -- 20 COMMISSIONER JONES: And you heard my 21 questions of Ms. Gafken on stale data, I think the 22 K-factors and the allowed delivery revenue of the RPC, 23 the revenue per customer, all that data was based on 24 2012 and 2013, right? 25 MR. SCHOOLEY: It was based on that, plus</p>	<p>1 there were definite projects that they knew weren't 2 happening, and the trends for the major distribution 3 accounts and transmission accounts would be noticed, 4 and -- or there were some numbers there. 5 The trend for administration in general, 6 expenses was an amount, and that was reduced to give the 7 company less money than they might -- than what the 8 trend would indicate, and that would give them stretch 9 goals to be achieved over the next few years. 10 So I think at that time, it wasn't strictly 11 just, this is what the trend shows; there was more 12 backup to it than that. 13 COMMISSIONER JONES: And then just before I 14 go to my colleagues, just the over-earnings question, 15 the same question I asked Mr. Roseman and Ms. Gafken: 16 Do you have any idea on May 1st what the -- are they 17 over-earning and what the amount might be that could be 18 passed back to customers in the sharing mechanism on 19 May 1st? 20 MR. SCHOOLEY: I don't have any specifics. 21 I think they may be over-earning on the gas side, and 22 you know, the over-earnings was based on just whatever 23 the earnings were above the authorized return. There 24 was no -- the 25-basis-point issue went away in your 25 order.</p>

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<p>1 COMMISSIONER JONES: Right.</p> <p>2 MR. SCHOOLEY: But I think we will see</p> <p>3 something in that regard in their filing coming soon for</p> <p>4 the May 1 effective date.</p> <p>5 COMMISSIONER JONES: Okay. Thank you.</p> <p>6 That's all I have for now. Thanks.</p> <p>7 COMMISSIONER RENDAHL: Good morning. So I</p> <p>8 just want to follow up on my colleague's questions</p> <p>9 first. As you know, I wasn't on the bench here when you</p> <p>10 all went through your discussions on the decoupling rate</p> <p>11 plan, et cetera, so this may just be my lack of</p> <p>12 understanding.</p> <p>13 But paragraph 8D, as Judge Moss said, talked</p> <p>14 about there not being an extension of the rate plan.</p> <p>15 But if the rate case had been filed next month, the new</p> <p>16 rates would have gone into effect in February of 2017.</p> <p>17 So by extending this to December, how does this not</p> <p>18 extend that? We don't know what would happen at the end</p> <p>19 of the rate case, so that's my -- I'm just not getting</p> <p>20 it. So I may need a little more explanation.</p> <p>21 MR. SCHOOLEY: If I may respond to that.</p> <p>22 I think what that was -- perhaps could have</p> <p>23 been stated better in the petition. The extension of</p> <p>24 the 2017 dollars per customer is what's happening.</p> <p>25 There was no intent to extend into a K-factor</p>	<p>1 MR. SCHOOLEY: I think the annual delivery</p> <p>2 cost per customer is being extended through the rest of</p> <p>3 the year. And it had already been calculated for 2017,</p> <p>4 and we're just filling in the blanks for the rest of the</p> <p>5 tariff that's before you.</p> <p>6 COMMISSIONER RENDAHL: So are you confident</p> <p>7 that there -- I'm concerned about the customers here,</p> <p>8 and the rate impact on the customers. Obviously, the</p> <p>9 agreement on Colstrip is a really important one, and we</p> <p>10 appreciate the fact that the Company and the parties</p> <p>11 have come together to define that a bit more, bringing</p> <p>12 something more definitive to the Commission. But I'm</p> <p>13 concerned that the ratepayers will -- are not being</p> <p>14 considered here. And so what -- what are they getting</p> <p>15 in this?</p> <p>16 MR. SCHOOLEY: I think they're getting a</p> <p>17 continuation of the certainty of what has been in place</p> <p>18 for a few years, that -- I know for industrial and</p> <p>19 commercial customers, they want to know what's going to</p> <p>20 happen next year so they can do their planning, and this</p> <p>21 allows for that certainty to continue for another year.</p> <p>22 You might say, yes, it's a certainty of an increase of</p> <p>23 something, but we're not really increasing rates beyond</p> <p>24 what's already been approved. But the certainty of</p> <p>25 what's going to happen in 2017 will be of value to many</p>
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<p>1 application in early 2018.</p> <p>2 And there was also -- I think I was also</p> <p>3 reading that to mean, the January 17th filing date was</p> <p>4 not going to be extended anything beyond then. There</p> <p>5 wouldn't be another request to extend the filing of a</p> <p>6 rate case beyond what we have stated. There was some</p> <p>7 mix-up in there and --</p> <p>8 COMMISSIONER RENDAHL: And the intent was</p> <p>9 you were not intending to extend beyond when rates would</p> <p>10 go into effect for the next rate case, after the next</p> <p>11 rate case, so in -- after December, as opposed to --</p> <p>12 because the original intent, although there was the, you</p> <p>13 know, option for extending that the parties agreed to,</p> <p>14 was for the rate plan essentially to go through</p> <p>15 February 2017, right?</p> <p>16 MR. SCHOOLEY: And the tariff reflects</p> <p>17 dollars per customers through March of '17, actually,</p> <p>18 so --</p> <p>19 COMMISSIONER RENDAHL: Right. So I agree it</p> <p>20 probably could have been stated better, because</p> <p>21 obviously we do have questions.</p> <p>22 And so what is being extended? And --</p> <p>23 because it appears to be extended through what would</p> <p>24 otherwise be a new rate effective period pending a new</p> <p>25 rate case filed.</p>	<p>1 customers.</p> <p>2 COMMISSIONER RENDAHL: Okay. And then to</p> <p>3 follow on the questions about the deferred accounting</p> <p>4 petitions, so I'm going to turn to Ms. Carson.</p> <p>5 So in the 2013 PCORC, again, I wasn't really</p> <p>6 involved in that, but the Commission order approved a</p> <p>7 change to the power cost adjustment mechanism that would</p> <p>8 remove the fixed production costs from the PCA and allow</p> <p>9 for the recovery through the decoupling mechanism</p> <p>10 effective January 1, 2017.</p> <p>11 And the parties agreed to support an</p> <p>12 accounting petition to request deferral of the revenue</p> <p>13 variances for these recovery -- recovery of these costs</p> <p>14 through -- from January 1, 2017, until the start of the</p> <p>15 expected rate year.</p> <p>16 So how does the Company or the parties --</p> <p>17 and I'll start with the Company first, expect this PCA</p> <p>18 mechanism to function under this settlement, this</p> <p>19 petition?</p> <p>20 Are they going to continue to be included in</p> <p>21 the decoupling mechanism? There is proposed a stay-out</p> <p>22 on a deferral mechanism, a deferral accounting petition</p> <p>23 filing.</p> <p>24 So how would those revenue variances be</p> <p>25 accounted for if the next GRC isn't filed until much</p>

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<p>1 later?</p> <p>2 MS. CARSON: The parties did address that in</p> <p>3 the joint petition in paragraph 8H. There had already</p> <p>4 been recognized that there would not be perfect timing</p> <p>5 between when the new PCA mechanism went into effect,</p> <p>6 January 1, 2017, and rates -- when rates went into</p> <p>7 effect, or there most likely wouldn't be and so there</p> <p>8 would be a deferral of the difference until rates went</p> <p>9 into effect.</p> <p>10 So the parties recognized that would still</p> <p>11 be an issue, and in 8H, we agreed to support or not</p> <p>12 oppose amendments of the power cost adjustment schedule,</p> <p>13 to extend the deferral of the revenue variances until</p> <p>14 the effective date of the GRC.</p> <p>15 So that was already approved by the</p> <p>16 Commission, that there would be this deferral to address</p> <p>17 the timing difference, and so that will remain in effect</p> <p>18 and the parties agree to support that.</p> <p>19 COMMISSIONER RENDAHL: So what effect does</p> <p>20 that have on ratepayers then, if the power cost</p> <p>21 adjustment is now -- that deferral is now just being</p> <p>22 extended?</p> <p>23 MS. CARSON: I don't believe that it has an</p> <p>24 effect on ratepayers, although I guess I would want</p> <p>25 Kathy Barnard from PSE to address that if she's able to.</p>	<p>1 it was really important from the sharing bands</p> <p>2 perspective to have that complete year. And so</p> <p>3 customers are going to benefit from the new PCA</p> <p>4 mechanism on January 1 as they would have.</p> <p>5 COMMISSIONER RENDAHL: And that will go into</p> <p>6 effect, and there's really no change in that agreement?</p> <p>7 MS. BARNARD: Right. Right. And so one of</p> <p>8 the benefits to customers that came out of that was the</p> <p>9 asymmetry. That was one of the really important parts</p> <p>10 for the other parties is that, if we are over-collecting</p> <p>11 power costs, then we're going to share 65 percent going</p> <p>12 through those bands, but the bands are shorter so --</p> <p>13 COMMISSIONER RENDAHL: I just wanted to make</p> <p>14 sure that I understood that there was no change in that.</p> <p>15 MS. BARNARD: No. It really -- the wording</p> <p>16 had to be to say, the deferral on the fixed costs part</p> <p>17 was to allow it to just extend until we would get the</p> <p>18 new rate order. Because it's -- the fixed costs are</p> <p>19 going to come out of the PCA mechanism regardless. That</p> <p>20 was agreed upon.</p> <p>21 And the language in the PCA settlement said</p> <p>22 that, you know, assuming decoupling continues, parties</p> <p>23 will support there being a new bucket for the fixed</p> <p>24 production costs in the decoupling mechanism. That has</p> <p>25 to stay just in a separate place. That's why we need to</p>
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<p>1 CHAIRMAN DANNER: She's getting closer to a</p> <p>2 microphone.</p> <p>3 COMMISSIONER RENDAHL: Inching closer.</p> <p>4 MS. BARNARD: So I want to make sure I</p> <p>5 understand the question. The concern is -- the new PCA</p> <p>6 settlement that was approved allows that new mechanism</p> <p>7 to go into effect on 1/1 of '17.</p> <p>8 And what -- one of the primary changes with</p> <p>9 the new PCA settlement was the removal of the fixed</p> <p>10 costs from our PCA mechanism. So it will now only be</p> <p>11 benchmarking and sharing against variable costs.</p> <p>12 Under the proposal, the PCA mechanism would</p> <p>13 start on January 1 of '17, so those fixed costs would be</p> <p>14 pulled out of the mechanism, and the sharing mechanism</p> <p>15 would go as originally intended to start on</p> <p>16 January 17th.</p> <p>17 The condition with the original PCA</p> <p>18 settlement to allow to us defer fixed costs was to</p> <p>19 recognize that part of the reason that Puget's</p> <p>20 decoupling mechanism did not include fixed production</p> <p>21 costs is because our PCA mechanism was handling fixed</p> <p>22 production costs.</p> <p>23 And so when it was peeled out with the PCA</p> <p>24 mechanism, we said, well, there will be this gap. We're</p> <p>25 going to start the PCA mechanism on January 1, because</p>	<p>1 defer as we pull those fixed costs out, and those would</p> <p>2 be addressed in that general rate case.</p> <p>3 COMMISSIONER RENDAHL: So there's no need</p> <p>4 for an additional petition for the deferred accounting</p> <p>5 petition. It's already done, it's already accounted</p> <p>6 for, there's no need for anything else?</p> <p>7 MS. BARNARD: So the ability to file that</p> <p>8 deferred accounting petition came out of the PCA. But</p> <p>9 Puget actually does have to act and do that. We need to</p> <p>10 file the accounting petition associated with the fixed</p> <p>11 costs that are coming out of the PCA mechanism. That</p> <p>12 was already one of the conditions.</p> <p>13 But we have to make that filing, and all</p> <p>14 it's going to do is to extend the period that could be</p> <p>15 deferred. Under the original intent, it would have been</p> <p>16 a two -- two-month deferral for January and February's</p> <p>17 fixed costs. Now it would need to go through the end of</p> <p>18 December.</p> <p>19 COMMISSIONER RENDAHL: So there already has</p> <p>20 been an accounting petition approved?</p> <p>21 MS. BARNARD: No. We will have to file that</p> <p>22 accounting petition, and that's why it was called out in</p> <p>23 this joint motion so that everybody was clear on what we</p> <p>24 would file, because that was already an intended filing.</p> <p>25 I think to address the section on no</p>

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<p>1 deferred accounting petitions, that was something Staff 2 didn't want us to come in with something new. 3 COMMISSIONER RENDAHL: Okay. 4 JUDGE MOSS: I wonder if I could interject 5 here and just ask a question, Ms. Barnard. 6 How is this going to affect the balances in 7 the deferred account, because that's a concern. If 8 we're talking about a two-month deferral, that's one 9 thing. If we're talking about a 12-month deferral, that 10 would typically imply a regulatory asset of some greater 11 magnitude. It would have to be then recovered in 12 prospective rates at some point in time. 13 MS. BARNARD: So to answer your question, it 14 really is going to depend upon -- what is going to go in 15 that deferral will be differences in collections between 16 the volumetric amount recovered in rates, and what the 17 baseline is. 18 So it's really going to be all dependent 19 upon your variation. It could be -- it could be a 20 larger balance, it could be a larger credit balance 21 depending upon whether the collections are higher or 22 lower. 23 Does that -- because it's really tied to 24 taking fixed costs that are -- it's a baseline fixed 25 cost. It's not by actual fixed costs. It's what was</p>	<p>1 that could be avoided if we made some other 2 accommodation along the way. 3 So are we contemplating that this could be a 4 very large number, or we don't know? 5 MS. BARNARD: I just -- I don't know because 6 it's driven by load variations -- 7 JUDGE MOSS: Yes. Uh-huh. 8 MS. BARNARD: -- and so I can't predict 9 that. 10 CHAIRMAN DANNER: This brings us to the 11 10,000-foot question here, which is really, you know, 12 when -- we were going to start a rate case in -- in 13 April, and the results of that rate case is either going 14 to be that we're going to leave rates where they are, 15 increase rates or decrease rates. And -- but were going 16 to be based on knowledge that we were going to gain in 17 the rate case proceeding. And so here what we're doing 18 is we're saying, okay, we're going to delay this until 19 January of 2017. And we still have a chance that rates 20 would have gone down. 21 And it seems that we have to -- even though 22 I see the benefit in being able to address Colstrip, and 23 certainly see the institutional benefit of alleviating 24 our workload for this year, it seems we still have to be 25 able to tell the consumer somehow that we have protected</p>
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<p>1 built into the existing baseline rate, and then 2 benchmarking your volumetric differences, which 3 currently have been embedded in my PCA mechanism, but 4 will now be elsewhere. So I can't tell you whether it 5 will be bigger or less. 6 It's going to really entirely depend upon 7 the weather variations. Actually, the longer time could 8 make it less. I can think of an example. If you had 9 warm weather in January and February, and then you 10 continued on and had a cold spring, well, that could 11 offset it where that balance would have been bigger. 12 JUDGE MOSS: So -- so when I'm looking at 13 these numbers that were given up as examples of what's 14 going to happen with a revenue per customer to 2017, 15 under the extension, are those numbers including the 16 fixed production costs? 17 MS. BARNARD: No. These -- these were from 18 the original decoupling filing, so those were just 19 delivery. 20 JUDGE MOSS: Right. Okay. Yes. That's 21 right. Okay. My concern, and perhaps the commissioners 22 share it, is that we not end up at the end of 2017 with 23 an extremely large regulatory asset. That has to be 24 taken into account in the next GRC and would have the 25 unfortunate effect of increasing rates perhaps in a way</p>	<p>1 them from -- to some degree from the chance that rates 2 would have gone down, but now they're not going to 3 because we've delayed it for a year. 4 And so I guess I'd like you to succinctly be 5 able to tell me, what is in here that would give the 6 consumer comfort that, for them, this didn't a pig in a 7 poke, and that, you know, at the end of the year, 8 they're paying more than they should have had we had a 9 rate case proceeding that started in April. 10 MS. CARSON: I'm not sure if that was 11 directed to me, but -- 12 CHAIRMAN DANNER: Actually, I'd like to have 13 everybody give me their thoughts. 14 MS. CARSON: Okay. Well, I think one 15 important benefit to customers is that power costs will 16 be adjusted three months earlier than they otherwise 17 would have been adjusted. They'll be adjusted 18 December 1st right before we go into the cold weather 19 season, and that's significant, that's something that 20 they would not otherwise have with a rate case being 21 filed in April. So that's important. 22 Another very important protection is the 23 earning sharing mechanism. To the extent there are 24 earnings in excess of the authorized rate of return, 25 customers share immediately 50 percent of those</p>

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1 earnings. So that's -- that's something that you don't
 2 typically have under the regulatory paradigm here in
 3 Washington, and that's something that customers have
 4 here.
 5 So you know, I think it was said before, but
 6 there always -- companies stay out for extended periods
 7 of time sometimes, and their rates aren't adjusted and
 8 the Commission always has that dilemma, I guess, in
 9 terms of when a company comes in to file a rate case.
 10 I mean, we will come in, but there are
 11 extenuating, balancing circumstances that make sense to
 12 extend this on for a few months.
 13 It's also important to recognize that there
 14 is no actual additional increase, K-factor increase.
 15 It's happening, as has been said, January 1, 2017. It's
 16 just being shaped over the rest of -- over the full 2017
 17 as opposed to the first few months. But there's not an
 18 additional K-factor increase that happens. The parties
 19 agreed that there would not be.
 20 CHAIRMAN DANNER: And in your view, that is
 21 an adequate stand-in for the information that we would
 22 get in a rate case for that period?
 23 MS. CARSON: For that relatively brief
 24 period of time.
 25 CHAIRMAN DANNER: Okay. Well, it's

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1 11 months, but --
 2 MS. CARSON: It's nine --
 3 CHAIRMAN DANNER: It's nine months, yeah.
 4 MS. CARSON: It's nine months.
 5 CHAIRMAN DANNER: Yeah. Okay. Anyone else
 6 have anything to add?
 7 MR. SCHOOLEY: Tom Schooley again. I do
 8 think another major protection is that I have no doubt
 9 that the new depreciation study would show shorter lives
 10 for some of the major -- or for the Colstrip plant in
 11 particular, in anticipation of it being closed sooner
 12 than otherwise. And we would be putting off that
 13 increase that will be coming from that plant for --
 14 until that case starting next January, as of now. So
 15 that -- that, to me, is going to be a major protection
 16 there. What happens after that, we don't know. So --
 17 CHAIRMAN DANNER: Mr. Jones?
 18 COMMISSIONER JONES: Just -- Mr. Schooley, a
 19 follow-up on that.
 20 That's not just shorter depreciation
 21 schedules, but it could be stranded assets, too, right?
 22 MR. SCHOOLEY: I'm not sure.
 23 COMMISSIONER JONES: Well, you went to
 24 depreciation schedules.
 25 MR. SCHOOLEY: I went to there, yes.

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1 COMMISSIONER JONES: That's all. Okay.
 2 CHAIRMAN DANNER: Okay. And the customer
 3 groups, Public Counsel and --
 4 MS. GAFKEN: I think when we looked at it
 5 from a perspective of whether customers would be harmed,
 6 and you know, again, I don't want to sound like a broken
 7 record, but it seemed like the customers were simply
 8 going to be impacted in the ways that they would already
 9 be impacted, and so we saw that they weren't going to be
 10 harmed.
 11 I'm not as convinced that there might be a
 12 rate decrease or increase. I'm not prejudging that
 13 issue at this point, or any of the other substantive
 14 issues that we'll grapple with during the GRC.
 15 But in terms of what impact to customers,
 16 they're going to see this K-factor increase in any
 17 event, and so, one, we wanted to make sure that they
 18 weren't going to see another K-factor increase, because
 19 it's no secret, Public Counsel doesn't like the K-factor
 20 or the rate plan, and we're not real comfortable with
 21 it. So we wanted to make sure that that wasn't
 22 continuing.
 23 But our clients were going to be impacted by
 24 the 2017 K-factor in any event, so we looked at it as a
 25 no-harm situation.

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1 CHAIRMAN DANNER: Thank you.
 2 Mr. Pepple?
 3 MR. PEPPLER: Sure. Well, I think
 4 Mr. Schooley at one point was just -- sort of knowing
 5 what's going to happen has some value to us, you know,
 6 with the experimental mechanisms that Puget has now, and
 7 sort of attrition floating around these days, we frankly
 8 just didn't know what we were going to see in this next
 9 rate case. So having some certainty about what we're
 10 looking at for the next year, I think there was some
 11 value to that for us.
 12 COMMISSIONER JONES: Mr. Pepple, just for
 13 the record, attrition has been floating around for over
 14 20 years at the Commission. It's been approved for one
 15 company.
 16 JUDGE MOSS: But it's clear you're paying
 17 attention.
 18 CHAIRMAN DANNER: Okay.
 19 JUDGE MOSS: And I'm mindful that I
 20 interrupted Commissioner Rendahl. I apologize, it was
 21 an extended interruption.
 22 COMMISSIONER RENDAHL: That's okay because
 23 we delved into issues that were critical.
 24 So I have a question for the Company now to
 25 switch gears onto Colstrip.

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<p>1 So in -- I do applaud the Company and the 2 parties for trying to bring some more certainty to the 3 Commission on when we can start really talking about 4 Colstrip 1 and 2 in detail with specifics, and so I 5 think this provision of the petition is very useful. 6 But I do have a question. 7 What specifically does a narrow window mean? 8 Does that mean within months? Does that mean a span of 9 years? 10 Can you elaborate on that a little bit more 11 for the benefit of the Commission? 12 MR. ROSEMAN: Can you reference -- I'm 13 sorry. 14 COMMISSIONER RENDAHL: I can reference 15 the -- 16 MR. ROSEMAN: The narrow-window language. 17 COMMISSIONER RENDAHL: The narrow-window 18 language appears in paragraph 8B on page four of the 19 joint petition about midway through that paragraph, 20 specifies a narrow window of dates for the planned 21 retirement of Units 1 and 2. 22 MR. ROSEMAN: Thank you. 23 COMMISSIONER RENDAHL: And so just trying to 24 get -- and if this gets into details of the settlement 25 that we can't talk about, I understand that. But I</p>	<p>1 to work towards that. 2 COMMISSIONER RENDAHL: Okay. I understand 3 the delicacies involved. I was trying to get a sense of 4 what a narrow window meant. So thanks. 5 CHAIRMAN DANNER: And just to follow up on 6 that, so that's -- that's focused on 1 and 2, but you're 7 also including depreciation schedules for all four 8 units; is that correct? 9 MS. CARSON: That's correct. 10 JUDGE MOSS: Are you done, Ms. -- 11 COMMISSIONER RENDAHL: Well, I do have one 12 other question, and that is for the Sierra Club. But 13 I'm wondering if you'd be willing to come forward just 14 to answer a question. 15 COMMISSIONER JONES: Commissioner Rendahl, 16 you read my mind. I had a question for Mr. Howell as 17 well. 18 JUDGE MOSS: Mr. Howell, welcome, and 19 there's no need to swear you for this occasion. We just 20 will have a colloquy here, and we'll appreciate your 21 responses such as they may be. 22 MR. HOWELL: Thank you. 23 COMMISSIONER RENDAHL: So Mr. Howell, I 24 appreciate the Sierra Club joining in this effort and 25 trying to narrow things for -- bringing detailed</p>
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<p>1 think it would be helpful to have understanding whether 2 we're talking months or a span of years. That's really 3 all I'm asking. 4 MS. CARSON: Yeah. I don't think we know 5 exactly what that narrow window will be. I mean, there 6 are currently -- there's currently litigation ongoing 7 and other factors that will play a role in this. 8 COMMISSIONER RENDAHL: So just to be clear, 9 I'm not asking for specific dates or specific months. 10 I'm just trying to get a sense of, are we talking -- 11 what a window means. Does a window mean a matter of 12 months so the Company could provide a span of, you know, 13 months? Or is it a span of years? And whether you can 14 answer that. That's -- I'm not asking for specifics. I 15 understand the issues involved in the litigation, and 16 I'm just trying to get a sense of what a window means. 17 MS. CARSON: It's my understanding that the 18 Company believes it will be a relative narrow window, 19 perhaps more months than years. And I think it's the 20 Company's goal to have a date certain for retirement 21 when it files. 22 COMMISSIONER RENDAHL: Okay. 23 MS. CARSON: But there are a lot of pieces 24 moving. So there's some hesitancy to say, absolutely we 25 will have a date certain. But I think that is the goal,</p>	<p>1 information to the Commission. 2 So in the recent hearing we had here on 3 PSE's IRP, we did hear from many of Sierra Club's 4 members and also from you about the need to act quickly 5 on this matter, and now we're going to be extending it 6 another nine months. 7 So are you communicating to your members 8 that you are in support of this extension of time? 9 Obviously we're now delaying from an opportunity to 10 start engaging in this from April until nine months from 11 now, so I'm just wondering how that's going to play out 12 for your members. 13 MR. HOWELL: Thank you for the opportunity 14 to comment. We absolutely will be communicating with 15 our members. 16 At first when we heard of the delay, we were 17 very unhappy about what that implied. But upon further 18 conversation, and then when we -- it was clear that 19 what -- the petition could include a condition that 20 Puget would be submitting a retirement plan with a 21 narrow window -- and we have some discomfort about, like 22 you, not knowing what that means -- but we also believe 23 that the economic pressures are so great that it's going 24 to be imposing outside constraints that will have the 25 effect of narrowing that window, so we have less concern</p>

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<p>1 about that that we would have had even a year ago given 2 that economics are changing. 3 But what the petition now provides, which is 4 something that we've always lacked, is a pathway -- is 5 to be on a pathway to get resolution on Colstrip 1 and 6 2. And that's really what has been lacking for a very 7 long period of time. And that uncertainty really 8 disabled us from being able to plan the orderly 9 transition. 10 So when and if this petition is approved, it 11 gets us on that pathway, and that's critically 12 important. That will really, I think, also facilitate 13 and open up our ability to begin working more directly 14 with the community and say, okay, we now know we're on 15 the pathway, we don't know the date, but I think it will 16 afford us the opportunity to even work more aggressively 17 towards trying to achieve that orderly transition that 18 we've been trying to get to for a very long time. 19 So in that light, I think directionally, 20 we're now headed the right way. 21 COMMISSIONER RENDAHL: Okay. I just wanted 22 to make sure that, if we do approve this, that your 23 members would not be disappointed by further delay, in 24 which the Sierra Club has also joined in. So I'm 25 concerned primarily about that.</p>	<p>1 might spur some settlement or some resolution of these 2 issues? 3 MR. HOWELL: The court date for NSR, I 4 believe, is -- it's either -- okay. It's May. 5 COMMISSIONER JONES: It's in May? 6 MR. HOWELL: Yes, this coming May. And as a 7 general rule, as you get closer to the court dates, it 8 helps to incur settlement discussions, and we're hoping 9 that's so. So we'll see is as best as I can answer at 10 this point in time. 11 There's also the -- the one other piece 12 that's out there that's a fairly significant expense 13 implication, and that's the regional haze. As you know, 14 it was remanded back to Region 8. 15 COMMISSIONER JONES: Yes. 16 MR. HOWELL: The clock is ticking, and 17 they're going to have to be putting forward their plan 18 fairly soon. 19 COMMISSIONER JONES: So the court date in 20 May and some discussions on the remand on regional haze 21 you think would give -- would give some certainty, or at 22 least, as Commissioner Rendahl was asking you, this 23 narrowing of windows. It gives us some factual evidence 24 or some possibility that things might be moving along 25 more quickly.</p>
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<p>1 MR. HOWELL: Yeah. I totally get that, 2 because if we did not communicate with them very clearly 3 and very quickly, you would inevitably be hearing from 4 them equally fast. So we absolutely intend to be 5 communicating far and wide. 6 COMMISSIONER RENDAHL: Thank you. 7 COMMISSIONER JONES: Mr. Howell, I have a 8 couple of questions on 8B, and again this is not 9 advocacy of 8, but these will be clarifying questions. 10 And if I get into sensitive settlement discussion 11 issues, please stop me. 12 MR. HOWELL: Yeah. 13 COMMISSIONER JONES: Would you describe 14 the -- as I understand the major litigation on Colstrip 15 units right now, they are the AOC issue, the wastewater 16 pond issue which is being led by Earthjustice, as we 17 heard at the hearing here a couple Fridays ago, and your 18 litigation, which is on the NSR, which is what, New 19 Source Review? 20 MR. HOWELL: Yeah. 21 COMMISSIONER JONES: So could you just 22 describe the status of those -- of that litigation? And 23 what I'm driving at is, what gives -- what would give 24 this Commissioner comfort that there are deadlines and 25 there's a process in place with the litigation that</p>	<p>1 MR. HOWELL: I hope so. 2 COMMISSIONER JONES: Okay. You were here, 3 of course, at our Friday hearing until, what, 6:30 in 4 the evening? 5 MR. HOWELL: And thank you for your 6 incredible endurance. We didn't anticipate going that 7 long. 8 CHAIRMAN DANNER: Just for the record, he's 9 referring to the integrated plan -- Integrated Resource 10 Plan hearing that we had for this Company. 11 COMMISSIONER JONES: Thank you, 12 Mr. Chairman, and I'm referring to 8B, again, where the 13 2017 IRP is mentioned. So here's a question both for 14 Staff and the parties and you. 15 So the word here is -- this is Power 16 replacement decisions will be made, and the words used 17 is "out of sync." So what does that mean? Because as 18 you know, at the Commission, we -- especially our staff, 19 and you too, all the stakeholders spend a lot of time on 20 the IRP development, right? 21 MR. HOWELL: Yeah. 22 COMMISSIONER JONES: And then from an IRP 23 comes not -- an IRP, nothing comes on replacement power 24 in the IRP. It's in the RFP -- 25 MR. HOWELL: Yeah.</p>

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<p>1 COMMISSIONER JONES: -- that comes from the 2 IRP. 3 MR. HOWELL: Yeah. 4 COMMISSIONER JONES: So this language, both 5 "out of sync" and there's no mention of an RFP, it just 6 it reads kind of strangely to me. 7 MR. HOWELL: Yeah. 8 COMMISSIONER JONES: And this is for the 9 Company, too, Ms. Carson. I'd like to hear back from 10 you. But let's start with you. 11 MR. HOWELL: I think that it's rather 12 awkward, and having been in the discussions and 13 hopefully all of the other parties around the table 14 share the same perspective, so I will only share with 15 you mine. 16 And that is in the -- as in the past IRP, 17 the Commission had requested that Puget provide 18 scenarios for replacement for 1 and 2, and that if we 19 are now going to go into a 2017 IRP cycle, but if the -- 20 if the -- if the economic pressure is so great on 21 Colstrip 1 and 2 that, in fact, a retirement were to 22 happen before that IRP is complete, then we would have 23 the benefit -- if it happened after the IRP was 24 complete, we would have the benefit of the IRP to give 25 us a sense of what the world might look like for your</p>	<p>1 Mr. Popoff for the Company drew up scenarios that made 2 sensitivities, and all the stakeholders asked for things 3 to be done with sensitivities. 4 So the way I read this is, as the -- and we 5 haven't even issued our acknowledgement letter for the 6 2015 IRP yet, and we may provide further guidance to all 7 the parties on these issues in that letter. 8 But the way I read this, with the 9 development of the IRP, is that Mr. Popoff and the IRP 10 team at Puget could -- not should or must -- but upon 11 request, if this retirement happens on an accelerated 12 basis, there will be some modeling done, scenarios or 13 sensitivities, things like that. 14 Is that a fair reading of it? 15 MS. CARSON: I think that is, yes. 16 COMMISSIONER JONES: Okay. Mr. Schooley for 17 Staff, you're not the IRP -- we may want Ms. Reynolds to 18 come up here, but was that -- is that your 19 understanding? Because this reads kind of out of sync 20 with the development of, and it doesn't mention RFP. It 21 reads kind of strangely to me. 22 MR. SCHOOLEY: I read kind of strangely to 23 me as well. And that's -- I think Mr. Howell actually 24 described it pretty well, and if Ms. Reynolds sitting in 25 the back of the room has anything to add --</p>
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<p>1 replacement scenario. 2 But if the retirement happens before that 3 IRP is complete, we wouldn't have the benefit of what 4 Puget would expect that retirement scenario to look 5 like. So we would like to see at least a projection of 6 what they think the world might look like for that 7 replacement scenario if it happens before that next IRP 8 is complete. 9 COMMISSIONER JONES: Ms. Carson, any comment 10 on 8B and what I just asked? 11 MS. CARSON: Well, I guess I see this as 12 just -- you know, the Company is committing, as part of 13 its filing, to, as it says, provide just a framework for 14 how it will address any new power needs as a result of 15 Colstrip Units 1 and 2 being retired. 16 And you know -- I agree, you know, that 17 could involve an RFP. But I think, you know, this will 18 be addressed -- it will be addressed in the general rate 19 case in terms of how those power replacement decisions 20 will be made. 21 COMMISSIONER JONES: So Mr. Popoff was here 22 presenting for the Company, and I don't think you were 23 here in this long hearing that we had until 6:30 p.m. 24 MS. CARSON: Sadly, no. 25 COMMISSIONER JONES: But as you know,</p>	<p>1 COMMISSIONER JONES: She's shaking her head, 2 for the record. 3 MR. SCHOOLEY: But I think that's what it 4 means, is that there could be circumstances where the 5 termination of Colstrip occurs without being seriously 6 considered in an IRP, or not directly considered. And 7 IRPs are just plans. They're not the actual actions 8 that come out of RFPs and commensurate -- 9 COMMISSIONER JONES: So is it Staff's 10 position, then, that if we -- if we agree to this 11 extension and then we tee up Unit 1 and 2 accelerated 12 retirement in the January 2017 case, and the Commission 13 deals with the -- all the issues in that case, then that 14 would somehow trump or it would supersede the activity 15 planning because they're only planning activities in the 16 2017 IRP? 17 MR. SCHOOLEY: I think there are any number 18 of things that would supersede what the plan in an IRP 19 is, because events change and sometimes more quickly 20 than the biannual cycle that those are on. 21 COMMISSIONER JONES: Yeah. Lots of things 22 can change. I'm just trying to understand this better, 23 because I know Ms. Reynolds and the staff, our staff, 24 spend a lot of time and effort on the IRP stakeholder 25 process and the CRAG, and I just want to make clear,</p>

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<p>1 we're talking about workload here, you know, for you and 2 Staff if -- if the IRP -- if the development of the IRP 3 on these important Colstrip issues, base load generation 4 issues are not to be given much weight in the 2017 IRP, 5 I think at least this commissioner, I'd kind of like to 6 be clear on that, you know, so you don't waste your 7 time, basically.</p> <p>8 MR. SCHOOLEY: Yes. And I think by 9 deferring this -- this rate case that's imminently due, 10 there will be a number of outside decisions made and 11 policies made at legislative or even congressional 12 levels that could possibly happen in the next nine 13 months, and that would make it far more those [sic] to 14 occur by next January, so I think we'll have a much 15 clearer pathway at that time.</p> <p>16 COMMISSIONER JONES: Well, I would just note 17 for the record, though, that the Supreme Court has 18 stayed the implementation of the clean power plant for, 19 in my view, most experts are saying, Mr. Schooley, up to 20 two years.</p> <p>21 MR. SCHOOLEY: Yes.</p> <p>22 COMMISSIONER JONES: So if there's no 23 clarity on the clean power plant on 111(d), it probably 24 is not going to be useful information in the 2017 IRP 25 maybe.</p>	<p>1 not constitute pre-approval of any specific resource, 2 right?</p> <p>3 MS. REYNOLDS: Indeed.</p> <p>4 COMMISSIONER JONES: Okay. Thank you.</p> <p>5 CHAIRMAN DANNER: And just to clarify, the 6 IRP is basically, you're looking at a lot of "what-if" 7 scenarios. There's a lot of things that are always in 8 flux. So we have a clean air rule, for example, that is 9 under consideration; the clean power plant, whether it 10 comes or goes; outages at various facilities. There's 11 always -- there's always "what ifs."</p> <p>12 MS. REYNOLDS: Exactly.</p> <p>13 CHAIRMAN DANNER: All right.</p> <p>14 COMMISSIONER JONES: I'm done. Thank you.</p> <p>15 JUDGE MOSS: Well, if that completes our 16 inquiry from the bench, which appears to be the case, I 17 think I might suggest to the commissioners that we 18 recess this proceeding briefly and retire to the back 19 room here and see if we might be able to rule on this 20 from the bench today. It would be my preference to do 21 so. But we'll have to have some discussion to see if 22 that's possible or not.</p> <p>23 So we'll be in recess until -- I'll just say 24 quarter after the hour, and that'll give everybody an 25 opportunity to stretch their legs and so forth.</p>
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<p>1 MR. SCHOOLEY: There could be actions in 2 Montana that give us information, too.</p> <p>3 COMMISSIONER JONES: True.</p> <p>4 MR. SCHOOLEY: Ms. Reynolds is here now.</p> <p>5 COMMISSIONER JONES: Ms. Reynolds, you've 6 come in from the back row. Thank you.</p> <p>7 MS. REYNOLDS: I kept shaking my head, but 8 it wasn't working. This is Deborah Reynolds with 9 Commission Staff.</p> <p>10 I think the one thing I would say about the 11 interaction between the Integrated Resource Plan and the 12 general rate case is that the Integrated Resource Plan 13 is developing a tool so you can choose which resource 14 decisions you should make, and so it is not laying out a 15 specific set of actions. And so that's the only 16 clarification I would make.</p> <p>17 So what happens in a general rate case, it 18 should be applying the best analysis that they've got 19 and using the most current information that they have. 20 And that's what we would expect to see in a rate case, 21 regardless of the analysis that we do in an Integrated 22 Resource Plan around specific actions.</p> <p>23 COMMISSIONER JONES: And just -- this is 24 more a comment than a question, but the Commission only 25 acknowledges the Integrated Resource Plan. That does</p>	<p>1 I've been asked to make that a little bit 2 longer period for stretching of legs. Let's make that 3 11:30.</p> <p>4 (A break was taken from 5 11:01 a.m. to 11:30 a.m.)</p> <p>6 JUDGE MOSS: All right. Let's be back on 7 the record. It is 11:30 by the wall clock, and I hear 8 the chimes of the teleconference bridge line, so we're 9 hopefully accommodating all of our parties with our 10 timing here. The commissioners have had an opportunity 11 to deliberate and have asked me to deliver their 12 decision.</p> <p>13 We're mindful that this is something that -- 14 Ms. Carson pointed out the original approval 15 contemplated the possibility, at least, that all parties 16 would come forward at this point in time and ask for an 17 extension, and so that is basically what has brought us 18 to this point, perhaps, today.</p> <p>19 We've heard from the parties concerning some 20 potential benefits, at least, to the deferral of the 21 proceeding by some nine months, or a continuation of the 22 rate plan by some nine months. A power cost adjustment 23 will occur earlier than would otherwise have been the 24 case, and considering the trends, that's most likely to 25 be beneficial to the customers.</p>

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1 There will be rate certainty for the
 2 industrial customers, which is a factor that was
 3 important in the original decision on this case, as I
 4 recall.
 5 The -- the fuller consideration of Colstrip,
 6 I think, will be possible with the parties coming
 7 forward -- with PSE, specifically, coming forward with a
 8 developed plan, having worked with stakeholders for the
 9 additional period of time, so we'll come into the next
 10 rate case with that in place, and that should facilitate
 11 decision on that rather challenging issue.
 12 Any change in depreciation schedules
 13 relating to a possible early retirement of Colstrip
 14 facilities that might increase rates would also be put
 15 off to a later date.
 16 The parties' resources can be more fully
 17 devoted to a later rate case, as opposed to one
 18 occurring now when we have several others in the door
 19 already.
 20 And while, you know, no single factor here,
 21 I think, would perhaps carry the day, considering all of
 22 these factors, the Commission will grant the parties'
 23 petition and we will -- we will postpone the rate case
 24 until -- I thought about asking whether we could make it
 25 January 18th instead of January 17th. I suppose we'll

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1 go with the 17th.
 2 So with that, I'll certainly take any
 3 questions from the parties at this time, or we can just
 4 bring closure to this.
 5 It appears no one has any questions.
 6 I guess I should ask two things really.
 7 Number one, do the parties feel that they need a written
 8 order on this or will they be satisfied to have it
 9 memorialized by the transcript that the petition is
 10 granted?
 11 MS. CAMERON-RULKOWSKI: The transcript is
 12 sufficient for Staff.
 13 MS. CARSON: I agree, the transcript is
 14 sufficient.
 15 JUDGE MOSS: All right. Good. Well, I'm
 16 leaving town tomorrow to go on a little vacation, so I'm
 17 glad to hear that.
 18 I do want to ask if the commissioners have
 19 any final comments before we --
 20 COMMISSIONER JONES: No.
 21 CHAIRMAN DANNER: No.
 22 JUDGE MOSS: Okay. Fine. Then we will
 23 close our hearing today, and I thank you all very much
 24 for being here and working with us to bring greater
 25 clarity to this whole situation.

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1 And with that, we'll be off the record.
 2 (Hearing concluded at 11:35 a.m.)
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I, ANITA W. SELF, a Certified Shorthand Reporter
 in and for the State of Washington, do hereby certify
 that the foregoing transcript is true and accurate to
 the best of my knowledge, skill and ability.
 IN WITNESS WHEREOF, I have hereunto set my hand
 and seal this 29th day of March 2016.

 ANITA W. SELF, RPR, CCR #3032