Docket Nos. UE-140762 and UE-140617 (Consolidated) - Vol. VII

Washington Utilities and Transportation Commission v. Pacific Power & Light Company

April 10, 2015

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,) Complainant,) V.)DOCKET UE-140762)and UE-140617 PACIFIC POWER & LIGHT COMPANY,)(Consolidated) Respondent.)	1 APPEARANCES (CONTINUED) 2 FOR PUBLIC COUNSEL: 3 SIMON J. FFITCH (by phone) 4 Senior Assistant Attorney General Chief, Public Counsel Division 800 5th Avenue 6 Suite 2000, TB-14 Seattle, Washington 98104
VOLUME VII Pages 769 through 789 10:03 a.m. April 10, 2015 Washington Utilities and Transportation Commission 1300 S. Evergreen Park Drive SW, Room 206 Olympia, Washington REPORTED BY: KATHLEEN HAMILTON, RPR, CRR, CCR 1917 Buell Realtime Reporting, LLC 1325 Fourth Avenue Suite 1840 Seattle, Washington 98101 206.287,9066 Seattle 360.534,9066 Olympia 800.846,6989 National www.buellrealtime.com	7
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A P P E A R A N C E S ADMINISTRATIVE LAW JUDGE: DENNIS J. MOSS Washington Utilities and Transportation Commission 1300 South Evergreen Park Drive SW PO Box 47250 Olympia, Washington 98504 360.664.1136 FOR COMMISSION STAFF: PATRICK J. OSHIE BRETT P. SHEARER Assistant Attorneys General PO Box 40128 Olympia, Washington 98504 360.664.1188 poshie@utc.wa.gov bretts@atg.wa.gov FOR THE RESPONDENT: KATHERINE A. McDOWELL McDowell Rackner & Gibson PC 419 SW 11th Avenue Suite 400 Portland, Oregon 97205 503.595.3924 katherine@mcd-law.com FOR BOISE WHITE PAPER: JESSE E. COWELL Davison Van Cleve PC 333 SW Taylor	1 OLYMPIA, WASHINGTON; APRIL 10, 2015 2 10:03 a.m. 3 -000- 4 5 JUDGE MOSS: Good morning, everybody. My name is 6 Dennis Moss. I'm an administrative law judge with the 7 Washington Utilities and Transportation Commission. We are 8 gathered here this morning in connection with the what I'm 9 thinking of as phase two, although it's not officially 10 designated as such, of the of the recent Pacific Power 11 general rate case. Docket UE-140762 is the rate case. There 12 are other dockets consolidated, but I'm not going to bother to 13 list them this morning. 14 Our focus is on just one aspect of the proceeding, 15 which was involving the staff proposal for a power cost 16 adjustment mechanism. We'll get to that in a moment. But the 17 first order of business will be to take appearances. And so 18 we'll start with the company, Ms. McDowell. Just a short form. 19 MS. McDOWELL: Thank you, Judge Moss. Katherine 20 McDowell here on behalf of PacifiCorp. With me this morning is 21 Natasha Siores. 22 JUDGE MOSS: All right. Yes, go ahead.

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let's just go over here. MR. OSHIE: Thank you, Judge. Pat Oshie representing commission staff. With me this morning are David Gomez and

Brett Shearer.

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JUDGE MOSS: All right. Thank you very much. And on the conference bridge line. I know we have Mr. Purdy. Would you just quickly enter your appearance.

MR. PURDY: Yes, sir. Brad Purdy on behalf of the Energy Project.

JUDGE MOSS: And, Mr. ffitch, you're on the line? MR. FFITCH: Simon ffitch on behalf of public counsel.

JUDGE MOSS: All right. Any other parties on the bridge line? Anybody else in the room wish to be entered for appearance today? No? All right. Thanks very much.

All right. I previously had some e-mail, I think it was, with Ms. Kapla, and she's indicated that the Solar Alliance is not intending to participate in this phase of the proceeding, and so I have so told her that they can be excused without fear of consequence.

I'm -- we haven't heard from Wal-Mart counsel this morning. That's not particularly surprising to me. I will say I don't really anticipate that they will be proceeding or participating in this phase of the proceeding, either. So -and if Mr. Roberts asks, I'll excuse him from the potential for any consequences, although, frankly, I don't think there are

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mechanism that the commission decided was important to put in place for Pacific Power. And of course, we had the staff's

3 proposal along the lines of what the staff -- what the

commission has previously said it would find acceptable, and 4 5 following the precedent that we have in terms of the other

power cost adjustment mechanisms in the state and so forth. So that's our starting point.

1 -- the commission's order included several questions concerning the PCAM that basically put to staff. I appreciate -- I understand you prepared it, Mr. Gomez. So I'll identify you as having prepared the responses for staff.

MR. GOMEZ: Yes, your Honor. And I'm prepared to 13 answer any questions --

JUDGE MOSS: Sure.

MR. GOMEZ: -- that you may have.

JUDGE MOSS: We're not going to get too much into the substance today, but I did want to express my appreciation for your proactive effort in providing some additional information to the commission along the lines requested. That moves us along that much further. So that's much appreciated.

I've given a lot of thought to this process and what we ought to be about here. We have the commission's order, so we know what we're doing. The question is how best to proceed. And my goal, as is often the case in commission proceedings, is to have the parties work together in a collaborative nature or

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any lurking, anyway.

Mr. Purdy and I spoke by telephone yesterday. And, Mr. Purdy, I believe you have also indicated it is unlikely that the Energy Project will wish to actively participate in this phase, but you wanted to listen in today to ascertain if you have any interests at stake.

MR. PURDY: That's correct, your Honor.

JUDGE MOSS: All right. Very well. So with that lineup, then, we can get into the business of the day. I just wanted to remind everyone first that there is a protective order in this proceeding that's in place. It remains in place to facilitate discovery, if necessary. And so that's available to you.

I don't really anticipate much need for discovery during this process, if any. If there is such a need, however, I'm going to set a three-business-day turnaround, recognizing that there may have to be a request for an extra day or something from time to time, because that's pretty short.

But we are on a tight schedule. The commissioners asked me to set a schedule that would conclude this by the 31st of May, which is not that far off. So that's why I'm accelerating the response date.

As I mentioned at the outset, the -- the focus of this phase of the proceeding is on the commission, the portion of the commission's order concerning the power cost adjustment Page 776

1 fashion, I should say, and achieve a proposal, get to a 2 proposal that can be put before the commission, preferably as a 3 unanimous proposal, but if falling short of that, at least a 4 consensus proposal. 5

And I know there are some different perspectives on how these things should be done. The commission has left us a little bit of latitude, but not a great deal of latitude in terms of the design. Actually, not so much the design, but the details of the design.

I encouraged them to let me put in the order that the devil is in the details, but they wouldn't let me do it, so I'll just say it here. It can be devilish. I don't think it's going to be that complicated in this case.

The response that staff provided has clarified some of the bases or the bases for staff's specific proposals with respect to the deadband and the sharing bands and so forth. I took some notes as I was working through this the last few days, and I just -- the -- we do have a paragraph 123 in the order that lays out specific questions, "Is it appropriate to use a WCA's jurisdictional divide for wholesale power cost?"

The staff response indicates that is not only the case, but a necessary thing to do. Which makes sense to me, since that's how power costs are allocated to Washington in the first place. I'm sure the company or somebody else will tell me if there's some room for discussion about that point.

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We did have some evidence, some testimony from Mr. Gomez in the earlier phase of the case concerning the company's decision, determination that it could report actual power costs on the basis of books, and that that was a very helpful evolution in terms of how this is accounted for in terms of addressing one of the concerns that the commission expressed back I believe it was 2007; is that right? I think that's right, 2007 order. I don't remember the docket number. But so that's helpful.

The -- I would expect you all may wish to have some discussion among yourselves about the level of the deadband and whether everyone is in agreement that 25 million dollars is the appropriate figure. And that's on a west control area basis; right?

MR. GOMEZ: Yes, your Honor.

JUDGE MOSS: Okay. So — and I'll pause there and say one of the things that the commission would be interested in seeing, and this could be developed through — you could consider it a bench request, I suppose, is how that relates back to the discussion in the 2007 order in which there was a table presented showing the deadband proposals by three parties at that time.

The company had its own proposal, staff had a proposal, and I believe it may have been ICNU instead of Boise White Paper, Mr. Cowell, but for all effective purposes, your

that's what we're trying to capture in a deadband with the idea being that that's manageable and the company either suffers their loss or gathers the gain through that deadband experience, and then beyond that we have the sharing bands.

I also understood staffs response on the question of asymmetry in power costs. This was a factor that was identified in the 2007 order as well that had not previously been reflected in power cost adjustment mechanisms. They had — they had been, prior to that time, always balanced, so it was a 50/50 sharing band or what have you.

And then, of course, beyond that, there was an imbalance that was reflecting the nature of the costs that were being experienced so that the extreme variations which would be due to extraordinary events, presumably beyond the power of anyone to control, other than perhaps certain nefarious corporations in America that no longer exist -- and you all know who I'm referring to -- but those extreme excursions in power costs, of course, the company should be allowed to recover most of its additional costs, and so that's reflected in 90/10 sharing bands, that sort of thing.

On the other hand, where there's some extreme excursion to the low side, then the customers would gain some benefit in that connection. So -- so that -- that's a matter of keen interest for the commission as well, the how we get to the appropriate balance to reflect any asymmetry. And I think

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client or among your clients, so -- so those proposals were there. We'd like to see how the 25 million WCA deadband relates to that, which is expressed in terms of Washington allocated costs.

I'm sure we probably have people on our policy staff who can readily do that, but I can't. And so I'd like to see it from you all, if that would be something you could provide. And of course, all parties are welcome to respond to a bench request. Simply directing it towards staff, since the 25 million is your figure. That's one additional piece of data we'd like to have.

Let me see. I'm looking at my notes here. All right. That's sufficient on that. Staff's response to the questions, one of which is, "Does 25 million dollars reflect normalized variability in power costs?" does respond to that point. I suppose the missing part of the question was: And how is that? I mean, in terms of what — what do we think of as normal variability for Pacific Power.

I understand how staff arrived at the 20 – at the figure it did, looking at the Avista experience. It might be useful to look, in addition, at the PSE experience. But most specifically important is to understand whatever data is pertinent to the company itself, to Pacific Power.

We want to get a real good solid sense of what the sort of range of normal variability is, because of course Page 780

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we probably, if it can be made available, if we could have more detail on this point, it would probably be useful. I can't say "probably." It will definitely be useful to us to be able to analyze that in this -- in this particular instance.

And I'll just note and appreciate the candor, staff's

And I'll just note and appreciate the candor, staff's candor in saying that some of these things were arrived at and determined to be useful starting points. I thought that was a helpful thing to say. And I will -- I will say, I think they are useful starting points for discussions among you all, and I would encourage you to treat them that way. And again, perhaps you can come back to us with a unanimous discussion about what would be exactly right.

So that's about what I wanted to say, I think. And let me open the floor and ask you all if you have some questions for me, and I'll do my best to answer them and sincerely as opposed to sometimes around here I say, "Well, if I don't know, I'll just make something up." I'll try to give you the best answer I can.

So do we have any questions from counsel or from Ms. Siores or Mr. Gomez? I'll start with -- well, I normally start with the company. So, Ms. McDowell, I'm going to start with you.

MS. McDOWELL: My -- my questions are only procedural. JUDGE MOSS: Sure. Okay.

MS. McDOWELL: So if there's substantive follow-up --

Page 783 Page 781 JUDGE MOSS: But you don't know yet. Well, I feel the 1 JUDGE MOSS: Okay. 1 2 MS. McDOWELL: -- from staff, I'll defer to them. 2 same way, Mr. ffitch. Let's find out what the dates -- what 3 JUDGE MOSS: And I don't want to get into substance 3 dates these folks have in mind. 4 MR. FFITCH: Okay. 4 today; okay. 5 5 JUDGE MOSS: Somebody? Anybody? Yes. MS. McDOWELL: All right. So I was just going to say 6 that we have had some -- you know, we discussed internally a 6 MR. OSHIE: Pat Oshie from staff again, your Honor. 7 7 So what -- what we're suggesting, and these were proposed by schedule that might work and achieve some of the goals that 8 you've talked about. Some opportunity for collaboration, some 8 Ms. McDowell, and they work for staff, as I say. April 16th would be a meeting of the parties followed by a second meeting 9 opportunity for presentation of a proposal that would, 9 10 10 hopefully, be consensus and ideally unanimous, and looked at on April 23rd. 11 some dates that might work for that. 11 Those are largely driven, I think, by the fact that 12 We've shopped the dates around this morning with the 12 all the parties will be here for different meetings that occur 13 folks in the room. Have not had a chance to talk to Simon or 13 on those dates. 14 Brad about them. 14 JUDGE MOSS: Ah, okay. 15 JUDGE MOSS: Okay. 15 MR. OSHIE: It's an opportune time to get together and MS. McDOWELL: But so far we're -- it looks like we've not have to make additional trips --16 16 17 at least achieved consensus on, you know, the kind of schedule 17 JUDGE MOSS: Okay. 18 that we were looking at, which just at a high level, a couple 18 MR. OSHIE: -- to Olympia or to other places. 19 19 JUDGE MOSS: Uh-huh. of very quick workshops here in the next couple weeks and then, 20 you know, filing, that we present the proposal, a chance for 20 MR. OSHIE: That the company would make its filing, if 21 responses if it wasn't a completely unanimous proposal, and a 21 needed, and there's -- hopefully we can get this through by 22 22 agreement, but if necessary there would be a filing made on May quick chance for a reply. All of that --23 JUDGE MOSS: And that's consistent with what I have 23 1st, which either, I'm sure, would be a settlement or -- or at 24 written down here. And I won't spoil things by trying to 24 least a proposal from the parties that all parties have joined 25 inject myself into what the parties have or at least some of 25 in for a filing of those parties that can agree or just a Page 782 Page 784 1 1 the parties have already had an opportunity to discuss, because filing by the company. 2 2 that sounds like --I think I covered all the options on that. And so 3 3 MS. McDOWELL: That's great. that's a May 1st filing date followed by a May 11th response 4 JUDGE MOSS: -- it's sort of along the lines of the 4 date, and if necessary, a date of May 15th for short turnaround 5 approach that I thought we would want to take. Of course we'll 5 response from the company, if -- or whoever is joined in the 6 6 hear from others. But yeah; okay. Thank you very much. May 1st filing. 7 7 JUDGE MOSS: Okay. Appreciate that. 8 8 MS. McDOWELL: I mean, just because it's wide open MR. OSHIE: And hopefully that would give the 9 9 commission, well, two weeks to issue a decision on whatever before we got too deep into that, I just wanted to make sure 10 the framework we were thinking about -10 matters are in play prior to June 1st. 11 JUDGE MOSS: Yeah, that's consistent. 11 JUDGE MOSS: Okay. All right. That's consistent 12 12 MS. McDOWELL: -- with what you're thinking about. enough with what I had in mind. I'll just share with you that 13 JUDGE MOSS: Yeah, and I will lay out for you what I 13 I had thought -- I was slightly more ambitious. A first 14 14 meeting on the 15th rather than the 16th, but the 16th is fine. had in mind before, but just food for thought, so to speak. 15 15 I had in mind the second -- second meeting no later than the Anybody else want to be heard on this particular point? 16 16 MR. OSHIE: Your Honor -- there we go. 20th, but the 23rd works for me since that's convenient for the 17 JUDGE MOSS: There we go. 17 parties that we've heard from here. 18 MR. OSHIE: Thank you, your Honor. I just want to add 18 And, Mr. ffitch, do those dates work for you? 19 that we're -- this is Pat Oshie from staff. We're comfortable 19 MR. FFITCH: I think so. Just -- you know, just a 20 with the schedule. We have some and, you know, happy to tell 20 clarification. The 16th we have the attrition workshop 21 the court what the dates are. And it's a -- I think it works 21 starting at 1:00 in the afternoon, so I'm assuming this would 22 22 be in the morning. 23 23 MS. McDOWELL: That's correct. JUDGE MOSS: Okay. And anybody else? Mr. ffitch? 24 You don't know yet, do you? 24 JUDGE MOSS: Okay. 25 MR. FFITCH: We are prepared to be comfortable. 25 MS. McDOWELL: That's correct.

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JUDGE MOSS: That's correct. MS. McDOWELL: Simon, that's how we -- I mean, we thought, since folks are here in the afternoon, we could do this workshop in the morning. Similarly, on the 23rd there is a prehearing conference and meeting in PacifiCorp's QF filing.

MR. FFITCH: Right.

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MS. McDOWELL: That's in the morning, so we were thinking the 23rd would be in the afternoon.

MR. FFITCH: Okay. Thanks. That's what I thought you had in mind. Went to the calendar, and that would work for us. The other dates sound okay as well. The only additional thought I had is whether the commission would want to add some sort of a date after the paper filing.

It may be just a protective or precautionary date if they wanted to bring folks in for some kind of in-person oral argument or back and forth with the parties in real time. I don't know that I'm necessarily requesting that. It's just a thought, an additional option for the commission.

JUDGE MOSS: Yeah. Actually, I have reserved a date for that of -- actually, it's perhaps later than it needs to be under this schedule that you've outlined. I have reserved the 22nd of May for that oral argument, if needed. I might want to try to move that up if I can find space on the commissioners' calendars in light of the schedule here.

And the one other thing I would like to mention is I

that idea? I'm all for reducing trips. I'm here anyway. I'm the judge on the avoided cost matter.

MS. McDOWELL: Sure. That makes sense.

4 JUDGE MOSS: Okay. Well, let's set a status 5 conference for let's say, oh, 4:00 in the afternoon. And that 6 will be on the 23rd. All right. And that will give us a

7 chance to catch our breath and see where we are, see if we need 8

to make any changes, tweak anything.

That's about -- about halfway through the process in terms of the time that's been made available to us. All right. Well, that sounds good. And I appreciate the fact that everybody's sort of thinking along the same lines here. I think that's good.

And, you know, small -- small agreements can create momentum toward larger agreements, and I'm encouraged by what I'm hearing this morning. So I -- I will in turn offer back my encouragement to you to continue in this path and let's get something in place, as the commission has asked us to do, by the 31st of May.

20 Is there anything else we need to talk about this 21 morning? Again, I didn't want to get into substance this 22 morning, because that wasn't noted. So it would be 23 inappropriate to really get into that.

MR. FFITCH: Your Honor, this is Simon ffitch. Just with regards to scheduling the oral argument, I just want to

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have built into my proposed schedule a status conference with me following an opportunity, you all's opportunity to develop sort of a collaborative result, if you will.

Do the parties think that would be useful? My thinking is if we -- if you have gotten close or -- but not quite achieved it or if you're just miles apart and we're going to have filings to -- to consider, then it would be good to know that, good for the commission to know that.

And of course, the official communications medium is me. So that's what I had in mind. If you're close, it might be that I could help you get there. And I'm also prepared to help you with the facilitator if that would -- if things could benefit from that.

We want to do everything we can to support your efforts. And so I was thinking of a status conference couple of days -- let's see. You all were talking about filing on May 1st. So I would -- I would say by then -- be before then, certainly, you would know where you're going to be. I guess after your -- after your second conference on the 23rd, you actually have a pretty good sense of --

MR. COWELL: Your Honor, I was going to -- Jesse Cowell for Boise. I was going to suggest would it make sense to have it kind of later there in the afternoon on the 23rd? Part of the reason I was thinking of reducing a trip, but --

JUDGE MOSS: Yeah. What do the parties think about

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1 report to you that I have a commitment for the 19th, 20th and 2 21st, unfortunately, so I'll be out of the office for a 3 work-related matter those three days.

JUDGE MOSS: Okay. Well, we'll see - I think we'll probably reassess at the time of the status conference in terms of what we may need and when we may do it. So the date that I had reserved, the commissioners' calendars fill up pretty quickly, so I wanted to go ahead and reserve a date.

I probably will go back to them momentarily after this and reserve another date somewhat earlier. But I will -- I will avoid the 19th, certainly, through the 21st.

MR. FFITCH: Thank you very much.

JUDGE MOSS: All right. Anybody else want to let me know of any unavoidable conflicts in the upcoming month or six weeks?

MR. OSHIE: I believe we're okay, your Honor. JUDGE MOSS: All right. Good. All right. Well, it seems that there is no other business for us to conduct this morning, and I appreciate you all being here. And I look forward to working with you to bringing this matter to a speedy and friendly conclusion. So with that we'll be off the record.

MS. McDOWELL: Thank you, your Honor. MR. COWELL: Thank you, your Honor. (Proceedings concluded at 10:28 a.m.)

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1	CERTIFICATE	
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3	STATE OF WASHINGTON	
4	COUNTY OF KING	
5		
6	I, Kathleen Hamilton, a Certified Shorthand Reporter and	
7	Notary Public in and for the State of Washington, do hereby	
8	certify that the foregoing transcript of the proceedings on	
9	APRIL 10, 2015, is true and accurate to the best of my	
10	knowledge, skill and ability.	
11	IN WITNESS WHEREOF, I have hereunto set my hand and seal	
12	this 20TH day of APRIL, 2015.	
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16 17	RATIFICEN HAWILTON, RPK, CKK, CCK	
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