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BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

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

HEARING - VOLUME VI

Pages 664-768

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

9:30 A.M.

DECEMBER 18, 2014

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0669

1 JUDGE MOSS: Good morning, everyone. We are
2 here for our third and final push to complete our hearing in
3 this general rate case proceeding.

4 We have three witnesses and some indication
5 that there are questions. And we will hopefully get through
6 that quickly.

7 Before we went on the record, Mr. Ffitch
8 approached me and Ms. McDowell joined. Mr. Ffitch wants to
9 bring to the tribunal's attention some potential change in
10 federal law. And while I think this is premature, I told
11 him I would give five minutes for discussion of the topic.
12 He has two.

13 Go ahead, Mr. Ffitch.

14 MR. FFITCH: Thank you, your Honor. My
15 intention is simply to draw this to the attention of the
16 bench. And then if we need to take some procedural steps
17 fair to all parties to address this matter during the case,
18 then we can obviously talk about how to do that after the
19 fact.

20 Tuesday night, your Honor, I'm advised that
21 the U.S. Senate passed the Tax Increase Prevention Act of
22 2014, which is HR 5771. It's now been passed by the House
23 and the Senate and is awaiting President Obama's signature,
24 so it's not absolutely final at this stage.

25 Included in the Act is the retroactive

0670

1 extension of the 50 percent bonus depreciation allowance.
2 We believe that that means assets placed into service during
3 2014 will qualify for the bonus depreciation under the Act,
4 and thus the pro forma major plant additions placed into
5 service during 2014 will qualify for the 50 percent bonus
6 depreciation allowance once the president signs the bill
7 approving the Act.

8 This will increase, we believe, the
9 accumulated deferred income tax ADIT offset to rate base
10 associated with the pro forma major plant additions in this
11 case.

12 So we are bringing this to the bench's
13 attention in the event that there is some appropriate
14 procedural mechanism to take this change into account in the
15 case; for example, a bench request asking the Company to
16 address the impacts of the bonus depreciation extension on
17 the current position for the post-test year plant additions
18 that are presented in the first supplemental response to
19 Public Counsel Data Request 130.

20 We believe it could have a large impact and
21 result in a windfall to PacifiCorp if the ADIT impact is not
22 incorporated, your Honor.

23 MS. MCDOWELL: Your Honor, I'm sorry to
24 interrupt.

25 JUDGE MOSS: Go ahead, Ms. McDowell.

0671

1 MS. MCDOWELL: I know we were beyond two
2 minutes and into substantive argument, which is what you
3 just said we were not going to have.

4 JUDGE MOSS: Right.

5 MS. MCDOWELL: And the reason I object to it
6 is that is because I'm simply not prepared to have a
7 substantive, responsive argument. I don't have a similar
8 e-mail sent to me briefing me on this Act, which has not yet
9 become law, as I understand it. The President has not
10 signed it.

11 I don't have my tax people here.

12 My revenue requirement people certainly don't
13 know the impact.

14 So I'm not in a position to respond to you,
15 but I do know that the record is closing in this matter this
16 morning. And we do believe that if there is a change
17 associated with this law, it would require a running of new
18 models, new testimony, et cetera, and that really reopens
19 the rate case in a way that we think is improper.

20 You have a set time, you have matching
21 principles that work with that, and we believe that bringing
22 this issue in at the last minute after the close of the
23 evidentiary hearing is improper. Thank you.

24 JUDGE MOSS: Thank you very much. And I'll
25 take the final minute to say that, yes, I do believe this is

0673

1 Siores was asked a question by Ms. Davison, I recall, for a
2 citation in the record as to where in the record were the
3 descriptions of the proposed capital additions between
4 250,000 and a million, and I remember looking at that and I
5 thought you referred - the witness referred to -- I looked
6 at and I believe that was capital additions of a million or
7 more. I may have been mistaken.

8 So maybe at a break Ms. Siores could mention
9 it to you and you could just tell me where in the record, if
10 at all, is the descriptions of capital additions between 250
11 and a million.

12 MS. MCDOWELL: We'll do that.

13 JUDGE MOSS: Thank you.

14 All right. Based on my order of witness
15 presentation, we have Ramas will be our first witness for
16 questions from the bench.

17 MR. FFITCH: Yes. Ms. Ramas is available,
18 your Honor, if you'd like to proceed.

19 JUDGE MOSS: Yes.

20

21 DONNA M. RAMAS, witness herein, having been first
22 duly sworn on oath, was examined and
23 testified as follows:

24

25

0674

1 DIRECT EXAMINATION

2 BY MR. FFITCH:

3 Q Good morning, Ms. Ramas. Could you please spell
4 your full name and -- state your full name and spell your
5 last name for the record?

6 A Yes. My name is Donna Ramas, R-A-M-A-S.

7 Q And you were retained by Public Counsel to address
8 certain revenue requirement issues in this case; is that
9 correct?

10 A Yes.

11 Q And do you have any corrections or changes to your
12 revised testimony in this case that was filed on December 1,
13 2014?

14 A No, I do not.

15 Q Thank you.

16 MR. FFITCH: Your Honor, the witness is
17 available for questioning.

18 JUDGE MOSS: All right.

19 Mr. Jones, I believe you have questions?

20 COMMISSIONER JONES: Yes.

21

22 QUESTIONS FROM THE COMMISSIONERS

23 COMMISSIONER JONES: Good morning, Ms. Ramas.

24 THE WITNESS: Good morning.

25 COMMISSIONER JONES: Were you in the hearing

0675

1 room yesterday when I asked a few questions of Ms. Siores
2 about pension-related expense?

3 THE WITNESS: Yes, I was listening via phone.

4 COMMISSIONER JONES: Okay. So my first
5 question deals with your revision to your corrections,
6 excuse me, SAJ-1T. I think the pension-related testimony is
7 on pages 24 to 27 of your testimony, right?

8 THE WITNESS: Correct.

9 COMMISSIONER JONES: So yesterday I asked a
10 few questions of Ms. Siores about the inclusion or exclusion
11 of Local 57 from the test year into the rate year, correct?

12 THE WITNESS: Correct.

13 COMMISSIONER JONES: And did you make those
14 revisions to your testimony?

15 And if so, where are they and why did you
16 accept them?

17 THE WITNESS: Yes. A little background.
18 What I have done since the response I had relied upon in
19 calculating --

20 COMMISSIONER JONES: Could you speak a little
21 bit louder, closer to the mic, please?

22 THE WITNESS: Yes. Let me know if this is
23 loud enough.

24 COMMISSIONER JONES: That's better.

25 THE WITNESS: Okay. In preparing the

0676

1 adjustment, the data response I did use that the company had
2 provided did not have the IBEW-57 cash payments included in
3 the total line. So I should have, in my original
4 adjustment, picked up that additional amount.

5 So in the corrections, I added in the IBEW-57
6 payments, the cash payments to PacifiCorp into that
7 multi-employer plan.

8 COMMISSIONER JONES: Okay.

9 THE WITNESS: So that was corrected in the
10 corrected testimony that was just filed on December 1.

11 COMMISSIONER JONES: Do you have your
12 testimony in front of you?

13 I'd just like to refer to it briefly.

14 THE WITNESS: Yes, I do.

15 COMMISSIONER JONES: Okay. So is that the
16 correction on page 27, lines 15 through 20?

17 THE WITNESS: Yes.

18 COMMISSIONER JONES: So as I read this, what
19 you're trying to do with this adjustment is to proform into
20 the rate year 2014, the expected net costs of the pension
21 expense, correct, based on the actuarial report done by
22 Towers Watson?

23 THE WITNESS: Correct. The only change I am
24 making in my recommendation is to reflect the 2014 pension
25 expense.

0677

1 COMMISSIONER JONES: Okay.

2 THE WITNESS: All other items included in the
3 Company's pension expense would include their administrative
4 costs as well as those IBEW payments --

5 COMMISSIONER JONES: I understand.

6 THE WITNESS: -- the same as the amount
7 included by the Company.

8 COMMISSIONER JONES: So just so I understand
9 the net effect of your recommendation, if I could walk this
10 through with you, The total reduction system-wide is, from
11 the Company's cost of 39.1 million, you're recommending that
12 we make -- we reduce that by 16.7 million, 16.8 million, and
13 then after you allocate a certain amount to capital and
14 non-utility, total company basis adjustment of 11.7 million,
15 of which 761,000 is allocated to Washington?

16 THE WITNESS: Correct. And actually, that
17 exact step-by-step scenario was provided on my Exhibit
18 DMR-3R, page 16 of 24, provides each of those amounts and
19 walks you through that.

20 COMMISSIONER JONES: Okay. Ms. Ramas, to the
21 best of your knowledge, will the Company or should the
22 Company use the actuarial report to book pension expense for
23 the rate year, meaning the rate year starting, it would be
24 2014 and '15?

25 THE WITNESS: It would be my recommendation

0678

1 that they use the actuarial report for 2014 for the reasons
2 cited in my testimony, in that it reflects all the actuarial
3 assumptions that were selected as of the end of the historic
4 test year, and it picks up all the contributions made during
5 the historic test year as well as the planned earnings that
6 occurred during that year.

7 I would not recommend going as far out as the
8 projected rate effective period because that would involve
9 2015 pension assumptions --

10 (Reporter request for clarification.)

11 COMMISSIONER JONES: Could you repeat what
12 you just said? The court reporter didn't hear you.

13 I think you were saying you would not
14 recommend what?

15 THE WITNESS: Yes. I might not restate it
16 exactly the same.

17 I would not recommend going to a rate year or
18 a rate effective period pension expense amount because that
19 would involve 2015 projections.

20 What I'm recommending is that the amount be
21 updated, be based on the 2014 actuarial report, and that
22 takes into account the test year, known and measurable
23 changes associated with several factors, such as the
24 actuarial assumptions for 2014 that were selected at the end
25 of the historic test year, as well as changes within the

0679

1 pension funding status that occurred during the historic
2 test year that are known and measurable, as well as the
3 planned earnings that actually occurred during the historic
4 test year.

5 COMMISSIONER JONES: So you're only
6 recommending -- and I'm just going to cite to a couple of
7 those assumptions to determine the benefit cost because
8 these change year-by-year, correct?

9 THE WITNESS: Correct, they do.

10 COMMISSIONER JONES: So one is the discount
11 rate. And so the discount rate used for the year ending
12 2013 is 4.10 percent, and the long-term rate of return on
13 assets is 7.5 percent, right?

14 THE WITNESS: Let me check those numbers.

15 COMMISSIONER JONES: If you have that in
16 front of you, that would be helpful.

17 MR. FFITCH: Your Honor, if I may?

18 Ms. Ramas, your voice is quite faint and
19 fading, so if you could be as loud and clear as possible,
20 perhaps speaking directly in the mouthpiece of the phone or
21 whatever equipment you have at that end, that would help.

22 THE WITNESS: With regards to the discount
23 rate, the discount rate selected for use in the 2014
24 actuarial report is 4.80 percent, whereas the amount in the
25 2013 actuarial report was 4.05 percent.

0680

1 COMMISSIONER JONES: Okay. Do you agree with
2 the observation -- well, the testimony of Ms. Siores, on
3 page 6 of her testimony, and I referred to this yesterday in
4 my question, that your pension adjustment is overstated by
5 \$411,000?

6 THE WITNESS: She was -- yes, in her
7 testimony, that was before I had filed my correction.

8 So if you go from my original adjustment to
9 the correction, I believe that's the difference.

10 But I have, in filing the corrected testimony
11 in the revised pension adjustment in my Exhibit DMR-3R, page
12 16 of 24, I did correct for that error that she pointed out
13 in her rebuttal testimony.

14 COMMISSIONER JONES: And just my final
15 questions on pensions is: In your testimony, you were not
16 making any observation on the prudence of the Company's
17 management of the fair value plan assets of the pension
18 fund, are you, in terms of the employer contributions that
19 they made and the fair value assets of the pension at the
20 end of 2013, which I understand is -- they're only
21 underfunded by about \$59 million compared to 379 million at
22 the end of the 2012. And to me, that's an improvement.

23 THE WITNESS: Yes. They had some good
24 earnings during 2013. So I am not -- I haven't addressed
25 the prudence of their funding of the plan itself.

0681

1 COMMISSIONER JONES: Okay. I think -- let me
2 see. On OPEB costs, that's on page 28 of your testimony, is
3 it still your recommendation that we reduce Washington
4 jurisdictional 100,686?

5 THE WITNESS: Let me turn to that. Could you
6 repeat your page number?

7 COMMISSIONER JONES: The number, at least I
8 have in front of me in your testimony, is you're
9 recommending a reduction on the Washington jurisdictional
10 basis of about \$101,000?

11 THE WITNESS: Yes. In fact, I just found
12 that. It's \$100,686 on the Washington jurisdiction issue,
13 correct.

14 COMMISSIONER JONES: And the last question is
15 on this IHS Global Insight escalation factor for O&M. I
16 read your testimony there.

17 Was there anything in the exchanges or in the
18 testimony yesterday, the questioning, that would change your
19 recommendation there where you are recommending on page 31 a
20 \$1.4 million reduction, Washington?

21 THE WITNESS: No, there's nothing that would
22 change my position.

23 COMMISSIONER JONES: Are there any other
24 states? I know Idaho.

25 You've testified before a lot of states. Are

0682

1 there any other states that use this IHS Global Insight
2 escalation that you testified before?

3 THE WITNESS: The only place I've ever seen
4 it used is cases involving the same company in which they
5 use a future test year approach.

6 COMMISSIONER JONES: Okay.

7 THE WITNESS: So for example, in Utah -- I'm
8 going to the future test year -- they'll have numerous pro
9 forma adjustments. And then any remaining nonpower or
10 nonfuel and nonemployee-related costs, they'll escalate
11 under this methodology.

12 So that's -- cases involving the specific
13 company in future test year states are the only instances in
14 which I've been --

15 (Reporter request for clarification.)

16 COMMISSIONER JONES: Could you repeat the
17 last part of what you just said? Your voice faded out.

18 THE WITNESS: Okay. Other than cases
19 involving this specific company in future test year states,
20 I'm not aware of any other instances in which a utility has
21 used these factors in determining revenue requirements.

22 COMMISSIONER JONES: Okay. And then your
23 understanding of what sort of test year we use in our state,
24 is it accurate to say that we -- I think I stated this
25 yesterday. We use a modified historical test year in

0683

1 Washington State, right?

2 THE WITNESS: I would agree with that. What
3 I've seen from the decisions I've read is the historic test
4 year with some adjustments to that historic test year.

5 COMMISSIONER JONES: Thank you.

6 That's all I have, Judge Moss.

7 JUDGE MOSS: Anything else from the bench?

8 COMMISSIONER GOLTZ:

9 So Ms. Ramas, this is Commissioner Goltz. I
10 just had a question about your evaluation of capital
11 additions. And I had a question as we opened the session
12 today of counsel for PacifiCorp, where in the record were
13 the descriptions of capital additions valued at between
14 250,000 and one million. And I hope at a break I'll get
15 direction to that.

16 Do you happen to recall where in the record
17 those descriptions are?

18 THE WITNESS: I know we had some discovery
19 requests where I asked for support for all of the capital
20 additions. I'm not sure if that data response is in the
21 record or not.

22 COMMISSIONER GOLTZ: Let me ask a follow-up
23 question. Maybe we can ask -- Ms. Wallace has that answer.

24 MS. WALLACE: Yes. It's in NCS-3, Tab 8, and
25 I have a copy here for you if that's helpful.

0684

1 COMMISSIONER GOLTZ: I'm sorry?

2 MS. WALLACE: Exhibit NCS-3, Tab 8, and I can
3 give you the pages. Pages 8.4.4, through 8.4.9, and it's a
4 description of all 30 of the original pro forma capital
5 additions.

6 JUDGE MOSS: And I believe those are the
7 pages Ms. Steward referred us to yesterday.

8 MS. WALLACE: Yes. And of the 30, only five
9 are over \$1 million on a Washington allocated basis.

10 COMMISSIONER GOLTZ: So my question is, Ms.
11 Ramas: You reviewed those, then?

12 THE WITNESS: Yes. In fact, I just turned to
13 them and I have notes on those exact same pages. So, yes, I
14 did.

15 COMMISSIONER GOLTZ: Thank you.

16 That's all I have.

17 CHAIRMAN DANNER:

18 Ms. Ramas, this is Chairman Danner. I just
19 had one question.

20 You heard yesterday Mr. Stuver talking about
21 the payroll expenses and reduction in FTEs. His position is
22 that these reductions are temporary, that they will be
23 filled. Did his testimony yesterday satisfy you?

24 THE WITNESS: No, it did not. In fact, based
25 on data responses we received after the rebuttal testimony,

0685

1 the employee count has continued to decline since the June,
2 2014, figure I had used. So no, it wasn't persuasive to me.

3 CHAIRMAN DANNER: Okay. So then it's your
4 position that these decreases should be reflected in rates?

5 THE WITNESS: Yes, that's what I recommended.
6 They are known and measurable reductions to the employee
7 complement.

8 CHAIRMAN DANNER: All right. Thank you.

9 THE WITNESS: You're welcome.

10 JUDGE MOSS: That's it? Any follow-up from
11 counsel?

12 MS. MCDOWELL: No, your Honor.

13 JUDGE MOSS: Ms. Ramas, thank you very much
14 for being on the phone with us this morning. That
15 apparently brings your examination to a conclusion.

16 THE WITNESS: Thank you.

17 JUDGE MOSS: All right. Our next witness on
18 the list is Watkins. The company has indicated 20 minutes
19 of cross-examination. Is Mr. Watkins available on the
20 telephone?

21

22 GLENN A. WATKINS, witness herein, having been first
23 duly sworn on oath, was examined and
24 testified as follows:

25

0686

1 DIRECT EXAMINATION

2 BY MR. FFITCH:

3 Q Thank you, your Honor. Good morning, Mr. Watkins.

4 A Good morning.

5 Q This is Simon ffitch with the Public Counsel
6 office. You were retained by our office to address issues
7 of rate spread and rate design in this case; is that
8 correct?

9 A Yes, that is correct.

10 Q And to that end, you filed both direct testimony
11 and cross-answering case -- testimony in the case, correct?

12 A I did.

13 Q And do you have any corrections or changes to your
14 prefiled testimony?

15 A Not to my direct testimony.

16 I do have one correction to my cross-answering
17 testimony, and that can be found on page 17, footnote 13.

18 JUDGE MOSS: Mr. Watkins, we're having
19 difficulty hearing you here. Could you try to speak
20 directly into the microphone?

21 THE WITNESS: Absolutely. Is that better?

22 JUDGE MOSS: There's a little bit better.

23 THE WITNESS: Okay. I have one correction on
24 page 17, footnote 13, to my cross-answering testimony.

25 The correction is where the footnote

0687

1 currently reads: "PacifiCorp 2013 integrated resource
2 plant, page 13," you should also insert it should read "page
3 23" and "page 86."

4 (Reporter request for clarification.)

5 JUDGE MOSS: Was that page 86?

6 THE WITNESS: Yes, sir.

7 JUDGE MOSS: Are you using a speakerphone,
8 Mr. Watkins?

9 THE WITNESS: I am. Let me get off the
10 speakerphone.

11 JUDGE MOSS: Please use a handset. I'm going
12 to have to ask you to repeat that citation once again. We
13 did not get it at the bench.

14 THE WITNESS: Is that better, your Honor?

15 JUDGE MOSS: A little bit better. Could you
16 repeat the citation, please?

17 THE WITNESS: Yes. It's page 17, footnote
18 13. In addition to page 23 that is referenced, we should
19 add also "page 86."

20 JUDGE MOSS: All right. Thank you.

21 MR. FFITCH: Your Honor, the witness is
22 available for cross-examination.

23 CROSS-EXAMINATION

24 BY MR. LOWNEY:

25 Q Good morning, Mr. Watkins.

0688

1 A Good morning.

2 Q My name is Adam Lowney and I'm counsel for
3 PacifiCorp.

4 And I'd like to begin by asking you a few
5 questions about your criticism of the Company and Staff's
6 proposals to increase the residential basic charge.

7 So if we could begin actually with the
8 cross-answering testimony that you just corrected, and that
9 same page, in fact, page 17?

10 A I'm there.

11 Q Okay. Thank you.

12 Now on this page, you're criticizing Staff support
13 for the increase in the residential basic charge; is that
14 correct?

15 A That's correct.

16 Q And you testify that Staff's conclusion that
17 Pacific Power's annual residential sales volumes have
18 declined is simply incorrect; is that your testimony?

19 A Yes. But to take it in proper context, this
20 discussion is more of a parenthetical to correct a factual
21 statement that Mr. Twitchell made in his direct testimony.

22 Q And to be clear, the evidence that you rely on to
23 rebut Mr. Twitchell's conclusion is reflected in part, at
24 least, on Table 2 on page 17, and that table shows
25 PacifiCorp's Washington retail energy sales for 2010 to

0689

1 2014; is that correct?

2 A Yes, sir.

3 Q And you would agree that that table shows retail
4 sales in total, not residential sales, correct?

5 A That is correct.

6 Q So you cannot conclude from the information on
7 this table whether the residential sales are increasing or
8 decreasing, can you?

9 A Not from the residential cost, per se, no.

10 Q And would you also agree that the figures that are
11 reflected in Table 2 are not temperature normalized?

12 A It's my understanding that those are actual sales.
13 So yes, I would agree.

14 Q Now Mr. Watkins, are you familiar with the
15 Commission's order in the Company's 2010 general rate case?

16 A I have read it. I'm not sure I've read all the
17 parts. I read the discussion as it relates to rate design
18 and revenue spread.

19 Q Okay. I'm going to read you an excerpt. And this
20 actually, I don't believe is from that section of the order,
21 but it deals with temperature normalization, and this is
22 paragraph 218 from the Commission's order in Docket
23 UE-100749.

24 And in that case, the Commission noted that: "We
25 find that temperature normalization is a more appropriate

0690

1 method to estimate test year sales because many of
2 PacifiCorp's customers use electricity for space heating and
3 temperature may have a significant impact on customer
4 usage."

5 Now, given the Commission's finding that I just
6 referred to, would you agree that the Commission has found
7 that temperature-normalized sales are a more useful measure
8 of expected load than actuals?

9 A With respect to revenue requirements, it is my
10 understanding that the Commission uses weather normalized
11 revenues and usage. So I mean, I think the order is pretty
12 clear on what it says for revenue requirement purposes
13 anyway, yes.

14 Q If we could go back to page 17 of your
15 cross-answering testimony and the couple of sentences that
16 begin on line 10 and continue through line 14, you testify
17 about the Company's projected residential energy sales; is
18 that correct?

19 A That's correct.

20 Q And you relied -- for the data that you referred
21 to in that paragraph, you rely on information taken from the
22 company's 2013 Integrated Resource Plan Update; is that
23 correct?

24 A Yes, sir.

25 Q And again, the data that you cite in that

0691

1 paragraph is total company residential energy sales; is that
2 correct?

3 A That's correct. That's the only forecast I have.

4 Q Okay. So, again, you can't draw any conclusions
5 necessarily about what Washington's residential energy sales
6 forecast indicate, correct?

7 A That is correct. I hope my testimony is clear
8 this is total company.

9 Q And the information that you cite on in that
10 paragraph, particularly in the first sentence that begins
11 "Furthermore," on lines 10 to 13, would you agree that the
12 numbers that you indicate or that you cite show a total
13 company increase in residential load of only .49 percent
14 between 2014 and 2023?

15 A Yes, your numbers are absolutely correct. The
16 compound annual growth rate is slightly less than one half
17 of 1 percent. Not robust by any means, but a very small
18 growth.

19 MR. FFITCH: Your Honor, may I interject
20 here? I believe counsel is referring to an exhibit that is
21 in the record, a cross exhibit that is in the record that
22 was presented for Mr. Watkins.

23 JUDGE MOSS: Counsel is referring to page 17
24 of his cross-answering testimony, as I understand what's
25 going on here.

0692

1 MR. LOWNEY: Yes, your Honor. The numbers
2 taken are taken from the Cross-examination Exhibit GAW-11CX,
3 and I'm actually about to turn to that.

4 JUDGE MOSS: Very good.

5 Q (By Mr. Lowney) Now, Mr. Watkins, would you agree
6 that the Company's integrated resource plan update from
7 which you took these numbers also states quite clearly that
8 residential load forecasts are decreasing?

9 A That's correct. Load, and that means, you know,
10 peak load. Load forecasts are decreasing. I recognize
11 that, yes. Not to be confused with energy sales.

12 Q Now, given that you provided testimony related to
13 the company's residential loads, are you familiar with the
14 load forecast that was used to develop the net power costs
15 in this case?

16 A To the extent that it is different than the
17 integrated resource plan, the answer is no.

18 To the extent that it is consistent with the
19 integrated resource plan, I am fairly familiar with it.

20 Q Well, let me ask you: Do you have the direct
21 testimony of Greg Duvall in front of you?

22 A No, I do not.

23 Q Well, Mr. Watkins, Mr. Duvall is the company's net
24 power cost witness. And in his testimony he presents the
25 load forecast for this case, and it indicates on page 16,

0693

1 Table 3 of Mr. Duvall's direct testimony, that the
2 Washington sales for the 2014 rate case for residential
3 customers in a megawatt hour basis are 1.5 percent less than
4 the Washington sales that were used in the last rate case.

5 A Okay. I will accept that that's what his
6 testimony says. Is there a question?

7 Q Yes. So you would agree that the evidence in this
8 case indicates that the company is forecasting reduced
9 energy sales to residential customers?

10 A It would appear so on a weather normalized basis
11 from the forecasted test year to the last forecasted test
12 year.

13 However, my testimony -- my cross-answering
14 testimony goes to the long-range forecast for what we expect
15 to see in the next few years. And while they're certainly
16 not expected to be robust growth, certainly the sky is not
17 falling as far as energy sales are concerned.

18 Q And again, your testimony is on a total company
19 basis, correct, not Washington?

20 A That is correct.

21 Q And the forecast that's reflected in Mr. Duvall's
22 testimony is specific to Washington, correct?

23 A I don't know. I have not seen that testimony.

24 Q Okay. Thank you Mr. Watkins.

25 I'd like to move on and ask you a few -- sort of

0694

1 change gears a little bit and ask you a few questions about
2 how you believe the residential basic charge should be
3 calculated?

4 A Certainly.

5 Q Now as a general matter, you criticize the
6 inclusion of distribution costs in the calculation of the
7 basic charge; is that correct?

8 A I don't know if "criticize" is the appropriate
9 word.

10 I do not believe it's appropriate to reflect those
11 in consideration of what -- in considering what should be
12 reflected in the determination of a basic monthly customer
13 charge.

14 Q Now, you would agree that distribution systems are
15 comprised largely of fixed costs; is that correct?

16 A Undoubtedly, yes.

17 Q And you admit that those costs do not vary with
18 usage; is that correct?

19 A By and large, you are correct -- with energy
20 usage.

21 Q Yes, that's correct. And you agree that in the
22 Company's cost of service study, the Company correctly
23 characterized distribution costs as entirely demand related,
24 correct?

25 A I would agree with that, yes.

0695

1 Q And residential customers do not pay a demand
2 charge, do they?

3 A They do not.

4 Q They pay --

5 A Only energy and fixed monthly customer charges.

6 Q So under your proposal, the Company would be
7 recovering 100 percent of its fixed distribution costs that
8 don't vary with energy usage through the energy portion of
9 the residential customer's bill; is that correct?

10 A No, that's not correct at all.

11 Q And why not?

12 A Well, first of all, with all due respect to all of
13 my fellow analysts and myself, quite often we get too
14 wrapped up in trying to put a particular cost in an
15 individual pigeonhole.

16 The reality is when we design rates, and those
17 rates being comprised of fixed monthly customer charge and
18 an energy charge, what we are ultimately trying to do is
19 develop a rate design that makes sense from a cost
20 perspective, makes costs from what would -- what we see in
21 the competitive markets and what is fair and equitable. In
22 determining what is a reasonable cost, we use various tools.

23 Now, with respect to the -- what we refer to as
24 fixed distribution costs included in my number crunching or
25 my quantitative analysis, indeed, I have reflected several

0696

1 quote, unquote, fixed costs. I have included the cost of
2 meters and the cost of services. Those are fixed costs as
3 well.

4 I have not included the cost of conductors,
5 transformers, conduit, other distribution costs because I
6 believe those are demand related and should be not collected
7 in the fixed monthly customer charge.

8 Since we do not have a demand charge, they are
9 more appropriately reflected or collected, if you will,
10 within the energy charge.

11 Q Okay. So I guess going back to my question,
12 though, you would agree -- I think you just said you would
13 agree that the demand-related distribution costs should be
14 recovered through the energy component of a residential
15 bill; is that correct?

16 A That is my opinion, yes.

17 MR. LOWNEY: Thank you, Mr. Watkins. I
18 have no further questions.

19 JUDGE MOSS: Thank you very much.

20 Any questions from the bench?

21

22 QUESTIONS FROM THE COMMISSIONERS

23 COMMISSIONER JONES: Just a follow-up based
24 on that last question from counsel.

25 So Mr. Watkins, what are you saying should be

0697

1 included that are demand related and vary with usage?

2 Is it -- are you saying the transformers,
3 conductors, any of the smart grid devices, Volt/VAR, that
4 sort of equipment is variable?

5 THE WITNESS: No. I'm not saying they're
6 variable. They're certainly fixed costs.

7 I'm just saying in developing what is a
8 reasonable customer charge in doing -- in conducting a cost
9 analyst, these other fixed costs that you just mentioned are
10 more appropriately collected in the energy charge.

11 They are clearly demand related and, as I
12 stated earlier, because of the rate design for the
13 residential customers, they're more appropriately collected
14 in the variable energy charges as opposed to in the fixed
15 monthly customer charge.

16 And the reason being is there's a well-known
17 principle in our society and our economy that the more
18 benefits one receives for a particular bit of service, it's
19 generally agreed upon the more that they should pay for it.

20 Now, while the demand-related costs may
21 indeed be, quote/unquote, short-run fixed costs from the
22 utility's perspective, demand varies with the size of
23 customer.

24 So with all of that, again, I feel they have
25 no place in the fixed monthly customer charge.

0698

1 COMMISSIONER JONES: But that is your
2 judgment call, correct?

3 The commissions around the country have very
4 different rate designs. That ultimately is a judgment call
5 for the decision makers to make, right?

6 THE WITNESS: I could not agree with you
7 more. It is a policy call. And it is, frankly, a
8 difference in philosophies.

9 There are states such as Ohio that have gone
10 to total straight fixed variable pricing so the customer
11 charge reflects all distribution costs, and there are a
12 multitude of utilities that maintain the customer charges
13 should be maintained at a varied level amount.

14 COMMISSIONER JONES: I read your direct
15 testimony, Mr. Watkins, and I appreciated your marginal cost
16 analysis. I studied a lot of economics at college, too.

17 But to me, this industry cannot really be
18 characterized under the efficient price theory, marginal
19 cost pricing, because of the regulated nature of this
20 monopoly service and all the different trackers and riders
21 and things we put into it.

22 I enjoyed reading your analysis, but I just
23 don't think that marginal cost pricing analysis is
24 appropriate for this industry. That's more of a comment.

25 THE WITNESS: Actually, I'm in perfect

0699

1 agreement with you there. All of us that have a little bit
2 of age on us remember the late '70s, early '80s, when there
3 was a movement for marginal cost pricing in the utility
4 industry. And we found it didn't work, but the economic
5 price theory and the concepts of the fundamental principles
6 of economics, I think could and should -- (telephonic
7 interruption) -- in evaluating pricing for public utilities.

8 COMMISSIONER JONES: Could you just repeat
9 what you said? We had somebody join the audio line here and
10 we have very outdated audio equipment. When somebody gets
11 on the line, your voice goes dead. So could you just repeat
12 what you just said?

13 THE WITNESS: Yes, I'll make it a little
14 shorter.

15 I agree with you that we have moved away from
16 trying to rigorously apply marginal cost pricing in the
17 public utility arena.

18 However, I firmly believe that the basic
19 principles of microeconomics and price theory should be
20 considered and reflect in the public utility rate making
21 process.

22 In other words, we should not abandon
23 well-accepted economic theory simply to guarantee revenue
24 recovery or things of that nature. We still have a duty and
25 obligation, in my opinion, to set fair, reasonable and

0700

1 reasonably efficient prices.

2 COMMISSIONER JONES: Spoken like a true
3 economist, Mr. Watkins. Thank you.

4 That's the end of my questions.

5 JUDGE MOSS: Anything else from the
6 bench? Okay.

7 Mr. Lowney, did you have any follow-up on the
8 bench questions?

9 MR. LONEY: No, I do not, your Honor.

10 JUDGE MOSS: Mr. Ffitch, any redirect?

11 MR. FFITCH: Just one question, your Honor.

12 RE-DIRECT EXAMINATION

13 BY MR. FFITCH:

14 Q Following up on a question, Mr. Watkins, that you
15 got from Commissioner Jones regarding your treatment of
16 demand-related fixed costs and distribution costs, is there
17 a precedent in Washington State for your treatment of
18 demand-related fixed costs?

19 A There is at least one that I'm aware of. And I
20 refer to that precedent on page 19 of my cross-answering
21 testimony, specifically, lines 15 through 23, in which I
22 quote the Commission's order in Docket No. UE-920433.

23 MR. FFITCH: Thank you.

24 No further questions, your Honor.

25 JUDGE MOSS: All right. Thank you,

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1 Mr. Watkins. We appreciate your being with us by telephone
2 today, and that concludes your testimony.

3 THE WITNESS: Your Honor, it was a pleasure.

4 JUDGE MOSS: We haven't even been going an
5 hour yet, so let's just keep going and we'll have
6 Mr. Mullins take the stand.

7

8 BRADLEY G. MULLINS, witness herein, having been first
9 duly sworn on oath, was examined and
10 testified as follows:

11

12 JUDGE MOSS: Ms. Davison, your witness.

13 MS. DAVISON: Thank you, your Honor.

14 DIRECT EXAMINATION

15 BY MS. DAVISON:

16 Q Mr. Mullins, are you the same Mr. Mullins who has
17 previously submitted prefiled written testimony in this
18 proceeding?

19 A Yes, I am.

20 Q And can you spell your last name for the record?

21 A M-U-L-L-I-N-S.

22 Q And Mr. Mullins, do you have any corrections to
23 your testimony?

24 A I do.

25 Q And can you --

0702

1 A So I have two corrections. The first one is a
2 correction to a typo to my direct testimony, which is
3 BGM-1CT on page 15 at line 7. The date "December, 2013"
4 should be corrected to be "December, 2014."

5 And the second correction is to accept a proposal
6 made by Mr. Duvall in his rebuttal testimony at page 43,
7 lines 8 through 12. And I proposed to accept a minor
8 correction to how I calculated the benefit within our EIM
9 dispatch, and that reduces my overall revenue requirement
10 impact, net overall net power cost adjustments by \$83,146.
11 And I'd like to simply offer that as a correction to Table 1
12 in my cross-answering testimony, which is on page 3.

13 And so within Table 1, the number adjacent to net
14 power costs should be corrected from "16,710,110" to
15 "16,626,964."

16 The total adjustment's value will change from
17 "29,937,734" to "29,854,588."

18 And the resultant revenue deficiency sufficiency
19 value will change from a negative "2,736,468" to
20 "2,653,322."

21 And of course, all of these values in this piece
22 of testimony are based off the Company's original filing,
23 which they've subsequently changed. So these numbers will
24 change.

25 Q So to be clear, the number at the top of Table 1

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1 that you just corrected is the original filing from the
2 Company, and the data number is now reduced after you filed
3 your testimony?

4 A Correct.

5 Q Thank you.

6 Do you have any further corrections?

7 A I do not.

8 MS. DAVISON: This witness is available for
9 cross-examination.

10 JUDGE MOSS: Did you say the 27 million
11 figure has been reduced?

12 MS. DAVISON: Yes, it has, your Honor.

13 JUDGE MOSS: Okay. What should it read now?

14 MS. DAVISON: I apologize. The company is
15 telling me, I guess, some areas have been a reduction but
16 some areas have been an increase, and they're telling me
17 that the number is 30 million and change.

18 JUDGE MOSS: That was my impression, as well,
19 that the requested revenue requirement went up as of the
20 rebuttal testimony, not down.

21 MS. MCDOWELL: It's on the issue list, your
22 Honor, and I believe the number is approximately
23 30.4 million.

24 JUDGE MOSS: Okay. That was my impression as
25 well, but you know I don't trust my memory as much as I used

0704

1 to. Very well.

2 Well, the record, I think, will be clear
3 then. I don't think there's any concern about that, is
4 there?

5 MS. MCDOWELL: No.

6 JUDGE MOSS: All right. Very well. It is
7 now your turn.

8 CROSS-EXAMINATION

9 BY MS. MCDOWELL:

10 Q Mr. Mullins, just sticking with your corrections
11 for a minute so I understand them, you indicated that this
12 change is related to the within-hour EIM dispatch benefit;
13 is that correct?

14 A Correct.

15 Q So that's at page 42 and 43 in your testimony?

16 MS. DAVISON: Direct or cross-answering?

17 Q (By Ms. McDowell) Your direct testimony?

18 A Let me double check.

19 Q And maybe my question to you is: What are you
20 correcting within your testimony?

21 A So I'm just correcting the bottom line number, and
22 I'm just correcting it in my cross-answering testimony as --
23 in order to respond to Mr. Duvall's proposal to make the
24 correction.

25 Q And what I'm trying to understand is what numbers

0705

1 that are currently in your testimony are changed as a result
2 of that. So can you turn to page 43 of your responsive
3 testimony?

4 JUDGE MOSS: And this is BGM-1CT for the
5 record.

6 MS. MCDOWELL: Thank you, your Honor. That's
7 correct.

8 COMMISSIONER JONES: What page, Counsel?

9 MS. MCDOWELL: Forty-three.

10 Q (By Ms. McDowell) So are the numbers that you've
11 just changed related to the numbers that you cite on lines
12 16 to 22 on page 43?

13 A Correct.

14 Q And do you -- so the 3.3 million reduction in
15 WCA-NPC has been changed to a new number?

16 A Correct. And what I've done is just correct the
17 revenue requirement impact of this. And so it's an
18 approximate \$75,000 reduction on a Washington allocated
19 basis to this particular adjustment.

20 And the revenue requirement impact is an
21 approximate -- well, not an approximate. It's \$83,146 of
22 reduction to the overall proposal in my testimony.

23 Q So do you have the new numbers for the line 20?

24 A I could provide those.

25 Q You don't have them with you here today?

0706

1 A No.

2 JUDGE MOSS: Do you want to make that a bench
3 request or no?

4 MS. MCDOWELL: That would be helpful, your
5 Honor.

6 JUDGE MOSS: All right. We'll have those
7 numbers furnished then.

8 MS. MCDOWELL: Thank you.

9 (Bench Request No. 7 noted.)

10 Q (By Ms. McDowell) So Mr. Mullins, let's stick
11 with your testimony on the EIM adjustments you proposed. So
12 I believe that testimony begins on page 31 of this Exhibit
13 BGM-1CT?

14 A Okay.

15 Q And it's true that your testimony proposes to
16 impute net power cost benefits for the company's
17 participation in the new energy imbalance market, or EIM,
18 with the CAISO?

19 A So what I proposed to do is incorporate changes in
20 how the Company models net power costs to account for the
21 EIM.

22 Q And Mr. Mullins, that total adjustment in this
23 case is, at least going into this testimony today, going
24 into this hearing today, was 5.1 million in WCA -- or in
25 Washington NPC. Does that sound right?

0707

1 A That is correct. And as a result of all of the
2 modeling updates that were done in the Company's rebuttal
3 filing, all of these numbers would need to be recalculated
4 to come up with a final net power cost number.

5 Q And I take it your adjustment has gone down to
6 about five million based on the change you just made this
7 morning?

8 A That's correct.

9 Q So your testimony in this case was filed on
10 October 10, correct, your rebuttal or responsive testimony?

11 A Correct.

12 Q And do you have Mr. Duvall's rebuttal testimony
13 with you?

14 A I do.

15 Q If you could turn to that, that would be helpful.
16 Page 32 of his rebuttal is where I'd like to you turn to if
17 you can. Do you have that, Mr. Mullins?

18 A I do.

19 Q And it's true, isn't it, that just two months
20 prior to your filing your testimony in this case on October
21 14, 2014, you filed testimony in Oregon supporting a rate
22 settlement related to EIM cost and benefits, correct?

23 A So in --

24 Q Mr. Mullins, we're going to have plenty of
25 questions on this. So if you could just give me some yes

0708

1 and nos on these predicate questions, we can get done and
2 get out of here this morning, okay?

3 A All right.

4 MS. DAVISON: Your Honor, I believe the
5 witness is entitled to make an explanation about his answer
6 and not just be a simple yes or no.

7 JUDGE MOSS: I believe he can make a yes or
8 no answer and give any explanation that's necessary to
9 explain it.

10 MS. DAVISON: Thank you.

11 Q (By Ms. McDowell) So the question was: Just two
12 months earlier, on October 14, you filed testimony
13 supporting a rate settlement relating to EIM cost and
14 benefits, correct?

15 A There was a piece of joint testimony that I was a
16 part of, correct.

17 Q And the settlements covered the 2015 rate period,
18 correct?

19 A The settlement covered a -- it was a net power
20 cost only filing in Oregon that was for 2015.

21 Q And that was the first year of the EIM's
22 operations, correct?

23 A No. The EIM began operations on October 1 and
24 began financially binding operations on November 1.

25 Q So 2015 would be the first calendar year of the

0709

1 EIM's operations, correct?

2 A Correct.

3 Q Now, your testimony is quoted on Note 42 of that
4 page of Mr. Duvall's testimony, and your testimony was as
5 follows: "The settling parties agree at this time the costs
6 and benefits associated with the EIM are difficult to
7 predict with certainty. As an interim approach, the
8 settling parties agree that it is reasonable to offset EIM
9 costs and benefits in the 2015 net power costs. Offsetting
10 the costs and benefits associated with the EIM appropriately
11 balances possible risks and benefits during the first full
12 year of the EIM's operation."

13 Can you verify that was your sworn testimony
14 provided in Oregon approximately two months before you filed
15 testimony in this jurisdiction?

16 MS. DAVISON: Ms. McDowell, is this a
17 cross-examination exhibit where you have admitted his
18 testimony, and can you refer to what pages and what you're--

19 JUDGE MOSS: It's a footnote in Mr. Dalley's
20 testimony. She's already identified the source of the
21 quotation. The witness has --

22 MS. MCDOWELL: It's Mr. Duvall's testimony.

23 JUDGE MOSS: I'm sorry. Mr. Duvall.

24 MS. MCDOWELL: That's correct.

25 JUDGE MOSS: So that's the source.

0710

1 Q (By Ms. McDowell) And can you verify that this
2 was your sworn testimony?

3 A So the testimony itself was for settlement and for
4 purposes of settlement, a settlement that resulted in a \$32
5 million reduction to power costs and a rate decrease for
6 many customers. We were willing to agree to that.

7 Q And the testimony in that case was filed on behalf
8 of the Industrial Customers of the Northwest Utilities,
9 which Boise is a member, correct?

10 A The Industrial Customers of Northwest Utilities is
11 not a party to this proceeding.

12 Q Well, in fact, Mr. Mullins, they are a party to
13 this proceeding because they filed to intervene in one of
14 the deferral dockets which was consolidated with this case;
15 isn't that correct?

16 A I guess that's my understanding. I'll take your
17 word for it.

18 Q And Mr. Mullins, you indicated that there was an
19 approximately \$32 million reduction in net power costs in
20 the Oregon proceeding, and that's a system number that you
21 provided, correct?

22 A Correct. And in that proceeding, parties didn't
23 agree to any methodology to get to \$32 million or to any of
24 the particular adjustments. There was a formula laid out in
25 that, but in the end, we viewed it to be a black box

0711

1 settlement.

2 And so for purposes of settlement, we were willing
3 to agree to what Ms. McDowell has pointed out.

4 Q And my question, just to be clear: The 32 million
5 was a system net power cost number, correct?

6 A Correct.

7 Q So the Oregon number would be --

8 A About 25 percent of that.

9 Q Thank you.

10 Now, can you turn to your testimony on page
11 31, please.

12 MS. DAVISON: Are we on direct or
13 cross-answering?

14 MS. MCDOWELL: So, I'm --

15 JUDGE MOSS: We're still on Exhibit BGM-1CT.

16 Right, Ms. Davison?

17 MS. MCDOWELL: And I'm informed that the
18 record remains unclear on the issue of the Oregon
19 settlement.

20 Q (By Ms. McDowell) I think you referenced an
21 increase of 32 million or approximately five million in net
22 power costs, but -- a decrease, but it was actually an
23 increase, correct?

24 A No. So the settlement itself resulted in a
25 \$32 million decrease to the Company's proposed case. And as

0712

1 a result of that settlement, many customer classes actually
2 saw a rate decrease from that settlement.

3 Q But just to be clear, the result in the case was
4 an overall increase?

5 A Overall.

6 Q Thank you.

7 So now let's turn to page 31 of your responsive
8 testimony in this proceeding.

9 And I wanted to direct your attention to lines 18
10 and 19, please. And do you have that?

11 A Sorry. Did you say my testimony?

12 Q Your testimony. So BGM-1CT, page 31?

13 A All right. Which lines did you say?

14 Q Lines 18 through 19?

15 A All right.

16 Q And there you indicate that, just as you did in
17 Oregon, you are relying on the E-3 report to quantify the
18 net power costs impacts of the EIM and the pro forma period.
19 Is that a fair summary of your testimony?

20 A No, not necessarily.

21 So in Oregon, we took a much higher-level look at
22 the EIM benefits.

23 For purposes of this testimony, we actually did a
24 much more rigorous analysis of what the benefits will be and
25 -- so it's really -- it's different than Oregon.

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1 Q But you do use the E-3 study, as you indicated on
2 page 18, to quantify the NPC impacts of the EIM in the rate
3 period. That's your testimony, correct?

4 A So the E-3 study was used as a starting point.
5 And it's really a starting point, just as the company uses
6 its wind integration study as a starting point to figure out
7 how to model wind integration in the NPC studies.

8 JUDGE MOSS: And Ms. McDowell, just to make
9 sure the record is clear, you referred to page 18. I
10 believe you meant line 18 of page 31.

11 MS. MCDOWELL: Thank you.

12 Q (By Ms. McDowell) So you would agree, wouldn't
13 you, that the E-3 report is a planning document?

14 A Well, I guess that depends on what you mean by
15 "planning document."

16 Q Well, would you agree that it's a planning
17 document designed to assist the company and the CAISO in
18 their decision making regarding the potential EIM
19 investment?

20 A I agree that the company in Cal-ISO used the
21 document to make -- to assist in making that decision, yes.

22 Q And as a planning document, correct?

23 A I guess I don't agree that that's the sole purpose
24 of the report.

25 Q So can you turn to page 34 of Mr. Duvall's

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1 rebuttal testimony?

2 Before we do that, do you have your cross exhibits
3 with you today?

4 A I do.

5 Q And can you turn to the first cross exhibit,
6 BGM-11CX?

7 This is testimony you provided in a Wyoming
8 proceeding recently on these EIM issues. Do you have that?

9 A I do.

10 Q And can you turn to page 18 of that exhibit?

11 MS. DAVISON: So, your Honor, I have a
12 question about this exhibit. It says it's confidential on
13 the first page, but it's not confidential; is that
14 correct?

15 MS. MCDOWELL: You know, the practice there
16 if there were any pages that were confidential was to mark
17 the transcript as confidential. There are no confidential
18 pages in this excerpt.

19 MS. DAVISON: Thank you.

20 Q (By Ms. McDowell) So do you have that portion of
21 transcript?

22 MS. DAVISON: I'm sorry. Which page of the
23 transcript are you on?

24 MS. MCDOWELL: Page 18.

25 MS. DAVISON: Thank you.

0715

1 Q (By Ms. McDowell) Now there on line 8, beginning
2 on line 8, you were asked the question: "The E-3 study is a
3 planning document that was designed to assist the Company in
4 the Cal-ISO in decision making regarding a potential
5 investment; isn't that true?"

6 And your testimony there stated: "I think that's
7 a fair assessment."

8 So does that refresh your recollection about your
9 view of whether this document, the E-3 report, is a planning
10 document?

11 A Well, you know, I think it was used as a planning
12 document, but I don't think that's necessarily the sole use
13 of the document. So that's one of the uses.

14 Q Now back to Mr. Duvall's testimony, please, and I
15 asked to you turn to page 34, or could you please turn to
16 34, page 34 of his testimony?

17 A Okay.

18 Q And I wanted to direct your attention to the
19 testimony beginning on line 4 of the page. And there
20 Mr. Duvall testified that: "The E-3 report is comparable to
21 an integrated resource plan which is a planning study not
22 used for rate making."

23 And I wanted to ask you: Are you aware that the
24 Commission commented on the EIM in PacifiCorp's last IRP
25 acknowledgement in this jurisdiction?

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1 A I believe the Company provided a cross exhibit to
2 that extent.

3 Q Well, in fact if you read on Mr. Duvall's
4 testimony here, the Commission's November 13,
5 acknowledgement letter is quoted there.

6 And the Commission specifically recognized that,
7 quote, It is too early in the process for the company to
8 project the exact impacts that the EIM will have on
9 PacifiCorp's strategy and its ratepayers."

10 Do you see that on Mr. Duvall's testimony?

11 A I do.

12 Q And isn't it true that the EIM report came before,
13 eight months before, this IRP acknowledgement letter?

14 A So maybe just to clarify. So this -- I think this
15 statement is taken out of context.

16 So my interpretation of that, that language in the
17 Commission's order was that it's too early to determine the
18 impact of the EIM on capacity planning. So that's the
19 question of how does the EIM impact whether new resources
20 are needed or not.

21 I didn't read it to be. It's too early to
22 determine the impact on an energy basis, which is the
23 savings that ratepayers should be accruing as a result of
24 the EIM.

25 Q So Mr. Mullins, can you turn to page 38 of your

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1 testimony? Again, BGM-1CT.

2 COMMISSIONER JONES: What page, Counsel?

3 MS. MCDOWELL: Page 38 of his testimony.

4 COMMISSIONER JONES: Okay.

5 THE WITNESS: Okay.

6 JUDGE MOSS: BGM-1CT.

7 COMMISSIONER JONES: Got it.

8 Q (By Ms. McDowell) So just to get our bearings
9 here, and I can point you to the E-3 study if necessary, but
10 just to get our bearings here, it's true, isn't it, that the
11 E-3 report calculates the estimated potential EIM benefits
12 for the year 2017, correct?

13 A It was presented for 2017, correct.

14 Q And then they adjust those benefits or projected
15 estimated benefits to 2012 dollars, correct?

16 A That's correct. The actual dollars were in 2012
17 dollars.

18 Q And the estimate provided for PacifiCorp was on a
19 total system basis, correct?

20 A Correct.

21 Q So to arrive at the table you have on Table 4, you
22 had to adjust and allocate the numbers from the E-3 study,
23 correct?

24 A That's correct. So I essentially used -- and
25 maybe to put this into context, this is the interregional

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1 dispatch benefit component of the EIM. And so that's the
2 component that is the increased sort of transactions within
3 -- in our transactions between the two entities. It's that
4 component.

5 So in this case, we used what essentially was an
6 SE factor to allocate the benefits from the E-3 study. And
7 for this particular component, because it requires some
8 knowledge about what the Cal-ISO's resource stack looks
9 like, it's not possible at this point to model it within the
10 GRID model; although, I think going forward there may be a
11 way to do it. So we're looking forward to kind of exploring
12 that option.

13 Q So Mr. Mullins, to -- let's just -- you had to
14 both adjust these benefit amounts to the test year and then
15 allocate them, correct?

16 There were two things that went on?

17 A Correct.

18 Q All right. So let's first talk about how you
19 adjusted them to the rate period in this case.

20 So you had to take your 2012 benefit dollars and
21 then escalate them to the 2015 rate period, right?

22 A Based on inflation, correct.

23 Q And you used an inflation factor of 1.5 percent;
24 is that correct?

25 A Correct.

0719

1 Q So, now, going back to page 18 of your testimony,
2 do you have that?

3 A I do.

4 Q And that's your testimony objecting to the
5 Company's use of an escalation factor for its labor O&M
6 costs.

7 Do you see that?

8 A I do.

9 Q And that escalation factor that the company used
10 was approximately 1.7 percent.

11 Do you accept that?

12 A That was the company's overall --

13 Q IHS escalation factor, 1.7 percent on an annual
14 basis?

15 A I couldn't say whether that's right or not, but I
16 could take your word for it.

17 Q You object to it, but you don't know exactly what
18 the percentage is?

19 A I don't recall if it was 1.7 overall.

20 Q Will you accept that subject to check?

21 A I will.

22 Q So while you object to PacifiCorp escalating its
23 cost into the rate period with an inflation factor, isn't it
24 true that you adjusted your claimed EIM benefits into the
25 rate period using an escalation factor?

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1 A So there are actually two different things.

2 So we have power costs. Power costs are stated on
3 a pro forma basis for the year ending March 2016, is that
4 right? Yes.

5 And -- but all the other data, accounting data, is
6 on a historical basis. And so they're really two separate
7 things.

8 Q But you do acknowledge it is reasonable to assume
9 an inflation rate of at least 1.5 percent moving into the
10 rate year, correct?

11 A No, I don't. So for purposes of power costs,
12 while we're setting a discrete pro forma adjustment, I think
13 it's accurate to do that, and particularly when you have
14 these nominalization adjustments between, you know, a 2017
15 period back to a 2012 period.

16 Q All right. So let's talk now about how you
17 allocated the estimated potential EIM benefits to
18 Washington. And I believe you indicated that you used an SE
19 factor; is that correct?

20 A Correct.

21 Q So let's go back to Table 4. Now, --

22 CHAIRMAN DANNER: What page is that on?

23 JUDGE MOSS: Page 38, BGM-1CT.

24 Q (By Ms. McDowell) So the way you got there was by
25 allocating based on -- it looks like, first, WCA load and

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1 then you took a percentage of the -- that you used the CAGW
2 factor to get to the Washington allocation factor; is that
3 right?

4 A Correct. And the reason for doing this sort of
5 two-step approach is to come up with a WCA number as well as
6 the Washington allocated number.

7 Q But the SE number that you use is a system
8 allocation factor, right?

9 It's not a WCA factor, is it?

10 A So this is the equivalent of an SE, was my
11 intention there.

12 Q I see. But you indicated that it is -- they're
13 functionally the same; that what you did here really equates
14 to the SE factor used on a system allocation basis, correct?

15 A Right. For the WCA part, correct.

16 Q Now by allocating EIM benefits to Washington using
17 a system allocation factor, haven't you effectively
18 allocated these benefits using the 2010 protocol?

19 A No. And you know, the reason why and the reason
20 that I was doing it this way is I think it's been recognized
21 that initially the EIM will predominantly benefit the
22 western balancing area because of its very close integration
23 with the Cal-ISO.

24 So I actually view this as a very conservative way
25 to split this one component of the EIM between the different

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1 balancing authorities, recognizing that at this point, we
2 don't have a method to put it into the grid model.

3 Q Well, Mr. Mullins, I'm curious about you using a
4 system allocation factor for the benefits because Washington
5 doesn't pay the full costs of PacifiCorp's total system,
6 does it?

7 A No. It just pays for the Western Control Area
8 costs.

9 Q So it pays 23 percent of WCA costs using a CAG
10 factor, correct?

11 A Right.

12 Q And it pays zero percent of PacifiCorp's East
13 Control Area costs, correct?

14 A Correct.

15 Q So isn't it a mismatch to allocate 7.6 percent of
16 EIM benefits to Washington on a system basis when Washington
17 does not pay a full 7.6 percent of system costs?

18 A No.

19 Q Well, let me read you an excerpt from your
20 cross-answering testimony, Mr. Mullins, page 17, and that's
21 your Exhibit BLM-8T.

22 JUDGE MOSS: BGM.

23 MS. MCDOWELL: Sorry. I've got the wrong
24 initials on that.

25 JUDGE MOSS: What page?

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1 MS. MCDOWELL: Page 17.

2 JUDGE MOSS: Thank you.

3 THE WITNESS: Okay. I'm there.

4 Q (By Ms. McDowell) All right. I wanted to ask you
5 about your testimony beginning on line 7 on that page. And
6 that testimony criticizes Staff's PCAM proposal in this
7 case.

8 Do you have that?

9 A I do.

10 Q And your criticism there was that: "Relying on
11 accounting data that is representative of the company's
12 entire system cannot accurately carve out the costs solely
13 attributable to the WCA method. The methodology makes no
14 effort to demonstrate how WCA resources would have
15 dispatched if limited solely to the WCA."

16 So Mr. Mullins, my question for you is: To be
17 consistent with the position that you stated in your
18 cross-answering testimony, wouldn't you need to demonstrate
19 how WCA only EIM; excuse me.

20 Wouldn't you need to demonstrate how a WCA-only
21 EIM would actually operate and dispatch before you can carve
22 out the benefits attributable solely to the WCA?

23 A That was a pretty long question, but I'll try to
24 capture it all.

25 So this particular quote of my cross-answering

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1 testimony has to do with the actual accounting data that
2 becomes the foundation for a PCAM. And my concern here is
3 that using that actual accounting data, I'm not yet certain
4 whether we can demonstrate what the WCA costs are.

5 Now, the adjustment that we've proposed for
6 purposes of the EIM is the Company's forecast power costs.
7 And so for purposes of that, I think we have a pretty
8 well-defined method for carving out the WCA.

9 But for actual accounting data, I think it becomes
10 more difficult; although, I would also say that I don't
11 think it's impossible. So.

12 Q So you're saying for costs you can't do it, but
13 for benefits you can?

14 A I'm not saying that.

15 Q So Mr. Mullins, do you still have Mr. Duvall's
16 testimony with you? Let me just make sure.

17 A And you're referring to his rebuttal testimony?

18 Q Yes. And I'd like you to turn to GND-7, please.

19 A Okay.

20 Q Now, you just testified that you believe the West
21 Control Area would have -- enjoy more benefits from the EIM
22 than the East Control Area. And I wanted to ask you about
23 that based on this exhibit.

24 Now, based on the exhibit, wouldn't you agree
25 that there are far more resources within the East Control

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1 Area than within the West Control Area?

2 A I would agree with that.

3 Q Therefore, to the extent this is about generation
4 dispatch, wouldn't you have more benefits emanating and
5 connected to the East Control Area than the West Control
6 Area?

7 A So I don't think you can make the conclusion just
8 based on the number of resources that one side or another
9 will benefit more -- one will benefit more than the other.

10 Q So can we go back to your testimony, and actually,
11 if we can, go to your exhibit where you have attached the
12 E-3 report. That's, I think, BGM-5. And I'd like to direct
13 your attention to page 4 of that exhibit.

14 A Okay.

15 MS. MCDOWELL: And your Honor, I just want to
16 check in. I can keep going. But if you want me to give you
17 a time where it would be good to take a break, I can do
18 that. I probably have another half hour to 45 minutes. So
19 I just want to --

20 JUDGE MOSS: All right. I'm told a break
21 would be useful.

22 (Recess.)

23 JUDGE MOSS: Let's get back on the record and
24 move along here. We have all the essential players back in
25 the room.

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1 MS. MCDOWELL: Just for reference, we were on
2 the E-3 report, which is BGM-5, page 4.

3 JUDGE MOSS: I think we're all there.

4 MS. MCDOWELL: Shall I proceed, your Honor?

5 JUDGE MOSS: Yes, go ahead.

6 Q (By Ms. McDowell) So Mr. Mullins, I wanted to ask
7 you some questions about this E-3 report that you're relying
8 on.

9 Now, on page 4, this is the executive summary.
10 And it talks about the fact that it focuses on the potential
11 EIM benefits.

12 Do you see that on the third line down from the
13 top?

14 A So you're on page 4?

15 Q Yes, I am, which is the first page, the executive
16 summary, and it states: "This report focuses on the
17 estimated potential EIM benefits."

18 Do you see that?

19 A I do.

20 Q So then it goes on to describe the time frame.
21 And I think we already discussed that the time frame was the
22 year 2017. Do you see that?

23 A I do.

24 Q And the pro forma period for net power costs in
25 this case is 12 months ending March 31, 2016, correct?

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1 A Correct.

2 Q So there's a significant mismatch between this
3 report and the test period in this case, correct?

4 A So the way this report was used to derive test
5 period benefits was to be used as a starting point. So the
6 sort of the key inputs from this report were plugged into
7 the test period to come up with a test period value.

8 So it's not as if we used a 2017 number to
9 calculate benefits in my testimony.

10 Q So can you turn to page 7, please, of the study,
11 BGM-5? And with respect to that 2017 year, the second full
12 paragraph beginning with "E-3 estimated benefits," do you
13 have that paragraph?

14 A I do.

15 Q And it states: "The year was selected to
16 represent likely system conditions within the first several
17 years after the EIM becomes operational."

18 So unlike your position in this case, the E-3
19 report was clearly not attempting to qualify benefits in
20 Year 1 of the EIM operations, correct?

21 A So the way that the Company used it, they included
22 -- they used the full amount of E-3 benefits beginning in
23 the first calendar year after the EIM began operations.

24 Q And in what context are you saying that the
25 Company used this report?

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1 A So my understanding is that the -- when the
2 Company evaluated this report, that they assumed that the
3 E-3 study benefits would begin to accrue at their full
4 amount beginning on January 1, 2015.

5 Q But the Company -- where is that in your
6 testimony?

7 A So I guess that's my understanding of how the
8 Company analyzed it.

9 Q And we've already established that this is a
10 planning document and that's how the Company used it,
11 correct?

12 MS. DAVISON: Objection, your Honor. I
13 believe that Mr. Mullins has been asked repeatedly about
14 this being a planning document, and he says that it has dual
15 purposes.

16 JUDGE MOSS: Overruled.

17 Answer the question, please.

18 THE WITNESS: I agree that it was used by the
19 Company for planning.

20 Q (By Ms. McDowell) So can you turn to page 42 of
21 the report? And that is the first page of the technical
22 analysis, page 1A of the report, 42 of the exhibit?

23 A Okay.

24 Q And there, beginning the fourth paragraph down,
25 beginning with the benchmark case, it explains:

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1 "Adjustments necessary to derive the 2017 estimated
2 benefits."

3 And there, do you see about mid-paragraph it
4 states that: "Load forecasts, fuel price forecasts,
5 generators and transmissions were also adjusted to reflect
6 anticipated values and availability in 2017." Do you see
7 that?

8 A I do.

9 Q Wouldn't you agree that in this rate case, each of
10 these variables -- load forecast, fuel price forecast,
11 generators and transmission -- are all different from the
12 assumptions used in the E-3 report?

13 A So, similar to the wind integration study relied
14 on by the Company to develop power costs in this case which
15 relied on different load forecasts, fuel price forecasts,
16 generators and transmission, this study relied on different
17 assumptions as well.

18 Q And of course, this report is not done on a WCA
19 basis, correct?

20 A Correct.

21 Q So the report really mismatches the rate
22 information presented to this Commission about net power
23 costs in this case, correct?

24 A But again, so this report was used as a starting
25 point. The inputs from this report were, for the most part,

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1 plugged into the GRID model and were analyzed within the
2 context of the WCA for the test period in question in this
3 case.

4 Q So can you turn to page 13 of the report, please?
5 And there at the bottom of the paragraph that precedes the
6 New Section EIM Costs, it states that: "The study also
7 provides a high level estimate of how these benefits might
8 be apportioned among the ISO and PacifiCorp systems."

9 Do you see that?

10 A I do.

11 Q And then also, just carrying on to a different
12 part of the report which describes that allocation
13 methodology in a little more detail, can you turn to page 34
14 of the report, please?

15 And below the bulleted items, it describes this
16 allocation approach and it refers to it first as a "simple
17 approach." Do you see that?

18 A I do.

19 Q And then it states: "It is not intended to be a
20 methodology for allocating costs and benefits. The actual
21 net cost and benefits that would flow to the PacifiCorp and
22 ISO systems might be different from the assumptions used
23 here."

24 Now, just to be clear, you used the E-3 report's
25 simple high-level estimate for this benefit apportionment in

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1 your EIM adjustment in this case, didn't you?

2 A So it depends on which component that you're
3 referring to.

4 So with the exception of the interregional
5 dispatch benefit savings, the answer is no.

6 But for the interregional dispatch benefit savings
7 because, as I mentioned, we don't have the full stack of
8 resources in the Cal-ISO to compare against when we're
9 deriving that benefit in the rate period, I did rely on the
10 split in this study.

11 Q And Mr. Mullins, what portion of your adjustment
12 in this case is related to the interregional dispatch
13 benefit?

14 A So I referred to page 22 of my direct testimony,
15 which is labeled as "BGM-1CT". And Table 2 on that page,
16 there is a line entitled: "Interregional EIM Dispatch
17 Benefits." And on a Washington allocated basis, the total
18 amount is \$900,013 -- or \$913,257.

19 Q So let me ask you about a couple of the other
20 adjustments that are listed on that table. With respect to
21 your flexibility reserve adjustment, can you turn to page 42
22 of your testimony?

23 Now, there you claim that the reserve savings to
24 PacifiCorp are 98 megawatts. Do you see that in your table?

25 A Correct.

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1 Q And it's true, isn't it, that in your Wyoming
2 testimony you claim that these savings were based on 78
3 megawatts?

4 A I don't have that in front of me. So.

5 Q Can you turn to BGM-11CX at 10, and that would be
6 page 10, line 8?

7 A Okay.

8 Q And so do you see that you testified that the
9 reserve savings were 78 megawatts?

10 A Right. So this was in live testimony. And so
11 that was my -- I think that was my recollection at the time.

12 However, in the Wyoming case, I didn't actually do
13 the GRID study for this component of the EIM benefits. I
14 relied on the Company's rebuttal filing where it actually
15 suggested that this is how this component of the EIM benefit
16 should be modeled.

17 And in fact, even in the IRP, the current IRP
18 that's ongoing, they were modeling reserve savings for this
19 component of EIM benefits. It's using a similar
20 methodology.

21 Q So Mr. Mullins, your testimony is you relied on
22 the Company's numbers for this?

23 A I don't recall exactly how I came up with the 78,
24 but, you know, I have --

25 Q The 98 or the 78?

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1 A The 78 here, but I have detailed it for purposes
2 of this case in my testimony.

3 Q So can you turn to Mr. Duvall's rebuttal in
4 GND-4T, page 41?

5 A Okay.

6 Q And do you see there at the bottom of the page,
7 Mr. Duvall is referring to the flexibility reserve benefit
8 that the EIM -- that the E-3 report predicted, and do you
9 see there he indicates a 78 megawatt number?

10 A I do. And actually, you know, that's probably
11 where I got the 78 megawatts from in Wyoming, was from
12 Mr. Duvall's rebuttal testimony in that case.

13 Q And isn't it correct that the 98 megawatt number
14 you use in this case is a mistake?

15 A I don't agree with that, no.

16 Did Mr. Duvall suggest -- well, I guess I don't
17 see anywhere in here where Mr. Duvall suggests that it was a
18 mistake.

19 Q So I wanted to ask you just a couple of questions
20 about your intraregional dispatch benefit.

21 Now, this is the benefit you claim is related to
22 the improved dispatch optimization; is that correct?

23 A What was the -- which one were you referring to?

24 Q The intraregional benefit?

25 A Intraregional?

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1 Q Mm-hm.

2 A Correct.

3 Q And that's referred to on page 38 and 39 of your
4 testimony.

5 Now, it's true, isn't it, that the E-3 report
6 could not model these benefits because they were already
7 assumed in the optimal dispatch of its net power cost model?

8 A Right. So these benefits are driven by using the
9 Cal-ISO SCED model, or Security Exchanged Economic Dispatch
10 model, which in real time will optimize the company's
11 system, all of its resources moving them up and down to
12 changing load, wind and other variable conditions.

13 And so as a result of that -- well, the Company's
14 current practice of doing this is essentially picking up the
15 phone and calling the plan operator and telling them to
16 change their output.

17 So as a result of implementing this model, it's
18 expected that there's going to be really vast savings across
19 the Company's system.

20 Q Well, the GRID model in this case, used in this
21 case to model net power costs, operates with the same
22 optimal dispatch that the model in the E-3 report operates
23 under, correct?

24 A Not the exact same, but it's a similar concept
25 that it's a least cost dispatch model. We're attempting to

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1 operate the system at the lowest cost possible across its
2 entire footprint.

3 Q And it's true that the use of this CAISO model
4 will optimize the company's system in real time, just as the
5 GRID model optimizes the company's system in its forecast,
6 correct?

7 A Again, I don't think it's exact. But it's a
8 similar concept.

9 Q So can you turn again to 11CX? Let me just find
10 the page. Sorry.

11 Can you turn to page 9 of your -- of that exhibit,
12 your testimony in Wyoming, page 1219 of the transcript? And
13 there you state, line 2 to 4: "So it will optimize the
14 Company's system in real time just as the GRID model
15 optimizes the Company's system in its forecast."

16 Do you see that?

17 A I do.

18 Q So it's true, isn't it, that the customer's rates
19 already reflect the dispatched optimization benefits you're
20 seeking to impute in this case, correct?

21 A No, it is not. And the reason for that is the
22 GRID model, for purposes of rate making, is essentially
23 detuned with constraints such as market caps and, I guess,
24 some other constraints that try to make the dispatch
25 produced by the GRID model mimic more closely actual

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1 dispatch.

2 And if you look back in the record, there's a long
3 discussion -- or historical cases, there's a long discussion
4 about market caps' influence on the dispatch of coal
5 resources. So I'll stop there.

6 Q So Mr. Mullins, can you turn to page 39 of your
7 testimony, line 18 and 19?

8 And so you impute intraregional benefits by
9 proposing that the market caps in GRID be suspended; is that
10 correct?

11 A Well, I probably wouldn't use the word "impute,"
12 but we calculated them using the value of market caps as a
13 proxy under the assumption that the grid model without
14 market caps will more closely mimic the Cal-ISO model.

15 Q And wouldn't you agree that the use of a proxy to
16 measure benefits is even more speculative than use of a
17 high-level estimate?

18 A No.

19 Q Now, it's true, isn't it, that Boise challenged
20 market caps in the last rate case, the 2013-GRC, correct?

21 A I wasn't involved in that case; although, that's
22 my understanding.

23 Q So can you turn to your data request response?
24 It's at BGM-16CX. And that's your data request response
25 5.11. Do you have that?

0737

1 A I have it.

2 Q And there, in terms of the effect of your
3 adjustment, you agree that your adjustment is the same to
4 Boise's adjustment in the 2013 case, correct?

5 A I do not agree with that.

6 Q The first statement is: "While they both remove
7 the impact of market caps."

8 So it's the same proposal to remove market caps,
9 this case and last, correct?

10 A The entire sentence is: "While they both remove
11 the impact of market caps, the conceptual basis for the two
12 is different."

13 Q And my question was: In terms of the impact or
14 effect, they're the same, correct?

15 A Correct. They both remove the impact of market
16 caps. However, the conceptual basis for the two is
17 different.

18 Q And isn't it true that the Commission rejected
19 your, Boise's market cap adjustment in the 2013 --

20 A I don't know if they --

21 MS. DAVISON: Objection, your Honor. It's
22 not his market cap adjustment. He wasn't a witness in that
23 case. The question misstates the facts.

24 MS. MCDOWELL: I'll rephrase.

25 Q (By Ms. McDowell) Isn't it true that the

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1 Commission rejected Boise's market cap adjustment in the
2 2013 general rate case, correct?

3 A I don't think that they outright rejected it.

4 So for purposes of that case, they did not allow
5 that adjustment, but they asked the Company to provide -- I
6 think they were still skeptical of market caps. They had
7 some questions about it and asked the Company to provide
8 some additional data.

9 And in this case, the Company, for example,
10 provided the Oregon methodology to market caps which is --
11 results in substantially lower costs than the Washington
12 method.

13 And so that's my understanding of kind of how the
14 old order impacts this case.

15 Q Well, isn't it true that the Commission found in
16 the last rate case that the elimination of market caps would
17 produce an inaccurate result?

18 A Again, so I wasn't involved in that case, but I
19 think the facts are different in this case where we have the
20 EIM, which is going to drastically change how the Company
21 operates the system.

22 Q Now you reference the fact that Mr. Duvall filed
23 direct testimony in this case relating to market caps; is
24 that correct?

25 A That's correct.

0739

1 Q And no party to this case directly challenged that
2 testimony, correct, Boise included?

3 A Correct. We haven't proposed a wholesale -- we
4 haven't opposed market caps as a modeling methodology in
5 this case because they were removed as a component of the
6 EIM.

7 Q And you indicated that Mr. Duvall filed testimony
8 related to the Oregon method.

9 Mr. Duvall did not propose to use the Oregon
10 method in this case, did he?

11 A He did not. But I guess I'd just reiterate that
12 the methodology that they use results in substantially lower
13 costs than the Washington method.

14 Q And that methodology was rejected by the
15 Commission in the last rate case, correct?

16 A Again, I don't know. But I don't think that they
17 -- that anyone proposed that method in the last rate case.

18 Q Now, there's nothing in the E-3 report that
19 addresses this issue of market caps, correct?

20 A Correct.

21 Q And turning to the cost side of the equation, can
22 you again turn back to page 4 of the EIM report?

23 JUDGE MOSS: Could you give us that exhibit
24 number again?

25 MS. MCDOWELL: It's BGM-5.

0740

1 JUDGE MOSS: Thank you.

2 THE WITNESS: And you said page 4?

3 Q (By Ms. McDowell) It's page 4.

4 And there at the last sentence of the first
5 paragraph, it indicates that: "Preliminary costs estimates
6 of setting up the EIM range from \$3 to \$6 million."

7 Do you see that?

8 A I do.

9 Q Now, in your cross-answering testimony in this
10 case, you state that the EIM startup costs were 13.4
11 million. Does that sound right?

12 A Correct.

13 Q So using the EIM report to forecast startup costs
14 would have understated those costs by 7 to 10 million,
15 correct?

16 A No. I think there's a mismatch between the two.

17 So --

18 Q There certainly --

19 A There's more costs included in -- the Company
20 included in its initial forecast and startup costs than just
21 this \$3 to \$6 million range.

22 So the original estimates were about \$15 million
23 in capital, and I want to say about \$3 million in ongoing
24 O&M.

25 Actually, the Company has come in under budget on

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1 the initial capital proposal, too. And I think I have the
2 numbers in my cross-answering testimony, but I believe it's
3 around \$13 to \$14 million in capital. And so those are the
4 numbers that I've used.

5 Q And just to be clear, you allocated all EIM costs,
6 capital and O&M, to Washington using a system-wide
7 allocation factor, this time the SG factor, right?

8 A Right. And that's consistent with my
9 understanding of a lot of other system -- like IT costs and
10 things like that.

11 Q So isn't this just another example of your
12 selective disregard of the WCA when it comes to the EIM,
13 both costs and benefits?

14 A No, it is not.

15 Q Now, your position on capital additions, and I
16 think this is on page 7 of your testimony --

17 MS. DAVISON: Are we talking direct?

18 MS. MCDOWELL: Yes. Not his cross-answering,
19 his original responsive testimony.

20 Q (By Ms. McDowell) Are you there? Page 7.

21 A Okay.

22 Q And there on line 17, you refer to the "heightened
23 burden a party has with respect to pro forma adjustments to
24 the test year data."

25 Do you see that?

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1 A I do.

2 Q And you go on on page 9 to 10, to quote a case
3 which ends at the top of page 10, and discusses forecasting
4 as requiring a "high degree of analytical rigor."

5 Do you see that quote?

6 A I do.

7 Q And based on the discussion we just had on EIM
8 benefits, it now sounds like you could satisfy that standard
9 with a high-level estimate of potential future costs or
10 revenues or even the use of a proxy?

11 A So just as a general point, this is probably one
12 of my favorite quotes in any Commission order. And my
13 understanding of it is that it points out that there are
14 exceptions to the known and measurable standard, the sort of
15 heightened one that this Commission has adopted, but the
16 fact that those are very limited, such as power cost items,
17 gas forecasts, those sorts of things, and they do deserve a
18 high degree of analytical rigor, which we've attempted to do
19 here.

20 The Company in this case has not proposed any
21 modeling changes or gone through any analytical rigor around
22 EIM benefits. And absent that, we've had to kind of carry
23 the torch ourselves. And so this is exactly what we're
24 trying to do in this case.

25 Q So your testimony is that you agree that that

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1 standard, the high degree of analytical rigor, would be
2 applicable to your adjustment for EIM benefits in this case?

3 A Absolutely.

4 Q And your testimony also is that your high-level
5 estimates and your proxy estimates meet that standard?

6 A So I would disagree with your characterization of
7 the adjustment.

8 Q Now on page 11 of your testimony, lines 9 through
9 -- excuse me. Lines 10 through 11 --

10 A Okay.

11 MS. DAVISON: On direct?

12 MS. MCDOWELL: We are on his original
13 responsive testimony.

14 Q (By Ms. McDowell) And just to be sure that I said
15 the -- I gave you the right page and line, page 11, lines 10
16 through 11. Do you have that?

17 A I do have it.

18 Q And there you indicated that you objected to the
19 company's capital additions in this case because the budgets
20 and timing are highly uncertain at this time. Do you see
21 that?

22 A So I wouldn't necessarily say it the way you did.

23 So this refers to the 25 projects which are not
24 included in a separate piece of testimony but only supported
25 in the exhibit of Ms. Siores. And at the time of this

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1 testimony, and certainly now, many of those projects, the
2 timing and costs of them are uncertain. The Company's
3 proposed to remove a number of them. And so that's what
4 this particular piece of testimony relates to.

5 Q So Mr. Mullins, do you agree that the Company has
6 -- or is it your understanding that the Company has accepted
7 the Staff's proposal to include only those projects placed
8 in service by the date of the Company's rebuttal, November
9 14, 2014?

10 A That is my understanding.

11 Q So because the new capital additions are now only
12 projects that are in service, there's no longer any
13 uncertainty about service dates, is there?

14 A Well, so there very well may be. And so the issue
15 is the Company didn't go through the high degree of
16 analytical rigor with these 25 projects.

17 And so I can't say with certainty without having,
18 you know, gone through the various components of these
19 individual projects, that each has been placed in service
20 and that the costs are known and measurable.

21 Q Well, but that's the Company's agreement, correct,
22 that only projects that are in service will be placed into
23 rate base in this case?

24 A Right. So I'm looking at the record that we have
25 before us. And based on that, I can't make that

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1 determination.

2 Q But that certainly would address one of the
3 concerns you had, correct, that these projects would not be
4 in service before the rate effective period?

5 A That would address one of the concerns, correct.

6 Q And you also indicated concern about the large
7 number of small projects, and I think that's at page 7 of
8 your testimony?

9 A Right. And so it's really a timing issue to
10 magnitude issue.

11 So in this case, the Company has proposed to sort
12 of push out the projects to a further date, at least in
13 their initial testimony, and they've decided to expand the
14 definition of major projects to include everything down to
15 \$250,000. We think that's excessive. But, you know, I
16 guess the Company feels otherwise.

17 Q So do you understand that the Company's change in
18 position in this case reduced the number of small capital
19 projects by approximately 50 percent?

20 A It did. And I think that demonstrates the high
21 uncertainty surrounding all those projects.

22 And in fact, several of the projects discussed in
23 my direct testimony won't be in service for a fair amount of
24 time after they were originally planned to be in service in
25 the Company's direct testimony. So there really is a lot of

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1 uncertainty surrounding these projects.

2 Q So just to be clear, there is no longer
3 uncertainty about whether those projects will be in service
4 before the rate effective period begins, correct?

5 MS. DAVISON: Objection. Asked and answered.

6 JUDGE MOSS: Go ahead and answer if you can.

7 THE WITNESS: So based on the record in this
8 proceeding, I don't think you can make that determination.

9 Q (By Ms. McDowell) So can you turn to your
10 testimony at page 50, please? And again, this is your
11 responsive testimony.

12 A Okay.

13 Q And this is your testimony. You provided
14 testimony contesting both the Chehalis outage and the
15 Colstrip outage in this case. Do you recall that?

16 A Correct.

17 Q Now, with respect to the Chehalis outage, you
18 contend that the outage was excessive and would not be
19 expected to occur in the rate period; is that correct?

20 A Right. So I contested the prudence of the outage
21 as well as the -- whether it should be included in the
22 normalized outage calculation in the grid model.

23 Q And that would be as a part of a rolling average?

24 A Correct. So they use a four-year rolling average.

25 And I'd just like to point out we haven't proposed to remove

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1 the capital costs and replacement costs associated with
2 this. It's just the outage costs included in net power
3 costs.

4 MS. MCDOWELL: And your Honor, I have a
5 reference to an order that I would like to ask Mr. Mullins
6 about. May I distribute the page, please?

7 JUDGE MOSS: Sure.

8 MS. DAVISON: Before you ask a question, I
9 need to have a copy of the order.

10 MS. MCDOWELL: Excuse me. It's coming.

11 Q (By Ms. McDowell) So Mr. Mullins, are you
12 familiar with the Commission's order from the -- the
13 Company's 2010 rate case addressing the extended outage of
14 the Colstrip plant?

15 A I have read it at one point. I don't know how
16 familiar I am with it.

17 Q But do you -- you took a position on the Colstrip
18 outage in this case, correct?

19 So I take it you reviewed the history of the
20 Commission's orders on Colstrip?

21 A Correct. But again, it's been a while since I
22 read that case.

23 Q So I wanted to just ask you one question about the
24 Commission's treatment of the Colstrip outage.

25 That outage was approximately seven months. Are

0748

1 you familiar with that?

2 A Which outage are you referring to?

3 Q The Colstrip outage that was addressed in the 2010
4 case?

5 A This would be the 2009 outage?

6 Q That's correct.

7 A Correct.

8 Q And can you refer to paragraph 139 there?

9 And there at the bottom of that page 52, going on
10 to page 53, it states that: "It also argues against
11 including the 2009 outage and the plant's average outage
12 calculation, concluding that the long outage in 2009 is an
13 extremely rare event and not likely to recur in four years.
14 Therefore, ICNU proposes to cap the length of the outage at
15 28 days."

16 Do you see that?

17 A I do.

18 Q So it's true here, isn't it, that the outage in
19 this case is less than that 28-day cap proposed by ICNU in
20 the 2010 case?

21 A That's right. That's correct.

22 Q So would you agree that under the standard
23 previously recommended by ICNU in the 2010 case, this outage
24 would not have been excluded from the historical average as
25 an anomalous event?

0749

1 A So I wasn't a witness to this case, but what I
2 will say is the reason why this outage should be excluded on
3 a normalization basis is it was related to some bushings,
4 some faulty bushings that the Company had on its
5 transformers. They've caused three major catastrophic
6 outages in the last, I'd say, ten years, and they've been
7 subsequently replaced with new bushings. So this sort of
8 outage should not be expected in the rate period.

9 Q So Mr. Mullins, you also claim that this outage
10 was a result of imprudence, correct?

11 A That's correct.

12 Q That's at page -- again, I think it's summarized
13 at page 50 to 52 of your testimony.

14 And on that claim, you rely solely on the root
15 cause analysis that was performed by engineering experts
16 after that outage, correct?

17 A That's correct.

18 Q You didn't perform any independent review of the
19 outage, did you?

20 A That's correct. And I think they really speak for
21 themselves, these reports.

22 Q And it's true that there is no specific finding in
23 this report that PacifiCorp was at fault for this outage or
24 acted imprudently?

25 You didn't point to that in your testimony, did

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1 you?

2 A Right. So what I gleaned from this report is that
3 the Company was effectively, for at least a month, running
4 the plant with its check engine light on.

5 So as a result of the 2011 outage based on these
6 faulty transformer bushings, the Company installed monitors
7 on the bushings so they could review their sort of ongoing
8 performance.

9 And I guess I just refer the Commission to my
10 Exhibit No. BGM-7C. And in that, on that page, on page 8--

11 Q Let's just be careful, because this is a
12 confidential exhibit.

13 A Oh, thank you.

14 Q So if we get into specific information, we do need
15 to --

16 A I guess I'll just point to where you can figure
17 this out pretty easily.

18 So the very bottom paragraph on page 8, which
19 continues over to page 9, at least to me very clearly states
20 that the Company was running this plant for over a month
21 with the check engine light on. And I don't think that they
22 should be allowed to include this sort of outage in their
23 outage rate calculations.

24 Q So just to be clear, your claim of imprudence is
25 based on your interpretation of this analysis which nowhere

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1 has such a conclusion in it?

2 A I think it speaks for itself. I mean, if you read
3 this, it's very clear to me that they were operating it in
4 alarm status for a very long period of time.

5 Q So can you turn to page 66 of your testimony,
6 please? And there you recommend that the Commission reject
7 the Company's request to recover the costs associated with
8 the outage at Colstrip in 2013, correct?

9 A Correct. And this has do with the deferral
10 request, not the -- not within the outage rate calculations.

11 Q And to support your claim of operator error, you
12 rely on the root cause analysis again in that case?

13 A Correct. And there's a few reasons why this
14 should not be approved.

15 And the first one is even if the Company did have
16 a power cost mechanism, they likely wouldn't have recovered
17 the cost of this outage because they would fall within the
18 deadbands and sharing bands.

19 And the second one is that it was, you know, at
20 least I find, based on my reading of the root cause
21 analysis, there's evidence to conclude that it was the
22 result of imprudent operations.

23 Q And you claim that the analysis -- from the
24 analysis, the most probable and logical conclusion is error
25 attributable to plant operator -- plant operator as a result

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1 of repair work done at the time of the prior outage?

2 A Right. And I would just refer the Commission to
3 Exhibit No. BGM-4C, which is the root cause analysis for the
4 Colstrip outage.

5 MS. MCDOWELL: And before we get into that,
6 this is a confidential document, and I am going to be asking
7 Mr. Mullins a couple of confidential questions. So I'm not
8 sure what steps we need to take to do that.

9 JUDGE MOSS: Can you just do it by referring
10 to the document, having him look at it and having us look at
11 it without stating what it says?

12 MS. MCDOWELL: One second.

13 (Discussion off the record.)

14 MS. MCDOWELL: Your Honor, I'm informed that
15 the quotes to the report that I'm going to ask about are not
16 confidential.

17 THE WITNESS: Can I finish my last answer?

18 Q (By Ms. McDowell) I don't think there was a
19 question pending.

20 MS. DAVISON: There was a question pending,
21 and Ms. McDowell interrupted him to refer to another page
22 and he was not finished with his answer.

23 THE WITNESS: I think the question was: Did
24 I rely on this report and is it going to point to what I
25 relied on. So on page 6 of BGM-4C --

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1 JUDGE MOSS: He's not going to read it. He's
2 just going to tell us where to look.

3 THE WITNESS: On the second paragraph and
4 then the first sentence, there's a statement of the most
5 likely cause of the outage. And I have read that to be
6 essentially operator error at the time of the 2009 outage.

7 COMMISSIONER JONES: Which page are you on
8 again?

9 THE WITNESS: So I'm on page 6 of the
10 exhibit, page 5 of the document.

11 COMMISSIONER JONES: Of the executive
12 summary?

13 THE WITNESS: Correct. And this is the
14 second paragraph down.

15 COMMISSIONER JONES: Got it.

16 THE WITNESS: Describing the most likely
17 cause of the outage, and I read that to be operator error at
18 the time of the prior outage.

19 Q (By Ms. McDowell) So let me just ask you about
20 this language, because I understand it's not confidential
21 and we can discuss it specifically.

22 It doesn't say anything about operator error, does
23 it?

24 It says: "The cause of the failure was most
25 likely inadequate interlaminar insulation permitting

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1 shorting between laminations caused during the prior outage
2 by rotor insertion, skid pan damage or air gap baffle
3 installation."

4 I don't see operator error anywhere in that
5 sentence?

6 A I think you can -- I think the words speak for
7 themselves. So I think everybody reading this report can
8 come to their own conclusion.

9 Q Let me turn you to page 47 of this report where
10 the investigator, the expert investigator actually makes a
11 conclusion. And have you reviewed that conclusion?

12 JUDGE MOSS: Page 47 of the exhibit?

13 MS. MCDOWELL: It's page 47 of the exhibit,
14 page 46 of the document.

15 Q (By Ms. McDowell) And there under the heading
16 "What could have been done different" and "What should have
17 been done" -- "what should be done different in the future."
18 Do you see that?

19 A I do.

20 Q The report concludes that: "The plant operator
21 did everything according to standard industry practice, such
22 as hiring the OEM to perform the maintenance, performing EL
23 CID testing on the core, operating their unit according to
24 industry practice and protecting the unit with adequate
25 relay protection. Nothing they did or could have done could

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1 have prevented this failure."

2 And then the report concludes that: "In the
3 future, we would recommend that they continue to utilize EL
4 CID testing and continue to operate and protect their units
5 as they have been doing."

6 So wouldn't you agree, Mr. Mullins, that the
7 expert investigators hired to determine the cause of this
8 outage completely disagree with your conclusion that the
9 outage was caused by imprudent plant operation?

10 A So I don't know whether they would disagree or not
11 with my conclusion.

12 I would point out that, at least my understanding
13 was, this report was commissioned by PPL Montana. So it's
14 -- you know, I think you have to make your own conclusions
15 from the data presented in this report.

16 And in fact, my reading of this sentence or this
17 paragraph that you've quoted is actually that the company --
18 or that PPL Montana did everything according to standard
19 practices in the time leading up to the outage.

20 It says nothing about the work done during the
21 prior outage that likely caused this second, six-,
22 seven-month catastrophic outage.

23 Q And just to be clear, you did no independent
24 investigation of this outage, correct?

25 A Correct.

0756

1 Q Your claim of imprudence is based on solely on
2 your interpretation of this report, correct?

3 A Based off the interpretation of this report and
4 just the events as they've unfolded.

5 So Colstrip Unit 4 has had just horrible
6 reliability problems. So the 2009 outage was six months,
7 and then the 2013 outage was also six months. And that has
8 a big burden on all the utilities in the northwest.

9 Q Now, Mr. Mullins, are you familiar with the
10 testimony of Mr. Ralston, the Company's Vice President of
11 Thermal Generation, who was a witness on these outages in
12 this case?

13 A Correct. Yes, I am.

14 Q And he provided a detailed assessment of these
15 outages and these reports, correct?

16 A Correct.

17 Q And his testimony was that there was no evidence
18 of imprudence by the Company, correct?

19 A Correct.

20 Q And he testified that, even after including these
21 outages, the Company's equivalent availability factor was
22 90.65 percent in 2013, as compared to the industry average
23 of 82.5 percent, correct?

24 A That was in his testimony.

25 Q And that indicates that PacifiCorp's plant

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1 reliability is far above industry average, correct?

2 A I have no reason to dispute that.

3 Q Now, Mr. Ralston is an electrical engineer with 28
4 years of experience in plant operations and maintenance,
5 correct?

6 A I'm not -- I have no idea what his background is.

7 Q Will you accept that subject to the check of his
8 qualifications list in his testimony?

9 A I will accept it if it's true.

10 Q Mr. Mullins, what is your background in electrical
11 plant operations and maintenance?

12 A I am an accountant by trade.

13 Q Have you ever worked on electrical plant
14 operations and maintenance?

15 A I have not. But I've been around it for a long
16 time, just as this Commission has.

17 And I think that, you know, each of us is entitled
18 to our own review and an intelligent look at the facts as we
19 see them.

20 And if, for example, you're running the plant with
21 a check engine light on, I think that you can come to some
22 pretty strong conclusions about that without being an
23 electrical engineer.

24 Q Now, let's just be clear. In your three years at
25 PacifiCorp, did you ever work in plant operations,

0758

1 maintenance or engineering?

2 A No, but we had a lot of contact with those folks,
3 and these issues are very important. It's important for
4 everybody that Colstrip -- everyone in the Northwest that
5 Colstrip is operated effectively. And if there was a
6 problem, I think we need to address it.

7 MS. MCDOWELL: Mr. Mullins, that is all I
8 have. Thank you.

9 JUDGE MOSS: Thank you very much.

10 Do we have any questions from the bench for
11 this witness. Apparently not.

12 Any redirect?

13 MS. DAVISON: Yes, your Honor.

14 RE-DIRECT EXAMINATION

15 BY MS. DAVISON:

16 Q Mr. Mullins, you were asked a series of extensive
17 questions about your EIM settlement before the Oregon Public
18 Utility Commission, correct?

19 A Correct.

20 Q And in that settlement, is it true that what you
21 were trying to achieve were some benefits for customers
22 since the proposal that was made was strictly trying to pass
23 along costs of the EIM and not benefits associated with the
24 EIM; is that correct?

25 A That's correct.

0759

1 Q And then you were also asked about your Wyoming
2 testimony pretty extensively as well. Do you recall that?

3 A I do.

4 Q And do you recall that there's been a Wyoming -- I
5 don't know if it's called deliberation meeting or a meeting
6 in which they make decisions publicly about the various
7 issues. Are you aware of that?

8 A I am.

9 Q And that occurred last week, correct?

10 A Correct.

11 Q Do you know what the Wyoming Commissioner said
12 about your testimony on EIM?

13 A So my understanding of the deliberations was that
14 they were considering including approximately \$15 million in
15 total company EIM benefits in this Wyoming, the ongoing
16 Wyoming rate case. An order in that case is expected before
17 the end of the year.

18 MS. DAVISON: I have no further questions.

19 JUDGE MOSS: All right. Thank you.

20 Mr. Mullins, we appreciate your being here
21 for the examination today and you may step down.

22 This brings us to the conclusion of our
23 witnesses. I'm sure we'll have a little bit of housekeeping
24 to do, but --

25 MS. DAVISON: Your Honor, my objection still

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1 stands on cross-examination Exhibit 14CX, which was not
2 used --

3 JUDGE MOSS: That's one of my housekeeping
4 matters.

5 MS. MCDOWELL: We withdraw that exhibit.

6 JUDGE MOSS: That exhibit has been withdrawn.

7 So what I was going to get to here is that
8 unless there's something of substance that needs to be done,
9 the Commissioners should be free to go.

10 CHAIRMAN DANNER: I would like to request, if
11 I could, information about the FTE levels from June, 2014,
12 to the most recent date available.

13 JUDGE MOSS: From June, 2014, to date the FTE
14 levels.

15 MS. WALLACE: It's a cross exhibit.

16 MR. FFITCH: One of the cross exhibits, your
17 Honor, that Public Counsel --

18 JUDGE MOSS: Do we have the identification of
19 the exhibit?

20 MR. FFITCH: I can look it up.

21 MS. WALLACE: It looks like DKS-3.

22 JUDGE MOSS: All right. DKS-3 then, or
23 thereabouts.

24 MS. WALLACE: It's one of the Mr. Stuver
25 ones.

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1 JUDGE MOSS: All right. Is there anything
2 else?

3 MS. MCDOWELL: I just have one thing, if I
4 may?

5 JUDGE MOSS: Yes.

6 MS. MCDOWELL: That is, before we conclude
7 today, after having been in front of Commissioner Goltz for
8 now many cases, and I understand this may be the last, I
9 just wanted to thank and congratulate him on your service,
10 Commissioner.

11 COMMISSIONER GOLTZ: It's been a pleasure in
12 this case and many others.

13 CHAIRMAN DANNER: And on that point, I'd like
14 to invite everybody to the open meeting on December 30,
15 where he will be casting his last vote.

16 COMMISSIONER GOLTZ: The agenda is just
17 packed.

18 JUDGE MOSS: I suppose I'll take it as a
19 point of personal privilege, too, and say Commissioner
20 Goltz, it's been a pleasure serving with you on the bench in
21 many cases, and I've always enjoyed the depth and care with
22 which you have examined the testimony and exhibits and
23 issues in the cases. So thank you very much.

24 COMMISSIONER GOLTZ: And by the way, if my
25 colleagues are willing, I'm ready to rule from the bench on

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1 this case.

2 COMMISSIONER JONES: Mr. Chairman, may we
3 take that up now?

4 CHAIRMAN DANNER: No, I think, actually, this
5 is going to have to go into the next year.

6 JUDGE MOSS: Well, we have a briefing
7 schedule that we need to be concerned about, so I'm afraid
8 that simply will not happen.

9 COMMISSIONER JONES: Since you've said
10 something, I have to say something.

11 It's been my pleasure as well. I'm saying
12 something. It's been a pleasure working with you over the
13 years. The first few years I was sitting here and then I
14 moved here, and it's been a pleasure on both sides. So
15 thank you for your service.

16 MR. FFITCH: And your Honor, Public Counsel
17 would just like to, for the record, note that we actually
18 agree on this issue with counsel for PacifiCorp.

19 MS. MCDOWELL: It's a first.

20 MR. FFITCH: And we send our congratulations
21 and thanks to Commissioner Goltz.

22 JUDGE MOSS: All right. Very well. Thank
23 you all very much.

24 We'll give the Commissioners the opportunity
25 to depart the bench and get on to other matters, and we'll

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1 finish up here with our housekeeping.

2 Now, we just took care of the Exhibit
3 BGM-14CX. It's withdrawn, so we have no reason to worry
4 about that further.

5 All other exhibits are either admitted or
6 rejected. I think there was just one that we rejected, and
7 I'll be providing the court reporter with a full exhibit
8 list with all that information indicated.

9 Now, there were a number of bench requests during
10 the course of the hearing. In typical fashion, the Company
11 usually ends up responding to those. I would wonder if we
12 could get those by the end of next week. I don't remember
13 what they all are.

14 MS. MCDOWELL: I'm getting the groan that
15 Christmas is next week.

16 JUDGE MOSS: Oh, is it?

17 MS. MCDOWELL: Normally, we would say, of
18 course, we can get them to you by next week. Next week is
19 Christmas week, and I would say most of the folks involved
20 in this proceeding have not done any holiday shopping at
21 this point and might need to tend to some family matters
22 next week. So if we maybe move it into the following week
23 that would be helpful.

24 JUDGE MOSS: That would be fine. I'm
25 reminded of an occasion many years ago when I was appearing

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1 before the FERC and the judge was interested in ending the
2 proceedings before the holidays and threatened us with
3 convening on Christmas Day if we didn't manage to hurry
4 along our examination of the witnesses.

5 So we won't be that harsh here. We will
6 extend the deadline until the following week.

7 The reason I ask is I have to leave the
8 record open for the limited purpose of receiving those
9 exhibits, and that will be for that limited purpose.

10 Now Mr. Ffitch, you had asked me about
11 reserving a number for the public comment exhibit when that
12 information is available to your office, or fully available.

13 MR. FFITCH: Yes, your Honor.

14 JUDGE MOSS: I reserved B1 for that purpose,
15 which is why I started with Bench Request 2 the other day.
16 So you can number them sequentially or whatever. I don't
17 really care what the numbers are, but we'll have those as
18 part of our exhibits.

19 MS. WALLACE: I do want to confirm that that
20 works for Boise as well, because there was one bench request
21 directed to Mr. Mullins.

22 JUDGE MOSS: Sure. To the extent it's
23 something directed to a specific party, then that party
24 needs to respond. And, of course, any party may respond to
25 a bench request. But I think everyone understands what was

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1 directed.

2 MS. WALLACE: Thank you, your Honor.

3 MR. FFITCH: Your Honor, I was going to ask
4 what the bench requests are, actually. I've tried to make
5 notes as we went along and there are some gaps. So I
6 wondered if we were able to reconstruct or if the bench is
7 going to issue a list. Maybe the other folks are well
8 aware.

9 JUDGE MOSS: I'm betting the Company is well
10 aware.

11 MS. WALLACE: Yes. We can put together a
12 list and distribute it.

13 JUDGE MOSS: That would be nice if you could
14 do that. Otherwise, I have to embarrass myself and admit I
15 don't have a clue. I rely on the transcript, but that comes
16 kind of late.

17 And actually, I do rely on the Company who,
18 in my experience, has taken good notes about the precise
19 requests. And it seems like we will have that in this case
20 as well.

21 MR. FFITCH: Okay. One that I did note was
22 the actuarial report which --

23 MS. WALLACE: Yes, I did provide that.
24 Commissioner Jones asked us for that this morning. So I did
25 give that to him this morning, but I will provide it to the

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1 bench request that was formally in the record.

2 JUDGE MOSS: The Towers Watson?

3 MS. WALLACE: Yes.

4 JUDGE MOSS: I actually did have a note on
5 that one.

6 MR. FFITCH: With respect to the public
7 comment exhibit, your Honor, I just checked on the status of
8 that. We have received at least most of the information
9 from the Commission's Public Affairs staff, but we would ask
10 if we could have until Monday to put that in CD form to file
11 and serve on parties?

12 JUDGE MOSS: Sure. You can have as much time
13 as everybody else has. Monday, if you have time, that's
14 great.

15 MR. FFITCH: Thank you.

16 JUDGE MOSS: Just briefly, the post hearing
17 schedule calls for briefs the 22nd of January and reply
18 briefs on the third day of February, and I have the
19 suspension date as March 31, yes? So we'll be looking
20 forward to getting the parties' briefs.

21 And is there anything further in the way of
22 business we need to conduct?

23 MS. MCDOWELL: No, your Honor.

24 JUDGE MOSS: All right. Then I would like to
25 express my appreciation to all of you. It was a very good

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1 hearing. I think the questions were pointed and to the
2 point. And I do appreciate all of the high-level
3 performance that we witnessed over the past two and a half
4 days. So thank you very much.

5 And we will be off the record.

6 (Whereupon, the hearing was
7 concluded at 12:30 p.m.)

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