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1                   BEFORE THE WASHINGTON UTILITIES AND  
2                   TRANSPORTATION COMMISSION  
3 THE WASHINGTON UTILITIES AND        )Docket No. UE-001734  
TRANSPORTATION COMMISSION,        )Volume IV  
4                   Complainant,        )Pages 42-303  
  )  
5                   vs.                    )  
  )  
6 PACIFICORP d/b/a PACIFIC            )  
POWER & LIGHT,                        )  
7                   Respondent.         )  
\_\_\_\_\_                                  )  
8

9                   A hearing in the above matter was  
10 held on September 20, 2002, at 9:22 a.m., at 1300  
11 Evergreen Park Drive Southwest, Olympia, Washington,  
12 before Administrative Law Judge KAREN CAILLE,  
13 Chairwoman MARILYN SHOWALTER, Commissioner RICHARD  
14 HEMSTAD and Commissioner PATRICK OSHIE.

15  
16                   The parties were present as  
17 follows:  
18                   PACIFICORP, by James C. Paine,  
19 Attorney at Law, Stoel Rives, 900 S.W. Fifth Avenue,  
20 Suite 2600, Portland, Oregon 97204.

21                   COLUMBIA RURAL ELECTRIC  
22 ASSOCIATION, by Michael V. Hubbard, Attorney at Law,  
23 147 Main, P.O. Box 67, Waitsburg, Washington 99361.  
24 Barbara L. Nelson, CCR  
25 Court Reporter

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1                                   INDUSTRIAL CUSTOMERS OF NORTHWEST  
2 UTILITIES, by Melinda Davison, Attorney at Law,  
3 Davison Van Cleve, 1000 S.W. Broadway, Suite 2460,  
4 Portland, Oregon 97205.

5

6                                   THE COMMISSION, by Donald Trotter,  
7 Assistant Attorney General, 1400 Evergreen Park  
8 Drive, S.W., P.O. Box 40128, Olympia, Washington  
9 98504-0128.

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(See Attached Exhibit List Provided by the WUTC)

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1 am Mike Hubbard, I represent Columbia REA. I'm here  
2 with its chief executive officer and general manager,  
3 Tom Husted, and its chief financial officer, John  
4 Parker.

5 JUDGE CAILLE: Thank you.

6 MS. DAVISON: I'm Melinda Davison. I'm  
7 here on behalf of the Industrial Customers of  
8 Northwest Utilities, ICNU. My firm is Davison Van  
9 Cleve. My address is 1000 S.W. Broadway, Suite 2460,  
10 Portland, Oregon, 97205. My phone is 503-241-7242;  
11 my fax is 503-241-8160; and my e-mail is  
12 mail@dvclaw.com. Thank you.

13 JUDGE CAILLE: Mr. Trotter.

14 MR. TROTTER: Donald T. Trotter, for  
15 Commission Staff, Assistant Attorney General.

16 JUDGE CAILLE: Let the record reflect there  
17 are no other appearances. The first matter I'd like  
18 to take care of is the request to change the order of  
19 witnesses. I notified the parties yesterday by  
20 e-mail what my ruling would be and I'd like to put it  
21 on the record formally.

22 I am denying the request to change the  
23 order of witnesses, and the reasons for that request  
24 are set forth in paragraph three of Staff's letter in  
25 response to ICNU's request to change the order of

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1 witnesses. I would include -- everything in that  
2 paragraph pretty much sums up my ruling, and  
3 specifically, the company does have the burden of  
4 proof, and generally the Commission likes the company  
5 to go first.

6           So had this occurred a little earlier or  
7 had the parties reached a consensus, I think that we  
8 would have been more agreeable to changing the order,  
9 but there are administrative matters that, in  
10 organizing the Commissioners for today's hearing that  
11 relate to this, as well as to the reasons stated in  
12 paragraph three of Staff's letter. So that is my  
13 ruling.

14           MR. PAINE: May I comment on a related  
15 matter, as far as sequence of witnesses is concerned,  
16 Your Honor?

17           JUDGE CAILLE: Yes.

18           MR. PAINE: The company has agreed to have  
19 our witness, Bill Clemens, appear first, we talked  
20 about the sequence last week. We've also agreed, for  
21 purposes of expediting this proceeding, that Mr.  
22 Clemens will be subjected to cross-examination on  
23 both his direct and his rebuttal testimony. I just  
24 want to note for the record that should the need  
25 arise, new issues arise during the cross-examination

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1 of Mr. Clemens, we would like to reserve the right to  
2 call a rebuttal witness, if necessary and if  
3 justified.

4 JUDGE CAILLE: All right. We will hear  
5 argument on that, if necessary.

6 MR. PAINE: Fine.

7 MS. DAVISON: Your Honor, may I inquire?  
8 Mr. Paine, are you suggesting the rebuttal witness  
9 would be someone different than Mr. Clemens?

10 MR. PAINE: I don't know. I have no idea  
11 what issues may come up. With me today are Bill  
12 Clemens and Rob Stewart, both of PacifiCorp. I would  
13 anticipate, if the need did arise, that Mr. Clemens  
14 would address the issues.

15 MS. DAVISON: Thank you.

16 JUDGE CAILLE: All right. Let's move on to  
17 the exhibits. My understanding is that the exhibits  
18 for ICNU may be moved into evidence as a group, with  
19 the exception of an objection by Mr. Paine, for  
20 PacifiCorp, on Exhibit Number 3.

21 And there's also -- another exception is  
22 that -- well, not exactly an exception. In addition,  
23 Commission Staff has asked to supplement Exhibit 61,  
24 which is a complaint file, and the exhibit supplied  
25 by Commission Staff would complete the exhibit. So



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1 first of all, let's take care of Exhibit 6 -- what we  
2 have -- are now marking as Exhibit 61-A.

3 Mr. Trotter, would you just like to briefly  
4 identify that for the record and move for its  
5 admission?

6 MR. TROTTER: Yes, Your Honor. CREA  
7 identified Exhibit 61 as one of their cross exhibits  
8 of the company, and it consisted of various  
9 documents, some of which included a Commission -- I  
10 forget the name of the customer service or customer  
11 complaint section file involving a customer  
12 complaint, and so we identified and distributed today  
13 61-A, which contained some additional entries in that  
14 file to bring it up-to-date, so it supplements  
15 Exhibit 61.

16 JUDGE CAILLE: Is there any objection to  
17 adding 61-A to the cross exhibits?

18 MR. HUBBARD: No objection. Columbia would  
19 concur in its addition.

20 MR. PAINE: We have no objection.

21 JUDGE CAILLE: All right. Then Exhibit  
22 61-A is admitted. Now, moving on to ICNU Exhibit 3,  
23 I understand that PacifiCorp has an objection to this  
24 exhibit. Would you please put that on the record for  
25 us, Mr. Paine?

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1           MR. PAINE: Certainly. We object to  
2 Exhibit Number 3 on relevance grounds. It is  
3 correspondence from counsel for PacifiCorp to ICNU,  
4 and it addresses, among other things, the timeliness  
5 of responding to data requests. It addresses  
6 discovery, and if there was a problem with discovery,  
7 I suggest that we could have filed a motion to  
8 compel. I'm not sure I understand the relevance of  
9 this document, and that is the ground upon which we  
10 contest admission of Exhibit 3.

11           JUDGE CAILLE: Ms. Davison.

12           MS. DAVISON: Thank you, Your Honor. This  
13 document is relevant for the purposes of showing that  
14 ICNU asked a series of data requests to PacifiCorp  
15 trying to discern the rates or charges that  
16 PacifiCorp would charge industrial customers under  
17 the proposed tariff at issue in this docket. We  
18 asked a series of questions.

19           First, ICNU Cross Exhibits 7, 8, 9, 10, 13,  
20 21, 22, 24, and 34 relate to generic questions  
21 regarding all industrial customers, and in essence,  
22 we asked these series of questions trying to discern  
23 what rate PacifiCorp would charge any industrial  
24 customer pursuant to the terms of the tariff.

25           The answers that you can see in the

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1 exhibits that we have included in this case  
2 essentially say that they do not know, and so we then  
3 asked a series of questions designed to elicit a  
4 response for a particular industrial customer. So we  
5 tried it generically, we didn't get an answer  
6 generically, so then we tried it specifically, and we  
7 have a series of exhibits that relate specifically to  
8 one industrial customer. And we asked the same  
9 questions. Please tell us what the rates, charges,  
10 how would you calculate the charge under this  
11 proposed tariff. Do you have any work papers, do you  
12 have any cost papers, is there anything that you can  
13 give us. We asked the questions broadly, we asked  
14 the questions narrowly. Again, we got the same  
15 response back. We don't have that information, we  
16 can't answer it.

17           So then we pursued this matter with counsel  
18 for PacifiCorp and we had telephone conversations and  
19 we also sent some letters saying we would like better  
20 answers to the questions. And Mr. Van Nostrand  
21 summarizes the company's position with regard to this  
22 essential legal issue in this case on page two of his  
23 letter to Mr. Sanger.

24           In essence, Mr. Van Nostrand says that, as  
25 consistently and repeatedly stated by PacifiCorp, in

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1 the absence of an actual request, the company does  
2 not prepare estimates of cost estimates, and then he  
3 -- removal, cost estimates for removal facilities.  
4 And then he goes through and states in great detail  
5 the things that would be involved and why that would  
6 be burdensome to try to calculate that for a specific  
7 customer. But, again, keep in mind we had previously  
8 asked about it on a generic basis.

9           Mr. Van Nostrand, as counsel for  
10 PacifiCorp, whatever he says with regard to these  
11 issues in the case is, in effect, an admission by the  
12 company. And we believe that this letter is a very  
13 important piece of evidence in this case, because  
14 counsel for PacifiCorp is admitting that an  
15 industrial customer cannot look at this tariff and  
16 identify what the rates, terms, charges for service  
17 would be, and they cannot tell it on a generic basis  
18 for industrial customers and it's not possible for a  
19 particular industrial customer to know what rates  
20 there will be. And this is contrary to Washington  
21 statutes, and I would refer you to 80 RCW -- or I'm  
22 sorry, RCW 80.28.050, which specifically requires  
23 that tariffs show all rates and charges made in the  
24 tariff. And RCW 80.28.060 requires the same thing,  
25 that the tariff has to include any rate or charge.

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1 The same is true for RCW 80.28.080. Again, it  
2 references the rates and charges in an applicable  
3 tariff.

4 So again, this is a very -- this is the  
5 essence of ICNU's argument against the legal validity  
6 of this tariff, and Mr. Van Nostrand's letter, in  
7 essence, admits that you cannot look at this tariff  
8 and identify what the rates and charges will be for a  
9 particular customer or, in this case, you cannot  
10 identify the rates and charges for any industrial  
11 customer. Thank you.

12 JUDGE CAILLE: Thank you. Anyone else like  
13 to be heard?

14 MR. TROTTER: Just briefly, Your Honor.  
15 Whether this particular exhibit is cumulative or not,  
16 it does appear to be entirely cumulative of the  
17 responses in the many exhibits that counsel for ICNU  
18 have cited, but we now have identification of what  
19 ICNU considers to be its essential legal issue, and  
20 if they're correct, all line extension or special  
21 construction type tariffs that refer to customers  
22 paying the cost of the construction or cost of a line  
23 extension without an allowance minimum would be  
24 invalid as a matter of law. I don't think that's the  
25 law. It's never been the law in this state. So I

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1 think the legal relevance has yet to be established.  
2 But in terms of her factual relevance, it seems to be  
3 cumulative to me.

4 MR. PAINE: If I may, Your Honor.

5 JUDGE CAILLE: Yes, Mr. Paine.

6 MR. PAINE: I will simply add to what Mr.  
7 Trotter has indicated, that we have in the state of  
8 Washington proposed tariffs that do state that the  
9 customer will be assessed actual costs that are  
10 incurred by the utility for particular activities.  
11 The line extension allowance is one. We have Rule  
12 300 in our tariff that reflects other types of  
13 charges that may be assessed a customer if a customer  
14 requests a particular activity be performed.  
15 Relocations are also deemed to be involving actual  
16 costs incurred by the utility.

17 So she has framed a legal issue, but I will  
18 suggest to you that the data requests and the  
19 responses that she has identified miss the point with  
20 regard to how PacifiCorp determines or calculates the  
21 costs.

22 The data requests that ICNU has identified  
23 asked the company to provide the costs for removal  
24 for industrial customers or Boise Cascade Wallua  
25 specific. We have not performed those estimates. If

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1 Boise Cascade Wallua asked us, for example, to remove  
2 our facilities or intended to disconnect in order to  
3 either self-generate or to be served by CREA, we  
4 would utilize the construction software referenced in  
5 a number of the data responses such as Exhibit 91  
6 CREA, Exhibit 109 CREA, and we would utilize that  
7 software to calculate the costs that the company  
8 would incur to remove specific types of assets, such  
9 as transformers, service drops, meters, that type of  
10 thing. That is what our software does.

11           It has been examined through the discovery  
12 process by others, Staff took advantage of the  
13 availability of PacifiCorp personnel to discuss the  
14 inputs of the RCMS, the so-called software that the  
15 company uses in determining its construction activity  
16 costs. ICNU did not. That is the difference. ICNU  
17 did not pursue how we would calculate our actual  
18 cost; the Staff did.

19           The same thing occurred with regard to  
20 Staff's discovery efforts in the line extension  
21 allowance in 1998. We indicated in the early '90s  
22 that we have this software, we presented it to the  
23 commission staffs of various states. It is utilized  
24 by the company to determine its construction activity  
25 costs. In 1998, we sought a change in our line

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1 extension allowance, Staff visited us at a discovery  
2 visit, analyzed the inputs of the software, the line  
3 extension allowance request was approved. We intend  
4 to use the same software in determining our actual  
5 costs if our proposed tariff is approved in this  
6 proceeding.

7 JUDGE CAILLE: All right. I'm prepared to  
8 rule. The objection is denied. I do find that there  
9 is relevance in the explanation provided on page two  
10 by Mr. Van Nostrand about why the company was not  
11 able to provide those costs. This may be cumulative.  
12 I do recall seeing parts of this in responses to data  
13 requests, but this seems to be a more complete -- as  
14 I recall it, it seems a more complete response. So  
15 Exhibit Number 3 is admitted over objection.

16 All right. So then, Exhibits 4 through 48,  
17 it's my understanding that those cross exhibits can  
18 now be admitted as a group. I've already admitted, I  
19 believe, 61. Oh, no, wait, that's the next group.  
20 Is there -- is that -- am I correct?

21 MR. HUBBARD: I believe so.

22 JUDGE CAILLE: Any objection?

23 MR. HUBBARD: No, Your Honor.

24 JUDGE CAILLE: All right. Then Exhibits 4  
25 through 48, which comprise ICNU's cross, the



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1 remainder of ICNU's cross exhibits, are admitted.  
2 And just as an aside, I am going to ask -- give the  
3 court reporter my exhibit list with the exhibits that  
4 have been admitted and ask her to type these into the  
5 record at the close of the hearing.

6 MS. DAVISON: Your Honor, in addition to  
7 Cross Exhibits 3 through 48, ICNU has three  
8 additional cross exhibits that are --

9 JUDGE CAILLE: Oh, yes.

10 MS. DAVISON: Yes. And you may be getting  
11 to that, but just in case, so the record's clear,  
12 it's Number 310, 311 and 312.

13 JUDGE CAILLE: Yes. Is there any objection  
14 to those?

15 MR. PAINE: Could you identify those again  
16 for me, please, Melinda? I'm not sure I understand.

17 MS. DAVISON: Sure, I can give you a full  
18 identification. ICNU Cross Exhibit 310 is a WUTC  
19 Staff response to ICNU Data Request 1.3; Cross  
20 Exhibit 311 is a WUTC Staff response to ICNU Data  
21 Request 1.5; and Cross Exhibit 312 is a WUTC Staff  
22 response to ICNU Data Request 1.7.

23 MR. PAINE: Thank you.

24 JUDGE CAILLE: Any objection?

25 MR. PAINE: No objection.

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1           JUDGE CAILLE: All right. Then Exhibits  
2 310, 311 and 312 are admitted. All right. Now,  
3 let's move to Columbia's cross exhibits, beginning  
4 with Exhibit 60. They go through 60 through 113.

5           MR. HUBBARD: Correct.

6           JUDGE CAILLE: The errant Exhibit Number  
7 24.

8           MR. HUBBARD: Right. And we would move the  
9 admission of those as a group, Your Honor.

10          JUDGE CAILLE: All right. Is there any  
11 objection?

12          MR. PAINE: I have no objection, although  
13 could I get a clarification of what constitutes 113?

14          MR. HUBBARD: That is CREA Data Request to  
15 PacifiCorp Number 24 and the response.

16          MR. PAINE: Twenty-four, yeah, okay. Thank  
17 you. No objections.

18          JUDGE CAILLE: All right. Then Exhibits 60  
19 through 113 are admitted. These are CREA's --  
20 Columbia's cross-examination exhibits, and included  
21 in there is the Staff Supplemental Exhibit 61-A,  
22 which I've already admitted.

23          Let's see. Let's move to PacifiCorp's  
24 cross exhibits, beginning with Exhibit 202.

25          MR. PAINE: Yes, thank you, Your Honor. I

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1 would move for admission of what's been marked as  
2 Exhibit Numbers 202, through and including 205, each  
3 of which constitutes a response of the Columbia Rural  
4 Electric Association to Staff data requests.

5 JUDGE CAILLE: Any objection?

6 MR. HUBBARD: No, Your Honor.

7 JUDGE CAILLE: Then Exhibits 202 through  
8 205, PacifiCorp's cross exhibits, are admitted.

9 MR. HUBBARD: I assume that includes 201-T,  
10 as well?

11 JUDGE CAILLE: I have not -- I've just been  
12 doing cross exhibits right now, so in order to just  
13 be consistent, I'm going to continue, and then we'll  
14 come back to the direct testimony and response  
15 testimony. Okay. There's Staff's cross exhibits for  
16 Mr. Husted. Those begin with Exhibit 215, 216, 217  
17 and 218.

18 MR. TROTTER: Your Honor, we would move  
19 those exhibits into evidence at this time.

20 JUDGE CAILLE: Any objection?

21 MR. HUBBARD: No, Your Honor.

22 JUDGE CAILLE: All right. Then those are  
23 admitted. Moving on to Mr. McIntosh. Oh, we've  
24 already admitted those. Okay. I would also like to  
25 just go ahead and admit the testimony of the

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1 witnesses. And does anyone have an objection to  
2 that? I know -- all right. Then would you, Mr.  
3 Paine, offer the testimony, 1-T and 2-T, of Mr.  
4 Clemens?

5 MR. PAINE: Yes, I will at this time move  
6 for admission of what has been marked as WUTC 1-T and  
7 WUTC 2-T, Mr. William G. Clemens' prefiled direct and  
8 prefiled rebuttal testimony.

9 JUDGE CAILLE: Is there any objection?

10 MR. HUBBARD: No, Your Honor.

11 JUDGE CAILLE: All right. 1-T and 2-T are  
12 admitted. Okay. Then Mr. Hubbard, would you offer  
13 Mr. Husted's?

14 MR. HUBBARD: Yes, thank you. Columbia REA  
15 would move the admission of Thomas Husted, which has  
16 been marked THT-1.

17 JUDGE CAILLE: Any objection? All right.  
18 Hearing none, then Exhibit 201-T is admitted. And  
19 now, for Mr. McIntosh.

20 MR. TROTTER: Yes, Your Honor. We would  
21 move for the admission of Exhibits 301-T through 309.

22 JUDGE CAILLE: Is there any objection?

23 MR. HUBBARD: No, Your Honor.

24 JUDGE CAILLE: Then Exhibits 301-T through  
25 309 are admitted. All right. Are there any other

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1 matters that anyone can think of that we could take  
2 care of or need to take care of before we call the  
3 Commissioners to the bench?

4 MR. PAINE: Your Honor, I would only note  
5 that I'm going to -- and I want all parties to be  
6 aware of the fact that I'm going to ask the  
7 Commission to take official notice of the testimony  
8 of Chairwoman Marilyn Showalter before the U.S.  
9 Senate Energy and Natural Resources Committee that  
10 was given on September 17th, 2002, earlier this week.  
11 I do have several copies. The testimony is on the  
12 Commission Web site, and I intend to ask the  
13 Commission to take official notice pursuant to WAC  
14 480-09-750. I have two copies here, and I wanted all  
15 parties to be aware of that before the hearing  
16 commenced.

17 JUDGE CAILLE: Okay. What was the WAC  
18 reference again, 480-09 --

19 MR. PAINE: 480-09-750.

20 JUDGE CAILLE: Okay. I'll give the parties  
21 a few minutes to look at that. I need to get my  
22 statutes and I'll be back.

23 MR. TROTTER: Should the first witness get  
24 set up?

25 JUDGE CAILLE: Oh, yes, let's do that.

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1 Actually, what I would like to do is have each of the  
2 witnesses stand at this time and I will swear you in  
3 together. I will address you each personally. I  
4 will ask that you each separately affirm or swear  
5 that -- after I administer the oath.

6 Whereupon,

7 WILLIAM G. CLEMENS, THOMAS HUSTED and  
8 HENRY MCINTOSH,  
9 were been duly sworn by Judge Caille.

10 JUDGE CAILLE: Thank you. And with that,  
11 if the first -- Mr. Clemens, will you come up to the  
12 witness stand with your materials and just be  
13 prepared to begin?

14 Is there -- I guess, maybe before I leave,  
15 is there going to be any objection to Mr. Paine's  
16 request that the Commission take official notice of  
17 Chairwoman Showalter's testimony?

18 MR. HUBBARD: If I might inquire, Your  
19 Honor, I would like to know for what purpose?

20 JUDGE CAILLE: Okay.

21 MS. DAVISON: Yes, and I haven't had an  
22 opportunity to read all 40-something pages, so  
23 perhaps there's --

24 JUDGE CAILLE: Maybe we could do that --  
25 when were you going to offer this, Mr. Paine?

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1           MR. PAINE:  When the opportunity presented  
2  itself with regard to the arising of the issue of  
3  competition in the state of Washington.

4           JUDGE CAILLE:  All right.  Well --

5           MS. DAVISON:  Is there a particular page  
6  you can refer us to?

7           MR. PAINE:  One in particular that I note  
8  is on page eight.

9           MS. DAVISON:  Are there other pages?

10          MR. PAINE:  Ten and 12 piqued my interest a  
11  great deal, but I wanted, of course, to present the  
12  whole document so it wasn't taken out of context.

13          MS. DAVISON:  Oh, of course.  I was just  
14  trying to get the essence of -- if we could have an  
15  opportunity to take a look at it before we have to  
16  comment, that would be helpful.

17          JUDGE CAILLE:  All right, okay.

18          MS. DAVISON:  Maybe later in the day or --

19          JUDGE CAILLE:  During a break, okay.

20          MR. HUBBARD:  Your Honor, if I might, I can  
21  tell you right now that Columbia REA objects to the  
22  admission of this document.  It seems entirely  
23  inappropriate.

24          JUDGE CAILLE:  Well, I think we will take  
25  this up before the Commissioners.

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1 (Commissioners now present.)

2 JUDGE CAILLE: Counsel, for your witnesses,  
3 I'm going to just ask you to introduce your witness.  
4 Since we've already admitted their testimony, we  
5 don't need to go through the identification of the  
6 testimony, unless you feel it's helpful for your  
7 witness. I'm assuming they already know. And then  
8 we'll just proceed with the cross-examination.

9 All right. I would like to welcome the  
10 Commissioners to the bench, and if counsel will,  
11 beginning with Mr. Paine, if you will please  
12 introduce yourself to the Commission.

13 MR. PAINE: Thank you. My name is James  
14 Paine. I'm appearing on behalf of PacifiCorp.

15 MR. HUBBARD: Good morning. I'm Mike  
16 Hubbard. I represent Columbia REA.

17 MR. HUSTED: Thomas Husted, CEO of Columbia  
18 REA.

19 MS. DAVISON: I'm Melinda Davison. I'm  
20 here on behalf of the Industrial Customers of  
21 Northwest Utilities.

22 MR. TROTTER: Donald T. Trotter, Assistant  
23 Attorney General, for Commission Staff, and by my  
24 side is Hank McIntosh for the Commission Staff.

25 JUDGE CAILLE: Thank you. The witnesses



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1 have been previously sworn and the exhibits are all  
2 admitted, so we are prepared, Mr. Paine, if you will  
3 please just introduce your witness.

4 MR. PAINE: I will.

5 JUDGE CAILLE: And then we'll do cross.

6 MR. PAINE: Thank you.

7 Whereupon,

8 WILLIAM G. CLEMENS,

9 having been previously duly sworn, was called as a  
10 witness herein and was examined and testified as  
11 follows:

12

13 DIRECT EXAMINATION

14 BY MR. PAINE:

15 Q. Could you please state your name and  
16 business address for the record, Mr. Clemens?

17 A. Yes, my name's William G. Clemens. The  
18 address is 650 East Douglas Avenue, Walla Walla,  
19 Washington, 99362.

20 Q. All right. And as Judge Caille indicated,  
21 the direct testimony, marked as WGC-T-1, and the  
22 rebuttal testimony of yours, Mr. Clemens, marked and  
23 admitted as WGC-T-2, have been addressed previously.  
24 I did want to ask one clarifying question. With  
25 regard to the description of the proposed tariff in

0067

1 WGC-T-1, your direct testimony, has the position or  
2 have the positions of the company changed since the  
3 direct testimony was filed?

4 A. Yes, they have, due to the adoption of the  
5 Staff's recommendations.

6 Q. All right. So there are changes that are  
7 reflected in your rebuttal testimony due to the  
8 embracing of many of the Staff recommendations; is  
9 that correct?

10 A. Correct.

11 MR. PAINE: Thank you. That's all I have.

12 JUDGE CAILLE: All right. And  
13 cross-examination by Ms. Davison.

14 MS. DAVISON: Thank you, Your Honor.

15

16 C R O S S - E X A M I N A T I O N

17 BY MS. DAVISON:

18 Q. Good morning, Mr. Clemens.

19 A. Good morning.

20 Q. Could you please briefly describe your  
21 current job responsibilities with PacifiCorp?

22 A. My job responsibilities, I'm a regional  
23 community manager. I cover southwest -- I mean,  
24 southeast Washington and northwest Oregon.  
25 Primarily, I do the public relations, community

0068

1 relations, donations, advertising, those type of  
2 things.

3 Q. Thank you. Could you briefly describe your  
4 educational background?

5 A. I graduated from high school, the Dalles,  
6 Oregon, attended Oregon State University for two  
7 years and have been employed with Pacific for the  
8 last 20 years.

9 Q. Okay. Do you consider that you have any  
10 expertise with regard to utility tariffs?

11 A. I have just the basic general knowledge.  
12 The in-depth detail I don't deal with on a regular  
13 basis.

14 Q. Do you have any expertise on cost of  
15 service matters?

16 A. Just the general knowledge of how it works  
17 and not -- I don't work with it on a daily basis in a  
18 detailed manner.

19 Q. Do you consider that you have any expertise  
20 in distribution or transmission facilities?

21 A. I guess it would depend on your definition  
22 of expertise. I've got a general knowledge of the  
23 system, how it goes together, that type of thing,  
24 yes.

25 Q. But based on your job responsibilities, you

0069

1 don't deal with the distribution or transmission  
2 aspects of PacifiCorp in the company; is that  
3 correct?

4 A. That's correct.

5 Q. Have you ever testified in a proceeding  
6 before?

7 A. No, I have not.

8 Q. How long have you been the regional  
9 community manager for PacifiCorp?

10 A. It's been about three years since they  
11 called the position that, but probably seven or eight  
12 years in a similar position, just a different title.

13 Q. Thank you. And do you believe that you  
14 have sufficient expertise to answer specific  
15 questions regarding tariffs?

16 A. For the most part.

17 Q. Okay. The series of data requests that  
18 have been asked in this case, could you roughly  
19 estimate how many of those you answered?

20 A. Oh, probably, what, about a third of them.

21 Q. Okay. Can you explain in detail what  
22 PacifiCorp's purpose was in filing and requesting  
23 approval of this tariff? And perhaps we can use a  
24 shorthand for this. How would you like me to refer  
25 to the tariff? What do you call it?

0070

1 A. The net removal tariff.

2 Q. Okay. Let's call it net removal tariff.

3 Could you explain PacifiCorp's purpose for submitting  
4 this for approval?

5 A. This was to deal with operational and  
6 safety concerns. It also, in a cost-based system,  
7 like we have in the state of Washington, we believe  
8 that the costs should be incurred by the customers  
9 that cause us to incur those costs instead of being  
10 spread across all our customers.

11 Q. Do you know that those costs are being  
12 spread over all the customers now?

13 A. No, they aren't.

14 Q. Do you know what those costs are that we're  
15 talking about here for net removal?

16 A. For specific customers, yes.

17 Q. Can you give us a ballpark of what we're  
18 talking about in terms of dollars that is at issue  
19 here?

20 A. Well, the majority of them will be a simple  
21 service, you know, meter and service drop. I mean,  
22 we're looking at the two to \$400 range.

23 Q. Now, I'll get to this later, but right now  
24 there have been eight customers that have switched;  
25 is that correct?

0071

1           A.    At the time of the testimony.  Since then,  
2  there's probably a total of 12, three more  
3  residential, another irrigation.

4           Q.    So if we use the upper estimate here, am I  
5  correct that at issue here is \$4,800?

6           A.    I think, in one case, it was actually  
7  higher than that.

8           Q.    Okay.  Can you give me a ballpark of how  
9  many dollars you think PacifiCorp has spent thus far  
10 in net removal costs?

11          A.    No, I can't.  Total, no.

12          Q.    Total?

13          A.    (Shaking head.)

14          Q.    Is it -- can you say, is it greater or less  
15 than \$10,000?

16          A.    It's greater than 10,000.

17          Q.    Greater than 50?

18          A.    Less than 50.  Probably closer to 20, 25,  
19 somewhere in that range.

20          Q.    Okay.  The tariff that you are sponsoring  
21 through your testimony, and you are the only  
22 PacifiCorp witness that has submitted testimony in  
23 this case, is it your opinion that this tariff will  
24 result in fair, just, and reasonable rates to  
25 customers?

0072

1 A. Yes, I do.

2 Q. How many PacifiCorp customers would be  
3 subject to this net removal fee tariff?

4 A. Well, it's approximately 28,000 that would  
5 be affected in Walla Walla and Columbia Counties.

6 Q. Do you know how many commercial customers  
7 PacifiCorp has in Washington?

8 A. In the state of Washington? No, I don't.

9 Q. Would you agree that it's approximately  
10 3,900, subject to check?

11 A. Probably in that range. We serve over in  
12 the Yakima Valley, and I'm not familiar with the  
13 number of customers in that part of Washington.

14 Q. Could you do me a favor? Could you pull  
15 your mike just a little bit closer? Thank you.

16 A. Is that better?

17 Q. Yes, thanks. How many customers does  
18 PacifiCorp have in Washington that are general  
19 industrial customers?

20 A. Like I said, I'm not familiar with customer  
21 counts over in the Yakima Valley, but I think it's in  
22 the range of 39, 40 in the Walla Walla area.

23 Q. Do you know how many customers are on  
24 Schedule 48-T, which is the large industrial tariff?

25 A. I think, if I remember right, it's around

0073

1 five or six.

2 Q. So you stated a few minutes ago that 12  
3 customers have left PacifiCorp's service and switched  
4 to another electric service provider. Do you know  
5 how many you expect to do that in the future?

6 A. You know, we haven't had much experience  
7 with this, so I can't venture to say just how many  
8 there will be. I know in Columbia REA's newsletter  
9 and stuff, Mr. Husted indicated that they will be in  
10 direct competition with PacifiCorp and trying to add  
11 new customers to their system. So that leads me to  
12 believe it will be an issue moving forward.

13 Q. How many customers have left Columbia REA  
14 and gone to PacifiCorp?

15 A. Zero at this time.

16 Q. Are you in competition with Columbia REA  
17 for getting new customers?

18 A. Yes, we are.

19 Q. How many commercial customers have  
20 requested a removal of PacifiCorp's facility in order  
21 to switch to another utility?

22 A. I think it's five out of the 12.

23 Q. Would these be small or large commercial?

24 A. One was a large irrigation pump, the other  
25 were smaller irrigation customers.



0074

1                   CHAIRWOMAN SHOWALTER: Ms. Davison, I  
2 didn't understand your question. He answered five of  
3 12 did something, but what was the precursor to your  
4 question?

5                   MS. DAVISON: Switched from PacifiCorp to  
6 Columbia REA. There have been a total of 12  
7 customers who have left.

8                   CHAIRWOMAN SHOWALTER: But the answer was,  
9 then, only five of those 12 went to --

10                  MS. DAVISON: Oh, I'm sorry, are commercial  
11 customers.

12                  CHAIRWOMAN SHOWALTER: Okay. Five of the  
13 12 who switched were commercial customers. Thank  
14 you.

15                  MS. DAVISON: Correct. Sorry.

16                  Q. All right. How many industrial customers  
17 have requested removal of PacifiCorp's facilities in  
18 order to switch to another utility?

19                  A. None at this time.

20                  Q. Do you expect any to?

21                  A. No.

22                  Q. Of the 12 customers that have switched  
23 utility providers, did any of those purchase  
24 PacifiCorp equipment and leave it in place?

25                  A. No.

0075

1 Q. Did you give those customers the option of  
2 doing that?

3 A. No.

4 Q. Why not?

5 A. Operationally, we wouldn't -- they -- I  
6 mean, they -- I mean, it's our meter and they would  
7 have to have another meter. They're typically coming  
8 in from a different direction, so our facilities  
9 wouldn't be of much use.

10 Q. What if they were of use? What if they  
11 could reuse it? Would you allow them to purchase it?

12 A. We -- it's not been an issue that's been  
13 discussed in depth, but my guess is we wouldn't be  
14 interested in selling our facilities.

15 Q. Why not?

16 A. It's -- I mean -- I mean, we wouldn't -- I  
17 mean, if a pole has been in the ground, you know, 20  
18 years or so, why would somebody want to reuse it when  
19 it would just have to be replaced? There might be  
20 different size conductor coming into the home than  
21 what we have in place. I know that REA works at  
22 different standards than what we do. It could be a  
23 number of reasons.

24 Q. But the assumption in my question is that  
25 this particular piece of equipment at issue is one

0076

1 that can be reused and the customer would seek to  
2 reuse it. Under those circumstances, would  
3 PacifiCorp allow the customer to purchase the  
4 equipment and reuse it?

5 A. I suppose that's something we can consider.

6 Q. But you don't know whether you would allow  
7 it?

8 A. That wouldn't be my decision, no.

9 Q. Whose decision would it be?

10 A. It would probably be a policy decision made  
11 by the folks in Portland.

12 Q. Do you know what criteria the people in  
13 Portland would apply in making a decision on whether  
14 or not the customer could purchase the equipment?

15 A. No, I do not.

16 Q. Do you know if such policies or criteria  
17 exist?

18 A. Not that I know of.

19 Q. Of the 12 customers that left, have you  
20 successfully charged all 12 customers?

21 A. No, we haven't charged all of them. Some  
22 of them have been simple disconnect, drop the service  
23 and pull the meter, and through our current tariffs,  
24 we can't charge for that.

25 Q. Have you charged any costs, though?

0077

1           A.    Yes, we have on some customers when it  
2    required poles removed, specific facilities that the  
3    customer requested to be moved.

4           Q.    And you did that under the line extension  
5    policy or request for --

6           A.    Well, in our view, that's an accommodation,  
7    and we charge for accommodations.

8           Q.    And how much did you charge for the  
9    accommodation?

10          A.    It's, you know, it's customer-specific. I  
11    don't have the exact dollar amounts in front of me.  
12    You mentioned one that was around \$4,800. I think  
13    there was another one that was around \$1,500, but  
14    those are the only two that come to mind right off  
15    that weren't just a service meter.

16          Q.    So those were your out-of-pocket costs and  
17    you recovered those?

18          A.    Our removal costs, less salvage.

19          Q.    Okay. So what are we left, then? If my  
20    math is correct, that was -- let's see. That would  
21    be five, five of the eight paid, or how many of the  
22    -- I mean, of the 12. How many of the 12 have paid  
23    PacifiCorp?

24          A.    Two.

25          Q.    Two have paid, okay. And the other ten you

0078

1 believe to have out-of-pocket costs to the tune of  
2 several hundred dollars each or --

3 A. Well, the other ones would be removing the  
4 service drop and meter, which were in the range of  
5 two to \$400 are the estimates we've come up with.

6 Q. Do you reuse the meter?

7 A. If it's -- if it's tested and it's still  
8 accurate and still the model that we are using, yeah,  
9 we reuse them.

10 Q. Since 2001, how many PacifiCorp customers  
11 have requested removal of PacifiCorp facilities for  
12 any reason, not just to switch service providers?

13 A. I think it's -- I don't know the exact  
14 date, but I think it's four.

15 Q. And what were --

16 MR. TROTTER: Excuse me, Your Honor. We  
17 may need a clarification. Is this total company or  
18 just in the area that we're talking about? I think  
19 today we're just talking about, I think, Walla Walla  
20 County, and now -- I just want the record to be  
21 clear, so -- thank you, Your Honor.

22 MS. DAVISON: I think we can assume, so I  
23 don't put it in every one of my questions, but thank  
24 you for the clarification, that we're just talking  
25 about Washington, and no other state.

0079

1           MR. TROTTER:  But the entire PacifiCorp  
2 service territory in Washington?

3           MS. DAVISON:  Yes.

4           MR. TROTTER:  Okay.  Thank you.

5           THE WITNESS:  Then I couldn't answer that  
6 question, because, like I say, I'm not involved in  
7 what's happening over in Yakima in a great detail.  
8 What I'm familiar with is what's happening in Walla  
9 Walla.

10          Q.  So in Walla Walla, there have been four  
11 customers?

12          A.  Correct.

13          Q.  And why did those four customers request  
14 removal of facilities?

15          A.  Well, when I visited with the last  
16 customer, it was -- what he told me was it had  
17 nothing to do with service or cost, but he wanted a  
18 person that -- his son or daughter, I'm not sure  
19 which, to be eligible for Columbia's scholarship.  He  
20 worked at a farmer's co-op for years, he believed in  
21 the co-op way, and decided that he would rather be  
22 served by Columbia.

23          Q.  I'm sorry, I must not have been clear.  My  
24 question is how many customers have requested removal  
25 of equipment not for the purpose of switching

0080

1 electric service providers?

2 A. None to my knowledge.

3 Q. Are you aware of any other electric utility  
4 anywhere in the country that has a net removal  
5 tariff?

6 A. No, but I'm not very familiar with other  
7 companies' tariffs, either.

8 Q. Would it surprise you if I told you that  
9 we've been unable to locate a single utility anywhere  
10 in the country that has a net removal tariff?

11 MR. TROTTER: I'll object to the question,  
12 it's argumentative. It's really irrelevant whether  
13 this witness would be surprised or not surprised.

14 JUDGE CAILLE: If you could please just  
15 rephrase your question, Ms. Davison.

16 Q. How about would you agree, subject to  
17 check, that it is quite unusual, if not completely  
18 unheard of, for a utility to have a net removal  
19 tariff of the nature that PacifiCorp's proposing  
20 here?

21 MR. TROTTER: I'm going to object. This is  
22 beyond the scope of a normal subject to check item,  
23 which would be if it's within PacifiCorp's records or  
24 within this person's knowledge or database that he  
25 can access, that's fine, but if it requires him to do

0081

1 independent research to establish a point that  
2 counsel wishes to make, that's inappropriate for a  
3 subject to check item, so I'll object to it. I won't  
4 object if this is something that can be checked  
5 within PacifiCorp's records.

6 THE WITNESS: I'd like to make one comment  
7 that --

8 MR. PAINE: Excuse me.

9 JUDGE CAILLE: Well, just a moment.

10 CHAIRWOMAN SHOWALTER: Ms. Davison, if you  
11 have testimony that you want to get in, you need to  
12 get it in through your witness.

13 MS. DAVISON: Well, I don't. I was not  
14 allowed to submit a witness in this case, so that is  
15 sort of a problem.

16 CHAIRWOMAN SHOWALTER: When were you not  
17 allowed to -- I didn't know that.

18 MS. DAVISON: Well, this is a very unusual  
19 case.

20 CHAIRWOMAN SHOWALTER: Well, were you  
21 prohibited from putting a witness in this case? That  
22 is news to me, and I would be very surprised if --

23 MS. DAVISON: We filed a motion requesting  
24 for an ability to file testimony in this case, and  
25 that was denied. You know that this has --



0082

1                   CHAIRWOMAN SHOWALTER: Within a particular  
2 scope?

3                   MS. DAVISON: This case has a very unusual  
4 history in that the case was filed, it was on an  
5 expedited basis over a year ago. All the parties  
6 were on the verge of a comprehensive settlement. As  
7 a result of that, we thought the entire case was  
8 going to go away as a result of settlement. We did  
9 not put a witness in for that reason. Then the case  
10 was put on hold, and for ten months, the parties,  
11 PacifiCorp and Columbia REA, went off to negotiate a  
12 service territory agreement. So nothing happened  
13 during that time it was on hold. During that  
14 ten-month period, we assumed that there would be a  
15 service territory agreement. The case -- they were  
16 unable to reach agreement. The case came back.

17                   At that point, the case was resumed, we had  
18 missed the deadline for submitting testimony in the  
19 first phase. We filed a motion asking for permission  
20 to supplement the record with testimony, because, in  
21 our view, it was essentially a new case starting over  
22 again, because it had had such a long hiatus, and our  
23 request for putting testimony in was denied.

24                   CHAIRWOMAN SHOWALTER: As untimely?

25                   MS. DAVISON: As untimely.

0083

1                   CHAIRWOMAN SHOWALTER: Okay. Well, back to  
2 the objection.

3                   COMMISSIONER HEMSTAD: Well, there's simply  
4 no way that this witness can check that kind of an  
5 inquiry nationwide.

6                   MS. DAVISON: Right. Well, the other  
7 problem with this case is that, not to get into too  
8 many broad issues, but the other problem with this  
9 case is that I think it is a relevant point to have a  
10 witness comment on whether a tariff of this nature is  
11 common or not. Perhaps I can ask that of Mr.  
12 McIntosh. But the other problem is that PacifiCorp  
13 has one witness who is, by his own admission, a  
14 public relations type person, and so the typical type  
15 witness that you see a utility put on for this type  
16 of case isn't present here in this case, so it's --  
17 we are somewhat constrained by what we can --

18                   MR. PAINE: And I'm sorry, Your Honor, but  
19 I really don't understand what counsel is saying when  
20 she says this tape of case. This is our witness,  
21 he's ready to respond to questions that are relevant,  
22 and we would ask Ms. Davison to proceed.

23                   MS. DAVISON: Well, I will be happy to move  
24 on.

25                   CHAIRWOMAN SHOWALTER: Okay. That's a good

0084

1 resolution.

2 MS. DAVISON: I don't think we need to  
3 belabor the point, but I think the only point I was  
4 trying to make was that it was an unusual tariff.

5 Q. Perhaps I should ask this. Have you seen  
6 PacifiCorp file this type of tariff in any of its  
7 other service areas?

8 A. Other states that we serve has designated  
9 service territories, so a tariff of this type  
10 wouldn't be needed.

11 Q. Is one of the purposes of this net removal  
12 tariff to provide a disincentive for customers to  
13 switch to another electric utility provider?

14 A. The purpose of this tariff is to address  
15 operational and safety issues. If you want to talk  
16 about competition, you know, we're more than happy to  
17 answer any questions you have in regards to  
18 competition.

19 Q. Well, but my question is, is one of the  
20 purposes of this tariff to provide a disincentive for  
21 customers to switch electric utility providers?

22 A. No, that isn't the purpose.

23 Q. And it's not one of many purposes?

24 A. No, the purpose was for safety and  
25 operational issues.

0085

1 Q. But isn't it correct that you could address  
2 safety and operational issues without this tariff?

3 A. I don't think so.

4 Q. Can you explain why that is?

5 A. Well, you cannot have another utility hook  
6 up to a customer with our meter and service drop  
7 there, so operationally, it's not possible, unless  
8 the customer is willing to put in a whole new service  
9 somewhere else on the building.

10 Q. Well, isn't it true that PacifiCorp could  
11 go in and remove its service drop and its meter  
12 without this tariff being in place?

13 A. Yes, but we'd incur costs in doing that  
14 that shouldn't be passed on to our other customers.

15 Q. But haven't we just established that the  
16 costs that would be incurred are in the magnitude of  
17 less than \$20,000?

18 A. So far.

19 Q. And isn't it correct that litigating this  
20 case and seeking approval of this tariff has cost  
21 PacifiCorp more than what's at issue for removing  
22 these meters and service drops?

23 MR. PAINE: Objection. I don't understand  
24 the relevance of the question. How much we have  
25 spent seeking a recovery of costs that we anticipate

0086

1 incurring is not relevant to the proceeding.

2 MR. TROTTER: Your Honor, I'd also join the  
3 objection. The question asks for the costs at issue  
4 and the costs at issue are prospective, as well as in  
5 the past, and we don't know what the future is, so  
6 there's no way to estimate whether it will be more or  
7 less than the cost of litigation, even assuming it  
8 was relevant to ask about cost of litigation in this  
9 context.

10 JUDGE CAILLE: The objection is sustained.

11 Q. Do you know why PacifiCorp's losing  
12 customers to Columbia REA?

13 A. All I know is, from the ones that have  
14 left, that the contact I've had with them, there's  
15 been different issues. I explained a couple of them.  
16 I'm sure there's other reasons that the other  
17 customers have left.

18 Q. Does Columbia REA have cheaper residential  
19 rates than PacifiCorp?

20 A. In most cases, no.

21 Q. Does Columbia REA have cheaper commercial  
22 rates than PacifiCorp?

23 A. In some cases, yes.

24 Q. In some cases, no?

25 A. Depends on the size of the customer,

0087

1 whether they're heavy demand or heavy kilowatt hour  
2 usage. There's a lot of different variables.

3 Q. But it doesn't appear as though customers  
4 are switching to Columbia REA for cost reasons?

5 A. That's not the primary reason that we see,  
6 no.

7 Q. With regard to the net removal tariff, does  
8 the tariff identify what distribution facilities are  
9 subject to this tariff?

10 A. In this -- I mean, the way that the  
11 facilities are identified is we use the uniform  
12 system of accounts. There's specific blocks of  
13 numbers that are identified as transmission assets or  
14 distribution assets. So if these particular assets  
15 are booked as a distribution asset, then it would be  
16 included in the cost of the removal. If it's booked  
17 as a transmission cost, then it would not be included  
18 in the -- in the tariff. These are distribution-only  
19 costs that we're looking at. And those have even  
20 been further defined where, if they're in the public  
21 right-of-way, they're included, different things like  
22 that.

23 Q. And where is that defined?

24 A. In the rebuttal testimony.

25 Q. Can you -- I'm sorry, can you point me to

0088

1 which page and line you're referring to?

2 A. Let's see. It's in the Staff proposal  
3 question on page two, line nine through 19. There's  
4 more. Page three, line 14 to 23.

5 Q. But my question, Mr. Clemens, is where can  
6 a customer look in this tariff and determine what  
7 distribution facilities will be subject to this  
8 tariff?

9 MR. PAINE: Excuse me, and I didn't  
10 understand her question to be that. The question was  
11 essentially where is it limited to distribution  
12 facilities, and that is set forth in the rebuttal  
13 testimony. That was my understanding of the  
14 question.

15 Q. Well, perhaps I can clarify that my  
16 question is where can a customer look in the tariff  
17 and determine what distribution facilities are  
18 subject to this tariff?

19 A. The costs are figured through our retail  
20 construction management system, just like our line  
21 extension tariff. There isn't specific costs in the  
22 tariff. You get the cost once the request is made  
23 and we go out, collect the information and put the  
24 data, and then the costs are identified that way.

25 Q. Well, I'll get to the cost in just a

0089

1 moment. At this particular time, I'm trying to  
2 identify what facilities are subject to the tariff.  
3 I understand that you said that it's distribution  
4 facilities, but I'm trying to figure out how will a  
5 customer know that a particular facility is a  
6 distribution facility?

7 A. The customer would know once we made a  
8 visit and pointed out which distribution facilities  
9 would be involved in the removal. I mean, every case  
10 is different. Some's just a meter and a service  
11 drop. Other, there may be a pole, there might be guy  
12 wires, there might be transformers. Just depends on  
13 what the customer's asking to be removed.

14 Q. So there's no way that a customer can look  
15 at the tariff and identify what distribution  
16 facilities are subject to the tariff; is that  
17 correct?

18 A. That's correct.

19 Q. So in order to know what facilities are  
20 subject to this tariff, it would require a visit by a  
21 PacifiCorp personnel to then tell the customer what's  
22 subject to the tariff?

23 A. We wouldn't know until the visit was made.

24 Q. And then how will PacifiCorp make a  
25 determination as to whether something is distribution



0090

1 or transmission?

2 A. By how it's booked in the uniform system of  
3 accounts.

4 Q. And how would PacifiCorp treat equipment  
5 that the customer has already paid for?

6 A. I don't know how the customer would have  
7 already paid for it.

8 Q. Well, let's assume that an industrial  
9 customer, for example, has paid for an entire  
10 substation, metering, wires, they've already paid for  
11 that out of pocket for the purpose --

12 A. Well, then, that would be customer-owned  
13 facilities and it wouldn't be part of our inventory.

14 Q. Would PacifiCorp seek to impose any costs  
15 under these circumstances under this tariff?

16 A. Not if it's customer-owned facilities. It  
17 wouldn't be booked as a distribution asset in the  
18 uniform system of accounts. Now, if they requested  
19 us to remove them, we could do an estimate and do it  
20 for them, but --

21 Q. Let's move on and talk about the costs. I  
22 believe that you just said that the actual costs that  
23 would be imposed on customers, other than  
24 residential, and we'll get to that in a moment, would  
25 be determined based on a site visit by PacifiCorp

0091

1 personnel; is that correct?

2 A. That's correct.

3 Q. So the tariff does not identify for  
4 commercial or industrial customers what those costs  
5 will be; is that correct?

6 A. Well, we couldn't, because we don't know  
7 what the costs are until we identify what facilities  
8 are to be removed.

9 Q. Does the tariff have a cap for the maximum  
10 amount that PacifiCorp could charge commercial or  
11 industrial customers for removal of facilities?

12 A. No, it doesn't. A cap wouldn't represent  
13 our true costs in removal.

14 Q. Is there any type of formula or anything  
15 else that a customer can know in advance of how  
16 PacifiCorp would calculate the net removal cost  
17 pursuant to this tariff?

18 A. I mean, if they were interested, they could  
19 come in and we could show them our RCMS system. And  
20 without the inputs, we can't give them a true cost  
21 until we know exactly what's being removed and what  
22 salvage values are, those type of things.

23 Q. Can you tell us what RCMS is?

24 A. It's our Retail Construction Management  
25 System. It's a system that's been in place for many

0092

1 years. Staff analyzed it before it was implemented,  
2 took another look at it when we filed our line  
3 extension filing in '98. It's used company-wide.  
4 That's the system we use. It's an activity-based  
5 system. I mean, it looks at all our contract --  
6 construction activities, whether it's removals, line  
7 extensions, maintenance, upgrades, all those type of  
8 activities.

9 Q. So this is a software program; am I  
10 correct?

11 A. Correct.

12 Q. And does this program have the actual costs  
13 associated with the meter and the line, whatever  
14 we're talking about here?

15 A. Correct.

16 Q. And is this program identifying new costs  
17 or costs of a meter from 20 years ago?

18 A. Depends on what the inputs are. If you're  
19 looking at a new meter, the cost for a new meter  
20 would be part of the system. If it's one that's  
21 already been used, I'm sure that it's a salvage or a  
22 salvage value that's put in. I mean, I don't know  
23 the exact inputs, but it looks at what costs are  
24 relative to that particular project. I mean, labor,  
25 travel, flagging, all costs involved in the job,

0093

1 company overheads.

2 Q. Is this a software program that's typically  
3 used for new construction?

4 A. Yes, it is, for all our construction  
5 activities.

6 Q. Is it your position that the net removal  
7 tariff is a cost-based tariff?

8 A. Yes, it is.

9 Q. Do you have any work papers or anything  
10 else that you have submitted in this case that  
11 identify exactly what PacifiCorp's costs are to  
12 remove these facilities?

13 A. It's on a customer-specific basis. I'm not  
14 sure if we admitted in evidence any of the RCMS  
15 outputs. I mean --

16 Q. Perhaps we could try to break down what  
17 these RCMS outputs are. Is there a labor component  
18 associated with it?

19 A. Yes, there is.

20 Q. And then there's the actual equipment  
21 component?

22 A. Yes, it is.

23 Q. Are there any profit components associated  
24 with it?

25 A. No, because we don't have profit built into

0094

1 construction activities, that I know of. Our company  
2 overheads are in there.

3 Q. And usually with the line extension, isn't  
4 there -- isn't it common to see a utility at a  
5 certain percent on top of it to cover all  
6 miscellaneous costs or a profit component?

7 A. Not to my knowledge.

8 Q. You indicated that there have been no  
9 industrial customer removal requests; is that  
10 correct?

11 A. That's correct.

12 Q. So there would not be any historic data to  
13 provide that would identify what those costs would be  
14 for industrial customers; is that correct?

15 A. That's correct. The only way we'd identify  
16 costs is if they made a request, specified what they  
17 want removed. We make a field visit, input into the  
18 program, then we could give them a cost.

19 Q. There have never been service territories  
20 in the state of Washington; is that correct? Or I  
21 should say, other than when two utilities get  
22 together and have an agreement, but there's never  
23 been a state law where PacifiCorp has had service  
24 territories in place. Hasn't it always been subject  
25 to competition?

0095

1           MR. TROTTER: I'm going to object to the  
2 question unless it's further clarified whether it  
3 applies to investor-owned utilities or P.U.D.'s,  
4 municipals and so on, because as it's asked, it's  
5 overbroad, and I'll object on that basis.

6           Q. My question is -- let me state it better.  
7 I didn't state the question very well. For  
8 PacifiCorp Washington, as long as you've been around,  
9 has PacifiCorp always been subject to competition?

10          A. Yes, other than individual agreements with  
11 other utilities.

12          Q. Right. I'm trying to, in all the years  
13 that this has been in place, I'm trying to discern  
14 why now, why, at this particular time, PacifiCorp's  
15 coming forward with this tariff?

16          A. Well, it was never an issue before. The  
17 way we operated before is the closest utility would  
18 serve the customer and we didn't mess around with  
19 other utilities' customers or they hadn't with ours,  
20 so it wasn't an issue until 1999.

21          Q. And 1999 was the first year that a customer  
22 switched to Columbia REA?

23          A. Correct.

24          Q. And that was due to competition?

25           MR. PAINE: Objection. I mean, he's been

0096

1 asked that question before and he answered he doesn't  
2 know why they've switched, other than what he has  
3 related already on the record as to what he  
4 understands customers have switched due to his  
5 discussion with them. It's been asked and answered.

6 MS. DAVISON: I haven't asked about  
7 competition. I've asked him generally why customers  
8 have switched, but I have not inquired about if this  
9 was due to competition.

10 JUDGE CAILLE: I'll permit the witness to  
11 respond to the question, if he can.

12 THE WITNESS: Are you talking about just  
13 the first one or all of them?

14 Q. Yes.

15 A. The first one, when we visited with them,  
16 they had the rest of their pumps served by Columbia  
17 REA, and they wanted all of their service to be  
18 through Columbia REA, is what the customer related to  
19 us.

20 Q. So it sounds like a convenience factor for  
21 the customer, then?

22 A. You'd have to ask them.

23 Q. If a particular customer came to you and  
24 said, I'm thinking about switching service providers,  
25 but I'd like to get an estimate of how much it was

0097

1 going to cost me under this tariff, assuming this  
2 tariff was approved, would PacifiCorp do that?

3 A. Yeah, if it was a customer request.

4 Q. And are you aware that ICNU asked a series  
5 of data requests about what costs PacifiCorp would  
6 impose if Boise Cascade sought to switch service  
7 providers?

8 A. Yeah, I've read that in the discovery.

9 Q. And are you aware that PacifiCorp refused  
10 to provide an estimate of the cost for Boise Cascade?

11 MR. PAINE: And I would object to the  
12 characterization only. The data responses indicated  
13 that no request for Boise Cascade had been made;  
14 therefore, no estimates had been put together. The  
15 data was not there. That is what the answer was.

16 JUDGE CAILLE: I think that you can clarify  
17 that, Mr. Paine, on your redirect. I think that her  
18 question was a fair question. And furthermore, the  
19 exhibits speak for themselves.

20 Q. That's what -- I was going to try to get  
21 one of these answers, so I can refer to it. Do you  
22 recall the question or do you want me to repeat it?

23 A. Repeat it, please.

24 Q. Okay. Let me -- if I can take one moment,  
25 let me -- I would refer -- let me start with -- we



0098

1 have ICNU Data Request 2.3, which is Cross Exhibit  
2 11. This question asked, for Boise Cascade  
3 Corporation, please identify the elements of the  
4 company's distribution and transmission facilities  
5 which it is seeking compensation through this filing.

6 And PacifiCorp responded that it has not  
7 received a request from Boise Cascade to disconnect;  
8 therefore, no study or calculation has been made. Is  
9 that correct?

10 A. That's correct.

11 Q. But my question to you is that -- let's  
12 assume I am a customer and I haven't decided, I  
13 haven't made a request to you to disconnect, but I  
14 can't tell how much it's going to cost me to  
15 disconnect, because I can't read the tariff and see a  
16 number. I'm not a residential customer; I'm a  
17 commercial -- let's say I'm a commercial customer and  
18 I don't know whether I want to switch electric  
19 service providers. And one of the things I want to  
20 consider in my calculation is how much you're going  
21 to charge me under this tariff.

22 So my question is, if I come to you, just  
23 as we did with Boise Cascade, with a whole series of  
24 data requests and say, I'm thinking about this, can  
25 you calculate it for me, would PacifiCorp do that?

0099

1           MR. PAINE:  Objection.  It's been asked and  
2 answered.  He said if the customer requested it, we  
3 would provide an estimate.

4           MS. DAVISON:  I think he had been perhaps  
5 confused, and I think this question hones in on  
6 exactly what I'm asking.

7           THE WITNESS:  All the work in our systems  
8 --

9           JUDGE CAILLE:  Excuse me.  I haven't ruled.  
10 The objection is overruled.  Now you can respond.

11          THE WITNESS:  All work in our system's  
12 triggered by a request.  So if there isn't a request,  
13 then it doesn't trigger the system to put an estimate  
14 together.

15          Q.  So you --

16          A.  I suppose we could do a ballpark, but it  
17 wouldn't be an accurate cost of what it would take to  
18 remove it.

19          Q.  So you wouldn't provide an estimate to a  
20 customer under this tariff unless they actually made  
21 a request to switch service providers; is that  
22 correct?

23          A.  We could do a ballpark estimate, but it  
24 wouldn't be accurate.  It would be, you know, general  
25 information that could probably get them, depending

0100

1 on the size of the customer and the ballpark, but it  
2 wouldn't be anything that I would use to make a  
3 decision.

4 Q. Thank you. Has PacifiCorp set a maximum  
5 amount for residential net removal costs in this  
6 proposed tariff?

7 A. No, we haven't.

8 Q. Have you set a maximum cost for residential  
9 overhead removals?

10 A. No, we haven't.

11 Q. How would you, then, refer to your  
12 testimony, the rebuttal testimony on page three,  
13 lines 11 through 13?

14 A. What those two and \$400 are is Staff  
15 proposed having a flat fee for a simple meter and  
16 service drop, so in the situation where all we're  
17 doing is going out and removing the meter and a  
18 service drop, to make the process better, we accepted  
19 Staff's recommendation to do that.

20 Now, if a residential customer requested us  
21 to remove seven poles and the associated hardware  
22 with that, then the cost would be more than the two  
23 or \$400.

24 Q. But my question was have you set a maximum  
25 amount for residential removal of overheads?

0101

1 A. And I said no.

2 Q. Okay. Well, I guess I'm confused, because  
3 I read that sentence in your testimony as saying that  
4 you have, and that for residential overhead and meter  
5 service, that would be \$200. Am I reading that  
6 incorrectly?

7 A. If it's just a meter and service drop.

8 Q. Okay. And then, if it's underground and  
9 it's just removal of a meter and a service drop, the  
10 maximum charge for residential customers is 400?

11 A. Correct.

12 Q. Did you set a maximum amount for just  
13 overhead and meter removal for commercial customers?

14 A. No, we did not.

15 Q. Why not?

16 A. They're not as simple as a residential  
17 service.

18 Q. Why wouldn't a small commercial customer be  
19 -- look very similar to a residential customer as it  
20 relates to overhead and meters?

21 A. It's possible, but not as likely, so it  
22 would be more difficult to set that type of cost.

23 Q. Let's say, hypothetically, I'm a small  
24 commercial customer, I have a very small load, I have  
25 one meter, one line that comes into my meter. How is

0102

1 that different than a residential customer?

2 A. That's very similar, yeah, but the majority  
3 of commercial customers aren't like that.

4 Q. What are they like?

5 A. Ma'am, they're three phase, rather than  
6 single phase. There's usually CT metering, rather  
7 than just dial-type meter. There's a lot of  
8 different issues.

9 Q. Well, couldn't you calculate a maximum cost  
10 for removing three-phase lines versus single-phase  
11 line?

12 A. It would be very difficult.

13 Q. Why?

14 A. Because of the variety in the commercial  
15 sector in the size of the services.

16 Q. Well, let's talk about small commercial.  
17 And if we're talking about a typical small commercial  
18 customer, you can't come up with any kind of general  
19 notion of what the costs would be for removing that  
20 line and that meter?

21 A. I don't know what a typical small  
22 commercial customer is.

23 Q. Well, there's a tariff that is a small  
24 commercial tariff.

25 A. Yeah, but even within that tariff, there's

0103

1 -- I mean, small commercial can have pretty good size  
2 load and very -- I want to say sophisticated service.  
3 It's not like a residential customer, where you just  
4 have a single-phase pot and a service drop and a  
5 meter.

6 Q. So is it your testimony that it would be  
7 very difficult, if not impossible, to impose the same  
8 calculation and the same type of cost for a small  
9 commercial customer as you are proposing for  
10 residential -- i.e., the 200 and \$400 cap or fixed  
11 cost?

12 A. We don't have a lot of experience in that  
13 small commercial sector yet, but the way I see it, it  
14 would be difficult.

15 Q. And the same question for large commercial  
16 customers. Is it possible for PacifiCorp to have  
17 identified a maximum cap that you would charge such  
18 customers for net removal costs?

19 A. I would say it would be very difficult,  
20 that it would need to be done on a case-by-case  
21 basis.

22 Q. And how about for industrial customers? Is  
23 it possible for you to come up with a maximum amount  
24 that you would agree to set for industrial net  
25 removal costs?

0104

1 A. It would be difficult, yes.

2 Q. Would PacifiCorp agree to set a maximum of  
3 \$10,000 for general industrial distribution net  
4 removal costs?

5 A. That wouldn't be my decision.

6 Q. Is there any number that I could give you  
7 here today that you would agree would cover the  
8 maximum costs of industrial net removal of  
9 distribution facilities?

10 A. Not that I can think of, no.

11 Q. Do industrial customers typically have a  
12 lot of distribution facilities?

13 A. Industrial customers typically aren't  
14 typical. I mean, I can't think of two that are the  
15 same.

16 Q. Aren't most industrial customers served at  
17 a transmission voltage?

18 A. No.

19 Q. Is Boise Cascade?

20 A. No.

21 Q. What voltage level are they served at?

22 A. The transmission voltage is at 69, and then  
23 it's stepped down to 12,470 and 70 -- 12,470, and  
24 there's one other voltage that I can't remember right  
25 offhand.

0105

1 Q. And at what point is it stepped down? Is  
2 it at a substation on Boise Cascade's property?

3 A. It's a substation that serves Boise  
4 Cascade. I'm not sure whether they own the property  
5 or we own the property. I imagine we own the  
6 property if it's our substations.

7 Q. Does PacifiCorp propose that the final net  
8 removal costs be equal to the actual removal cost?

9 A. That's what we're trying to accomplish.

10 Q. How would this tariff apply if an  
11 industrial customer wishes to switch electric utility  
12 providers but does not request removal of the  
13 facilities?

14 A. Could you repeat the question?

15 Q. How would this tariff apply if an  
16 industrial customer switches utility providers, but  
17 does not request removal of the facilities?

18 A. I don't see how that could happen.

19 Q. Well, let's assume you're an industrial  
20 customer.

21 A. Okay.

22 Q. And you are currently served by PacifiCorp  
23 and there's a line, a transmission line comes into a  
24 substation, distribution line goes into the plant,  
25 okay?



0106

1 A. Okay.

2 Q. Very simple configuration. That equipment  
3 stays in place. Another electric utility provider  
4 comes in and puts in totally separate equipment to  
5 serve that customer. So your equipment is neither  
6 used nor needed.

7 A. Then the tariff wouldn't, because we didn't  
8 have a request to remove facilities. It would be  
9 very difficult to leave two energized services to a  
10 customer, but if they didn't request us to remove it,  
11 we wouldn't remove it.

12 Q. Well, let's be clear. The customer's  
13 request -- has made a request to terminate its  
14 electric service with PacifiCorp so that those  
15 facilities that PacifiCorp owns would be deenergized.  
16 Would the tariff apply in that instance?

17 A. I don't know. We've never come up to that  
18 situation, so I haven't really had time to think that  
19 one through.

20 Q. Well, if you took a few moments and thought  
21 about it, would you be able to tell me whether the  
22 tariff would apply?

23 A. No, because I would have to talk to some  
24 other folks and get their views on the same thing. I  
25 mean --

0107

1 Q. And who would you have to talk to?

2 A. Well, I'd probably talk to the regulation  
3 and our operations folks.

4 Q. And the same question to you. Let's assume  
5 that this particular industrial customer has paid for  
6 all transmission and distribution facilities --  
7 exclude transmission -- all distribution facilities  
8 that are currently being used to serve that  
9 industrial customer. The customer requests that  
10 their service with PacifiCorp be terminated. They do  
11 not request removal of the facilities. Would this  
12 tariff apply in this instance?

13 A. It wouldn't apply, because they wouldn't be  
14 our facilities. If the customer paid for them,  
15 they'd be customer facilities. They wouldn't be  
16 booked into our system, we wouldn't own them. They  
17 would be the customer's to do with whatever they  
18 want.

19 Q. And this tariff would not apply; is that  
20 correct?

21 A. No, not to customer-owned facilities.

22 CHAIRWOMAN SHOWALTER: Ms. Davison, I'm  
23 just concerned that you may not be on the same  
24 wavelength with the use of the phrase has paid for.  
25 Do you mean that the customer bought itself this

0108

1 equipment and in that sense has paid for, or do you  
2 mean has paid for by paying PacifiCorp for the  
3 facilities, because those are two different  
4 situations, and I want to make sure that the witness  
5 is answering the one that you mean.

6 MS. DAVISON: Thanks for that  
7 clarification. I'm not speaking of the instance in  
8 which net book value is zero. I'm speaking of the  
9 instance in which -- which is not uncommon for an  
10 industrial customer, to be asked to pay up front for  
11 a substation and they've actually paid out of pocket  
12 up front for those costs.

13 CHAIRWOMAN SHOWALTER: And has paid  
14 PacifiCorp to establish those facilities?

15 MS. DAVISON: Yes.

16 CHAIRWOMAN SHOWALTER: Then is the witness'  
17 answer the same?

18 THE WITNESS: Yeah, it's customer-owned  
19 facilities.

20 MS. DAVISON: Thank you.

21 Q. Do you know how many permanent  
22 disconnections PacifiCorp has in Washington each  
23 calendar year?

24 A. No, I don't.

25 Q. Do you know whether or not PacifiCorp's

0109

1 current rates include the costs associated with  
2 discontinuance of service?

3 A. No, I don't.

4 Q. Speaking exclusively of an industrial  
5 customer, if the customer makes a request to you to  
6 switch service providers and also requests that they  
7 be allowed to purchase the equipment, is it your  
8 testimony that that will be handled on a case-by-case  
9 basis?

10 A. I would see it handled that way, yes.

11 Q. And I believe that you testified earlier  
12 that there's no policy or criteria that would be  
13 applied; it would just be a case-by-case basis. Am I  
14 correct on that?

15 A. As far as I know.

16 Q. So how can we be assured that PacifiCorp  
17 will not discriminate in making that decision? In  
18 other words, allowing one customer to buy the  
19 facilities, but another customer not to purchase the  
20 facilities?

21 A. I can't answer that question.

22 Q. I'd like to turn to your direct testimony  
23 for a moment. Turn to page two, line six. I'm  
24 struck by the words you chose in that answer. I'd  
25 point to the words likely include. Can you explain

0110

1 why you chose those words?

2 A. Well, every job is different. Some may  
3 include a pole, some may not, some may include a  
4 transformer, some might not. So I was just trying to  
5 think of a likely situation or what we might find  
6 when we're there. And primarily thinking of a  
7 residential or small commercial customer.

8 Q. I'd like to turn to page four of your  
9 direct testimony, lines six through nine. You  
10 indicate that the costs of removal will be reflected  
11 in future rates, is that correct, if you're not able  
12 to recover them through this tariff?

13 A. That would be my opinion. I don't know if  
14 that's the company's decision, final or not. I don't  
15 know.

16 Q. I'd like to turn to your rebuttal testimony  
17 for a moment.

18 JUDGE CAILLE: Excuse me. I think we need  
19 to take a break, a short break. So a 10-minute  
20 break.

21 (Recess taken.)

22 JUDGE CAILLE: All right. We are back on  
23 the record with the resumption of cross-examination  
24 of Mr. Clemens by Ms. Davison.

25 MS. DAVISON: Thank you, Your Honor.

0111

1 Q. Mr. Clemens, I neglected to ask you, with  
2 regard to the 200 and \$400 charge that you're  
3 proposing in your rebuttal testimony for residential  
4 customers for net removal of overhead line and meter,  
5 are those charges cost-based?

6 A. Yes, they were -- we took several examples  
7 and some of the actual ones, and it's my  
8 understanding that's where the costs were derived  
9 from. They came out of our new connects department.

10 Q. So --

11 A. And it's just the service drop, not  
12 overhead line. The overhead line could encompass  
13 more than just a service drop.

14 Q. Okay, thank you. So turning back to your  
15 direct testimony on page four that I was pointing to,  
16 lines six through nine, if you can look at that for a  
17 moment, where you're talking about the costs being  
18 reflected in future rates, would you agree, subject  
19 to check, that PacifiCorp Washington has a revenue  
20 requirement of approximately \$190 million per year?

21 A. I don't know that.

22 Q. Would you agree, subject to check, that is  
23 the number?

24 A. Well, I guess, subject to check.

25 Q. And that PacifiCorp Washington has a rate

0112

1 base of approximately \$608 million? Would you agree,  
2 subject to check?

3 A. Subject to --

4 MR. PAINE: I object. What is the -- I  
5 question the relevance of this line of questioning.

6 MS. DAVISON: Well, if I can ask my next  
7 question.

8 JUDGE CAILLE: All right. The objection's  
9 overruled.

10 Q. And so my question, then, is coming back to  
11 your testimony on page four, lines six through nine,  
12 that the 200 and \$400 that we're talking about for a  
13 handful of customers is really not significant enough  
14 to impact a customer's rates or the rates that  
15 PacifiCorp has to charge customers in the state of  
16 Washington; isn't that correct?

17 MR. PAINE: And I would object. That is  
18 irrelevant. That is not the reason why we are  
19 seeking recovery of the costs that we will incur.  
20 The magnitude of them is irrelevant. This is a  
21 policy issue as to who should bear the costs.

22 MS. DAVISON: I would say that Mr. Clemens  
23 made it a relevant issue when he stated in his  
24 testimony that if they do not recover these costs,  
25 then they will go into future rates. So I believe,

0113

1 by his own testimony, it became a relevant issue in  
2 this case.

3 MR. PAINE: Where the incidence of the  
4 costs reappears as far as the customers is concerned  
5 is relevant; the magnitude of them is not.

6 JUDGE CAILLE: The objection is overruled.

7 THE WITNESS: Would you repeat the question  
8 again?

9 Q. I'll try to condense it real quickly. It's  
10 not -- we can move on quickly. My question is that  
11 in light of your \$190 million revenue requirement in  
12 Washington and the fact that the two and \$400  
13 reflects your -- close to your actual costs for  
14 removal of these facilities, isn't it true that these  
15 are not significant enough dollars with regard to net  
16 removal costs to really impact customers, the rates  
17 that PacifiCorp charges its customers in the state of  
18 Washington?

19 A. We have no idea what the magnitude's going  
20 to be in the future, and it could very likely affect  
21 rates.

22 Q. Thank you. I'd like to turn to two  
23 exhibits, ICNU Cross Exhibit 31 and ICNU Cross  
24 Exhibit 310. I believe everyone has them, but I have  
25 extra copies if anyone needs a copy to refer to them.



0114

1 Do you have those, Mr. Clemens?

2 A. 310, and what was the other one?

3 Q. Thirty-one.

4 MR. TROTTER: 310 was a Staff; is that  
5 correct?

6 MS. DAVISON: It's a Staff data response,  
7 yes.

8 MR. TROTTER: But it was marked as your  
9 cross exhibit of Staff, because it's 310.

10 MS. DAVISON: Right.

11 MR. TROTTER: Okay, thank you.

12 Q. Do you have those two exhibits?

13 A. Yes, I do.

14 Q. Do you recall earlier that you testified  
15 that this proposed tariff would not apply unless a  
16 customer requests removal of facilities?

17 A. Yes.

18 Q. Could you first turn to Cross Exhibit 31  
19 and look at that answer, and then, at the same time,  
20 could you turn to ICNU Cross Exhibit 310 and look at  
21 Staff's response to the question? And the issue here  
22 in these two questions is dealing with  
23 self-generation or co-generation. In light of these  
24 two responses, is your answer still accurate?

25 A. To my knowledge, I don't know of any that

0115

1 have disconnected for co-gen or self supply.

2 Typically, they want backup.

3 Q. But let's assume that someone has  
4 disconnected permanently for co-generation or self  
5 supply. Would this tariff apply?

6 A. I would say yes.

7 Q. Even if the customer hasn't requested  
8 removal of the facilities?

9 A. Not if they haven't requested it.

10 Q. Okay. Thank you. I'd like to turn to your  
11 rebuttal testimony, page three, lines two and three.  
12 Do you see the sentence on line two that says, When a  
13 customer requests company to permanently disconnect?  
14 Do you see that?

15 A. Yes, I do.

16 Q. My question to you is, if a customer has  
17 permanently requested disconnection from the company,  
18 but has not requested removal of the facilities,  
19 would this tariff still apply?

20 MR. TROTTER: Excuse me, Counsel, if I  
21 could ask for a clarification. Do you mean the  
22 tariff or Part B of the tariff?

23 MS. DAVISON: The tariff.

24 THE WITNESS: I guess -- would you ask that  
25 again, please?

0116

1 Q. If a customer has asked the company to  
2 permanently disconnect its service from the company,  
3 but the customer has not requested removal of the  
4 facilities, my question is would the tariff apply in  
5 that instance?

6 A. Yeah, under the 200, \$400, we would come  
7 out and remove the meter and the service.

8 Q. So your previous testimony that the tariff  
9 only applies if the customer requests removal of the  
10 facilities --

11 A. Oh, I see what you're saying now.

12 Q. -- is not accurate; is that correct?

13 A. No, unless they request us, we wouldn't  
14 come out. They would still have the meter and the  
15 service drop attached to their house without them  
16 requesting us to come and remove it.

17 Q. Okay. Let me try this again.

18 A. Okay.

19 Q. Okay. So permanent disconnect, no request  
20 for a removal, does the tariff apply?

21 A. No.

22 Q. The tariff does not apply?

23 A. No.

24 Q. Do you agree that, as a common reading of  
25 the language that you're proposing, that it appears

0117

1 as though, based on the tariff language, just simply  
2 requesting permanent disconnection then triggers the  
3 charges?

4 A. Correct.

5 Q. So there's an ambiguity in the language; is  
6 that correct?

7 A. Well, I thought it was pretty clear. If  
8 they request it, we come out and do it and charge it;  
9 if they don't request it, it stays in place.

10 Q. Okay. But the ambiguity that I'm speaking  
11 of is that someone has requested permanent  
12 disconnect, but has not requested removal of the  
13 facilities. It appears to me, based on the language  
14 of the tariff, that simply requesting permanent  
15 disconnection triggers the charge.

16 MR. TROTTER: Excuse me, I'm going to  
17 object. Your Honor, there is confusion. It's  
18 perhaps generated by the fact that there's two types  
19 of a context in which the charge can apply, to which  
20 the tariff can apply. And Counsel has been asking  
21 about the tariff. Part A is triggered by a request  
22 for permanent disconnect, that's the 200 and 400.  
23 Part B is additional facilities that are asked to be  
24 removed, and that requires a specific request. So  
25 there's two contexts to the tariff here and she's

0118

1 mixing and matching them, and so I'm going to object  
2 to the question until it's clarified we're talking  
3 about Part A or Part B. I attempted to do this  
4 before to focus the question, and I'm going to try it  
5 again.

6 CHAIRWOMAN SHOWALTER: Well, and actually,  
7 I want to add in, in support of that comment, I think  
8 this word request is getting thrown around, and both  
9 the questioners and the witnesses should say request  
10 for whatever they're referring to, because we have in  
11 this conversation now request for disconnection,  
12 request for termination, request to switch, request  
13 to remove property, and if you say we get a request,  
14 the record and the Commissioners don't know --  
15 request for what? So fill in the phrase.

16 MS. DAVISON: Okay. Let me try it again.

17 Q. I'm referring to line two, very  
18 specifically, Mr. Trotter, and all my questions have  
19 been referring to line two of this tariff where it  
20 says, A customer requests permanent disconnect.

21 A. I would --

22 Q. And you follow me?

23 A. Yeah.

24 Q. And in that instance, that customer has not  
25 requested removal. Does a charge apply or not?

0119

1           A.    Yes, it does, because to disconnect, we  
2    would have to go out and remove meter and the service  
3    drop, and that's what the 200 and \$400 charge is tied  
4    to.

5           Q.    So my confusion is that your previous  
6    testimony, in which you said that if a customer  
7    requests disconnection, but does not request removal  
8    of the facilities, and the tariff does not apply is  
9    incorrect?

10          A.    I was confused.

11          Q.    Thank you.

12                  MR. TROTTER:  Counsel, can you clarify that  
13    your last question also related only to line two,  
14    Part A of the tariff, and not to Part B?

15                  MS. DAVISON:  Yes.

16                  MR. TROTTER:  Thank you.

17                  MS. DAVISON:  Just one second.  I have no  
18    further questions, Your Honor.

19                  JUDGE CAILLE:  Mr. Hubbard.

20                  MR. HUBBARD:  Thank you, Your Honor.

21

22                  C R O S S - E X A M I N A T I O N

23    BY MR. HUBBARD:

24                  Q.    Mr. Clemens, it's still morning, so good  
25    morning.

0120

1 A. Good morning.

2 Q. I take it, sir, that you are the driving  
3 force or supporting force behind this net removal  
4 application, as far as PacifiCorp is concerned?

5 A. I do have input into the tariff, yes.

6 Q. And it is your testimony that's been  
7 offered, of course; is that right?

8 A. Yes.

9 Q. You're not an officer of PacifiCorp, are  
10 you?

11 A. No, I'm not.

12 Q. Has a board resolution been submitted in  
13 connection with this application?

14 A. Not to my knowledge.

15 Q. And you've testified already that your  
16 forte is public relations?

17 A. Correct.

18 Q. Now, on page four of PacifiCorp's motion to  
19 strike Thomas Husted's testimony, there is a --

20 CHAIRWOMAN SHOWALTER: Well, what exhibit  
21 are we talking about?

22 MR. HUBBARD: This is not an exhibit. I  
23 was just going to ask him a question. It's motion to  
24 strike Thomas Husted's testimony by PacifiCorp. I  
25 was just going to --

0121

1 JUDGE CAILLE: Could you just hold on a  
2 moment.

3 CHAIRWOMAN SHOWALTER: Is this impeachment  
4 of a -- what is -- you're questioning as a cross  
5 exhibit, or what?

6 MR. HUBBARD: No, I'm just going to read  
7 him a sentence to preface my question to have a  
8 foundation.

9 JUDGE CAILLE: Go ahead, Mr. Hubbard.

10 Q. There's a statement in that motion that  
11 reads, CREA is not a customer of PacifiCorp. Did you  
12 see that motion before it was filed?

13 A. Not before I -- I caught it later.

14 Q. If you look at Exhibit 60, it is true, is  
15 it not, that Columbia REA takes service at its  
16 headquarters in Dayton, Washington, from PacifiCorp?

17 A. Also in Walla Walla.

18 Q. And in Walla Walla at its new service  
19 center?

20 A. Correct.

21 Q. Directing your attention to Exhibit 61 --

22 JUDGE CAILLE: Before you begin questions  
23 on this, I would like to just alert the Commissioners  
24 that the customer has requested that his name not be  
25 used, so if you could just refer to this as a



0122

1 complaint and know that it's Exhibit 61 and 61-A.

2 MR. HUBBARD: Thank you.

3 Q. The complaint referenced in Exhibit 61 and  
4 61-A has been brought to your attention, has it not?

5 A. Yes, it has.

6 Q. And I see mentioned in 61 the name Sherm  
7 Thomas. He's an employee of PacifiCorp, is he not?

8 A. Yes, he is.

9 Q. Has been for some time?

10 A. Yes.

11 Q. About as long as you have, maybe?

12 A. I couldn't answer that question.

13 Q. Works around the Dayton area, doesn't he?

14 A. He's stationed in Walla Walla. He does  
15 work Dayton area.

16 Q. On the last page of Exhibit 61, it appears  
17 to be a workup by Coordinator Sherm Thomas. Do you  
18 see that?

19 A. The last page or the first page?

20 Q. Well, in my book, it's the last page.

21 A. This one?

22 JUDGE CAILLE: I believe it's the last page  
23 for everyone else, except the witness.

24 THE WITNESS: Sorry.

25 CHAIRWOMAN SHOWALTER: Is it headed RCMS

0123

1 Customer Billing Summary?

2 MR. HUBBARD: It is.

3 CHAIRWOMAN SHOWALTER: Is the witness  
4 familiar with that note?

5 THE WITNESS: Yes.

6 CHAIRWOMAN SHOWALTER: Are we on the same  
7 page?

8 THE WITNESS: Yes.

9 CHAIRWOMAN SHOWALTER: All right.

10 Q. And the amount estimated for this customer  
11 for the removal of his facilities was \$1,167; is that  
12 correct?

13 A. Correct.

14 Q. And I see, up about mid-page in this RCMS  
15 Customer Billing Summary, the words accommodation  
16 tariff. Do you see that?

17 A. Yes, I do.

18 Q. And the amount of \$1,167?

19 A. Correct.

20 Q. This is an amount, is it not, that  
21 PacifiCorp told this customer that he would have to  
22 pay to be disconnected?

23 A. From his original request, yes.

24 MR. PAINE: Excuse me, did you say  
25 disconnected or remove facilities? Can we get a

0124

1 clarification?

2 MR. HUBBARD: Well, let's take it either  
3 way. To have his service disconnected and the  
4 facilities removed.

5 MR. PAINE: Okay.

6 Q. This is a line item, I take it,  
7 accommodations tariff, this is a line item in your  
8 billing program, is it not?

9 A. Not in our billing program; in our RCMS  
10 program.

11 Q. But it's been used for some time by the  
12 company?

13 A. Correct.

14 Q. To reflect this type of charge for  
15 disconnect and removal?

16 A. For an accommodation.

17 Q. When a customer requests it?

18 A. Facilities to be removed.

19 JUDGE CAILLE: Just so the record is clear,  
20 it's when the customer requests the facilities to be  
21 removed?

22 THE WITNESS: Which is different than just  
23 asking us to disconnect.

24 JUDGE CAILLE: Okay.

25 Q. Is my understanding correct that the

0125

1 accommodation tariff applies when it's a customer  
2 request cost?

3 A. That's my understanding, yes.

4 Q. It's incurred for removal and disconnect?

5 A. In this case.

6 Q. Or might be for any other kind of  
7 customer-incurred cost?

8 A. Could be.

9 Q. Now, have you discussed this complaint with  
10 Rob Stewart, who's here with us today?

11 A. I don't know if Rob and I had any direct  
12 conversation over this one, but I might have called  
13 him to clarify some issues.

14 Q. On the third page of this complaint file,  
15 the fourth page of this exhibit --

16 JUDGE CAILLE: Mr. Hubbard, is that  
17 designated as page four of five at the top?

18 MR. HUBBARD: It's page three of five, Your  
19 Honor.

20 JUDGE CAILLE: Thank you.

21 Q. About halfway down, it states, Rob feels  
22 that the cost of this is in the company's tariff  
23 already for consumer-requested work. Is that  
24 referring to this disconnect and relocation?

25 A. Yes, it is.

0126

1 Q. And this is something that was here, at  
2 least, expressed as already being in your tariff; is  
3 that correct?

4 A. Correct.

5 Q. If you'd turn to Exhibit 62. Do you have  
6 that, sir?

7 A. Yes, I do.

8 Q. The response to Data Request 1 from Staff  
9 indicates any of our customers could be affected by  
10 the rule change, and we're referring to this net  
11 removal tariff. That would be the rule change?

12 A. Correct.

13 Q. And this would affect any of PacifiCorp's  
14 customers in the state of Washington, would it not?

15 A. Yes, that's -- if it's approved, yeah.

16 Q. But this application is really directed,  
17 and I believe you've testified already to that effect  
18 today, at customers of PacifiCorp in Walla Walla and  
19 Columbia Counties; is that right?

20 A. At the point of this testimony, yes.

21 Q. Even though the tariff would have statewide  
22 application?

23 A. It's beginning to become an issue in the  
24 Yakima Valley now.

25 Q. You understand it would have statewide

0127

1 application?

2 A. Mm-hmm.

3 Q. All the other PacifiCorp service areas in  
4 Washington are controlled by territorial agreements  
5 with neighboring utilities, are they not?

6 A. Existing utilities, yes.

7 Q. Yes. Except for Walla Walla and Columbia  
8 Counties?

9 A. Correct.

10 Q. Which is still --

11 A. Garfield County isn't, either.

12 Q. Correct. And those areas are still a  
13 matter of customer choice; is that correct?

14 A. Correct.

15 Q. So it's fair to say that this -- that  
16 removal tariff, if approved, really wouldn't have any  
17 practical effect, except on these three counties and  
18 customer choice?

19 A. At the present time. That could change.

20 Q. That is the practical effect of this  
21 application, is it not?

22 A. So far, yeah.

23 Q. And it's come to life, if you will,  
24 full-grown, almost, here today as a result of what  
25 you've described as Columbia REA soliciting

0128

1 PacifiCorp customers; is that true?

2 A. I didn't say that, no.

3 Q. In your direct testimony, don't you refer  
4 to CREA soliciting customers?

5 A. That testimony was changed with the  
6 rebuttal.

7 Q. Your direct testimony is then withdrawn  
8 from this case?

9 A. It's been amended or changed. Solicitation  
10 doesn't have anything to do with the operational and  
11 safety issues of the tariff.

12 Q. Do you say that because now that, with the  
13 help of Staff, the tariff would apply to disconnects  
14 for any reason, not just switching to another  
15 provider?

16 A. I don't know.

17 Q. Isn't that the essence of your rebuttal  
18 testimony and amendment to this filing that's in the  
19 air and in certain documents, but I don't know if  
20 it's ever actually been formalized, but this  
21 amendment to the filing says that the tariff would  
22 apply for removal, disconnect for any reason, whether  
23 it's competition, whether it's customer choice,  
24 whether the person that owned the old farm just died  
25 and just left to sit there and they disconnected. Is

0129

1 that right? It would apply across the board?

2 A. Correct.

3 Q. And over the decades until now,  
4 PacifiCorp's had disconnects for any number of  
5 reasons, I assume?

6 A. I couldn't tell you that for sure.

7 Q. Well, again, you're familiar with your  
8 local area, aren't you?

9 A. Mm-hmm, but not every connect and  
10 disconnect.

11 Q. As a matter of prudent utility practice,  
12 wouldn't you want to be aware of disconnects and  
13 what's going on in your service area?

14 A. It's pretty difficult with the amount of  
15 customers we have in the area.

16 Q. Walla Walla and Columbia Counties?

17 A. I mean, that's not my responsibility,  
18 disconnects and connects.

19 Q. So you don't have any direct knowledge in  
20 that area?

21 A. Not direct knowledge, no, as far as  
22 specific numbers.

23 Q. In this same Exhibit 62, Staff asked that  
24 you provide -- plant data should include gross  
25 investment, net book value, annual depreciation,



0130

1 expense, salvage value of equipment, estimated  
2 removal cost. Your answer to this data request  
3 doesn't provide that information, does it?

4 A. No, it doesn't.

5 Q. Is that because you didn't have the  
6 information available to respond to it?

7 A. It's because we didn't know who might be  
8 affected by the tariff.

9 Q. In other words, you didn't have the  
10 information to respond to it?

11 A. Correct.

12 Q. Now, the second page of this exhibit, Staff  
13 Data Request 2, do you have that?

14 A. Yes, I do.

15 Q. And it asked, Does this proposed rule apply  
16 equally to residential, commercial and industrial  
17 customers? And the answer is yes, but do you mean  
18 that same charge would apply across the board without  
19 distinction to the type of service?

20 A. No.

21 Q. How would that be computed?

22 A. Through our RCMS system.

23 Q. It would be estimated?

24 A. It would be calculated through the RCMS  
25 system.

0131

1 Q. But it would not be sitting there as a hard  
2 number in a tariff that a customer could look at  
3 ahead of time, would it?

4 A. It would be an estimate.

5 Q. It wouldn't be actually sitting in the  
6 tariff. You'd have to go to the company and inquire  
7 to find out any actual numbers; correct?

8 A. Correct.

9 Q. And then that would be up to the company to  
10 create or provide these numbers to the customer?

11 A. Correct.

12 Q. WUTC Staff Data Request Number 6, which is  
13 included in this same Exhibit 62, you referenced that  
14 all customers who have switched have switched to  
15 Columbia REA; is that correct?

16 A. Right.

17 Q. It's also true, and I believe we've  
18 addressed this, but let me try it a little further,  
19 that all other areas in Washington are covered by  
20 territorial agreements?

21 A. Correct. Oh, except for Garfield County.

22 Q. Except for Garfield County. And so in  
23 these territorial agreement areas, those customers  
24 couldn't switch even if they wanted to, could they?

25 A. With the utilities we have the agreement

0132

1 with. That doesn't mean there couldn't be another  
2 utility come into the picture.

3 Q. Between the utilities that have agreed now?

4 A. Correct.

5 Q. And you've answered this question, but I  
6 want to address it a little further. You understand  
7 there aren't any dedicated service areas in  
8 Washington?

9 A. I understand that.

10 Q. Do you view that as a legislative policy in  
11 the state?

12 A. What's that?

13 Q. Do you view that as a legislative policy of  
14 this state?

15 A. It seems to be, yes.

16 Q. If you would turn, please, to Cross Exhibit  
17 63. Here you're asked to please identify each state  
18 where PacifiCorp has a similar meter removal tariff  
19 which is approved by a state commission and provide a  
20 copy of same. And this is a little different  
21 response than you gave Ms. Davison earlier.

22 A. This is Rob Stewart's response.

23 Q. I see. And here the response is, There are  
24 none, nor does PacifiCorp foresee the need for such a  
25 filing in other states, because PacifiCorp has

0133

1 allocated territories in all their states in which it  
2 serves. Do you have any reason to disagree with that  
3 statement?

4 A. No, I don't.

5 Q. Disconnects that have been occurring over  
6 the years have been absorbed into your rate base,  
7 have they not?

8 A. I would imagine.

9 Q. Can you imagine any other place they would  
10 have gone?

11 A. There might have been a charge sometime in  
12 the back. I don't know. I mean, we've been in  
13 Washington since 1910. I can't answer back that far.

14 Q. We've only been around since 1939. And I'm  
15 going to go back to these farmsteads and abandoned  
16 barns that used to have power. And maybe you  
17 remember up at Dad's there was a house across the  
18 creek, the old shale place, when that was  
19 disconnected. Those disconnects were absorbed by the  
20 company, weren't they?

21 A. Couldn't answer that question. I haven't  
22 been there that long.

23 Q. Well, this one up at Dad's was about 15  
24 years ago. I think I saw you up on Orchard Street  
25 and we talked about it.

0134

1 A. I think you're mistaken, but --

2 Q. In any event, these disconnects and removal  
3 charges have been ongoing to the company for some  
4 time. They haven't just -- something that's come up  
5 since 1999?

6 MR. PAINE: I would object to that, because  
7 that mischaracterizes what has been discussed  
8 previously. All of his prior questions addressed  
9 disconnects, now he's talking about disconnects and  
10 removals. That particular evidence has not been  
11 addressed in his questioning.

12 JUDGE CAILLE: Mr. Hubbard, let's be very  
13 careful about how we're referring to -- I'm going to  
14 sustain Mr. Paine's objection, and could you please  
15 be specific and clear?

16 MR. HUBBARD: I thought it was understood  
17 that we were talking about disconnects and removals  
18 right along, but I will endeavor to be more precise.  
19 Thank you.

20 Q. Disconnects and removals have been absorbed  
21 by the company over the years prior to 1999, have  
22 they not?

23 A. I can't answer that for sure. The only  
24 time I've been dealing with this has been since 1999.

25 Q. Or were they billed out as customer

0135

1 accommodation charges, like in this complaint file?

2 A. I can't answer that question before '99.

3 Q. When did this customer accommodation tariff  
4 first appear on your MCS program?

5 A. Don't know.

6 Q. Before your time?

7 A. Must be.

8 Q. Were there computers then, Bill?

9 A. Well, I've been with the company for a long  
10 time, but I've only been in Washington for seven  
11 years.

12 Q. Thank you. The disconnect and removal of  
13 distribution facilities, is there any reason why a  
14 licensed electrician couldn't job that out and remove  
15 it?

16 A. Well, there would be some liability issues.  
17 They're not -- that we would have with other people  
18 working on our facilities.

19 Q. Wouldn't the National Electric Code and  
20 other rules and regulations govern any kind of  
21 removal like that?

22 A. I can't answer that.

23 CHAIRWOMAN SHOWALTER: Mr. Hubbard, you  
24 have a voice that carries well, but I notice you're  
25 not using your microphone, and I don't know whether

0136

1 the people on the line -- so could you get the  
2 microphone and project into that?

3 MR. HUBBARD: Thank you.

4 CHAIRWOMAN SHOWALTER: If you put it  
5 between you and the witness, it will help.

6 MR. HUBBARD: We can do that.

7 Q. You're aware of independent contractor  
8 agreements where you could work order the removal of  
9 a facility to a third party?

10 A. I haven't dealt with those, no.

11 Q. You're not familiar with indemnification,  
12 hold harmless type clauses that are typically in  
13 those agreements?

14 A. I've seen those type of clauses in other  
15 contracts, yes.

16 Q. There are ways to address liability  
17 concerns, are there not?

18 A. You'd have to consult our legal staff on  
19 that.

20 Q. Thank you.

21 JUDGE CAILLE: Mr. Hubbard, I think that  
22 this would be a good time for us to take our noon  
23 recess, unless you have just one more question.

24 MR. HUBBARD: As much as we wished, I'm  
25 afraid not.

0137

1                   JUDGE CAILLE: All right. We'll return at  
2 1:30. We're off the record.

3                   (Lunch recess taken.)

4                   JUDGE CAILLE: We are back on the bench  
5 after our noon recess, and we are continuing with the  
6 cross-examination of Mr. Hubbard (sic) for Columbia  
7 -- of Mr. Clemens, and we'll just pause here, because  
8 I did see both Commissioners following me down the  
9 hall. All right. You may begin.

10                  MR. HUBBARD: Thank you, and good  
11 afternoon. I would like to relate that, after  
12 further discussion, we're going to shorten this  
13 examination up.

14                  JUDGE CAILLE: Thank you.

15                  Q. And with that, Mr. Clemens, we visited this  
16 morning about this accommodation tariff. Do you  
17 recall that?

18                  A. Yes, I do.

19                  Q. Can you describe what that tariff covers?

20                  A. Well, generally, it's to cover situations  
21 where customers ask us to do work that aren't  
22 required to provide service, those type of things, so  
23 if somebody wanted to move a pole just because they  
24 didn't like where it was at or something like that,  
25 that would be accommodation.



0138

1 Q. As we saw in the customer complaint file,  
2 it would also cover, would it not, customer-requested  
3 disconnects and removal of facilities?

4 A. No, I don't think so.

5 Q. In Exhibit 61, you recall that line being  
6 included in the estimate by Sherm Thomas as the  
7 accommodation tariff, \$1,167?

8 A. I imagine that's just because it's the only  
9 line we have to use in that particular program, since  
10 we don't have any other tariff in place to collect  
11 those costs at this current time.

12 Q. And just so my recollection is correct, you  
13 testified this morning that you had used that  
14 accommodation tariff line in that program for some  
15 time; is that right?

16 A. Yeah.

17 Q. Do all customer-directed disconnects fall  
18 under that tariff?

19 A. I can't answer that question.

20 Q. Well, I would assume if they did, if  
21 customer-directed removals and --

22 A. Well, again, we get into whether it was a  
23 request for removal or a request for disconnect. In  
24 the case of the one you brought up, that was to  
25 remove facilities, which would be an accommodation,

0139

1 not a request to disconnect.

2 Q. If the witness would let me finish my  
3 question.

4 A. Okay. I'm sorry.

5 Q. If it is there to cover customer-requested  
6 disconnect, removal of facilities, what's the use of  
7 this applied-for tariff, the one we're talking about  
8 today?

9 A. Well, the accommodation wouldn't cover just  
10 a request to disconnect, which is the service drop  
11 and meter. The accommodation is -- we've been using  
12 to use to cover removal of facilities.

13 Q. Does this proposed net removal tariff cover  
14 the incremental cost of doing the disconnects and  
15 removal of facilities from a departing customer?

16 A. Well, it has two pieces. One is for the  
17 disconnect, which is the service meter, which is the  
18 200 and 400, and then it clarifies the rest of the  
19 facilities and limits them to distribution only and  
20 those different things identified in that piece.

21 Q. Has the accommodation tariff been approved  
22 by the WUTC?

23 A. I assume so. It's way before my time.

24 Q. You couldn't point me to chapter and verse  
25 in that regard?

0140

1 A. I couldn't.

2 Q. Have you had to, in these some 12  
3 disconnects that we've talked about since 1999, have  
4 you had to hire -- and removals -- have you had to  
5 hire additional people to do that work?

6 A. No, we haven't.

7 Q. Okay. Which means, in turn, that you've  
8 been able to do that work within existing staffing  
9 levels?

10 A. So far.

11 Q. I guess, obviously, the cost of those  
12 employees, that labor is within your existing rate  
13 schedule?

14 A. I'm not sure how that all shakes out. I  
15 mean -- I mean, the labor, I mean, when they pay  
16 their labor, whether they're doing a disconnect or  
17 doing a new connect. And if we do a new connect,  
18 their labor is included in those RCMS estimates as if  
19 -- they would be included as a piece of a net removal  
20 estimate.

21 Q. It's paid out of your existing rates?

22 A. Correct.

23 Q. If those costs are already covered, why do  
24 we need to charge for them again by this proposed  
25 tariff today?

0141

1           A.   Well, they're currently being covered by  
2 all the customers, and they should be covered by the  
3 people that cause us to incur those costs, not spread  
4 over the entire rate base.

5           Q.   That's your personal feeling, is it not,  
6 that the cost causer ought to be the cost bearer?

7           A.   Correct.

8           Q.   You also, and I think reaffirmed just a  
9 little bit ago, that a majority of the 12 who have  
10 disconnected and had facilities removed since 1999  
11 did so for service-related reasons?

12          A.   I said that?

13          Q.   That's what my notes say. Do you have  
14 different testimony this afternoon?

15               MR. TROTTER: I'll object to the colloquy,  
16 Your Honor. I'd request a direct question and direct  
17 answer, because I don't think that's what this  
18 witness said this morning, either, so I'll object to  
19 the colloquy and just ask that questions be asked  
20 directly.

21          Q.   Do you recall your testimony this morning  
22 in that regard?

23          A.   I don't recall saying that.

24          Q.   Can you pinpoint a reason?

25          A.   Well, I gave you one example. There are

0142

1 people who have left for various reasons. I haven't  
2 talked to every one of them.

3 Q. Just bear with me a second, if you will.  
4 I'm looking for my notes on Ms. Davison's  
5 examination. If those switches were service-related  
6 in origin, might not PacifiCorp be the cost causer?

7 A. No.

8 Q. And how is that?

9 A. Just because they are unhappy with their  
10 service, that's a personal thing. It isn't -- it's a  
11 perception of our service, not what we actually offer  
12 as service. I don't see how we would be the cause  
13 for them to remove.

14 Q. Isn't the risk in cost of losing customers  
15 just a part of doing business built into your rates  
16 now?

17 A. Not that I know of.

18 Q. It's not in the accommodation tariff?

19 A. Accommodation is targeted at customer's  
20 request to do certain things.

21 Q. And over the years previous to '99,  
22 disconnects for any reason have just been absorbed  
23 into the company, have they not?

24 A. Now, are you talking disconnects and  
25 removals?

0143

1 Q. Removals and disconnects?

2 A. Both?

3 Q. Yes.

4 A. No, we've been charging for accommodation  
5 on removals.

6 Q. Oh. Right along under this accommodation  
7 tariff, I take it?

8 A. What is that?

9 Q. Right along under this accommodation  
10 tariff, I take it?

11 A. I would say so, yeah.

12 Q. But you don't know whether that's approved  
13 by the Commission?

14 A. Well, it would have to be if it's in the  
15 tariff.

16 MR. HUBBARD: That's all I have. Thank  
17 you.

18 JUDGE CAILLE: Thank you. Mr. Trotter.

19 MR. TROTTER: I just have a few questions.

20

21 C R O S S - E X A M I N A T I O N

22 BY MR. TROTTER:

23 Q. Mr. Clemens, would you turn to your

24 rebuttal testimony, page four? It's Exhibit 2-T. On

25 line 11, beginning there, you refer to two of Staff's

0144

1 proposed conditions on the net removal cost tariff.  
2 One is a sunset date of December 31st, 2005, and the  
3 other is annual reporting requirements to report the  
4 company's experience under the tariff if it's  
5 approved; is that right?

6 A. Correct.

7 Q. And am I correct PacifiCorp supports those  
8 two conditions?

9 A. Yes, we do.

10 Q. You answered some questions about customers  
11 paying for property and it becomes their property.  
12 Do you remember that?

13 A. Yes, I do.

14 Q. Are you generally familiar with the concept  
15 of a contribution in aid of construction?

16 A. Yes.

17 Q. And am I correct that that is a charge that  
18 a customer makes where they do not get the property  
19 as their own property?

20 A. Correct, that's a construction allowance or

21 --

22 Q. So in that context, if a customer who had  
23 paid in the past a contribution in aid of  
24 construction asked to disconnect service under  
25 circumstances covered by the proposed tariff,

0145

1 paragraph A, the charge would apply; is that correct?

2 A. Correct. We'd still be in ownership of the  
3 asset.

4 MS. DAVISON: Your Honor, is this  
5 cross-examination? I'm sorry, I might have -- I'm  
6 confused whether this is friendly cross or if this is  
7 actually cross. I don't think it's -- if this is  
8 supposed to be cross-examination, I'm going to object  
9 on the basis that it's friendly cross.

10 MR. TROTTER: She can object to the next  
11 one, but I'm trying to clarify his testimony.

12 MS. DAVISON: Well, I don't think that  
13 that's the purpose of cross-examination.

14 MR. HUBBARD: Columbia would join in that  
15 objection.

16 JUDGE CAILLE: The objection is overruled.  
17 We believe that the information that counsel's trying  
18 to elicit will be helpful to the bench.

19 Q. I just have one other line of questioning.  
20 On page four of your direct testimony, page three of  
21 Exhibit T-1, lines seven through 10, you testify that  
22 in College Place, there are duplicative distribution  
23 facilities between PacifiCorp and CREA; is that  
24 right?

25 A. Correct.



0146

1 Q. Now, Mr. Husted, in his proposed testimony,  
2 says that in College Place, there is not duplication,  
3 and I can get you a cite to that in just a second.  
4 That would be Exhibit 201-T, page two, beginning on  
5 line eight. Are you aware of that testimony?

6 A. Yes, I am.

7 Q. So just let me ask you the question  
8 directly. Are you familiar with distribution  
9 facilities in place in College Place, Washington?

10 A. Yes, I am.

11 Q. Are there streets in College Place,  
12 Washington in which there are distribution poles  
13 going down two sides of the same street?

14 A. Yes, there are.

15 Q. And are the poles on one side of the street  
16 owned by PacifiCorp and the other side of the street,  
17 the poles are owned by CREA?

18 A. Yes.

19 Q. Are they serving the same customers in the  
20 same area?

21 A. Different customers, same area.

22 MR. TROTTER: I have nothing further.

23 Thank you.

24 JUDGE CAILLE: Chairwoman Showalter.

25

0147

1                                   E X A M I N A T I O N

2   BY CHAIRWOMAN SHOWALTER:

3           Q.   Yes, I'd like to begin just with the  
4   physics and safety issues, so set aside for the  
5   moment whether there is or isn't a tariff or whether  
6   the customer has or hasn't requested something.

7           A.   Okay.

8           Q.   If there are facilities that were used to  
9   serve a customer and now that customer obtains, in  
10   one form or another, new facilities from a different  
11   utility, can you describe for me, first of all,  
12   whether it's physically possible for the new utility  
13   to provide electricity to the customer without the  
14   other facilities having been removed or cut off?

15          A.   What that would require is a whole new  
16   service to be built on the house or commercial  
17   structure, because you have a panel and a meter base  
18   and a weatherhead, where the wire comes in to serve  
19   the customer.  Now, if we didn't disconnect our  
20   service drop, we call it, and remove our meter, there  
21   would be no place to connect to that customer unless  
22   they built complete duplicate facilities on their own  
23   house to accept the other service.  So we have to  
24   remove our meter and our service drop, at the very  
25   least, to let them in to be able to hook up to the

0148

1 customer.

2 Q. And I'm not pretending remotely to be an  
3 expert --

4 A. Sure.

5 Q. -- in the physics of this yet, but I  
6 envision the wire coming from the telephone pole to a  
7 house, for example.

8 A. Mm-hmm.

9 Q. And it goes into the fuse box.

10 A. Right.

11 Q. And just as a matter of physics, if you cut  
12 the wire just before it goes into the fuse box and  
13 replace that wire that goes off to another  
14 transformer somewhere, does that accomplish the job  
15 of making the connections necessary to serve  
16 electricity?

17 A. Basically, that's what we're talking about  
18 on a disconnect, where we're physically cutting that  
19 wire where it goes into what we call the weatherhead,  
20 or where it attaches to the house, down to the meter  
21 and into the fuse box. So that's what we're  
22 referring to with the 200 and \$400 charge, is to send  
23 an employee out to cut that wire, remove the meter so  
24 the other utility can come in, re-hook up and put  
25 their own meter in.

0149

1 Q. All right. I honestly don't know, but my  
2 impression was that from -- that my own house, that  
3 from the -- I believe it's the transformer on the top  
4 of a telephone pole, that the wire going from there  
5 to my house was my responsibility.

6 A. No.

7 Q. That's not true, okay.

8 A. Everything on this side of the meter is  
9 ours, anything beyond the meter is the customer's.

10 Q. So if someone, for example, were to cut the  
11 wire on the transformer side -- is transformer the  
12 right word here?

13 A. Mm-hmm.

14 Q. On the transformer side of the meter --

15 A. That's our facilities.

16 Q. -- that would be a trespass of sorts, if it  
17 were not cut by the owner, the utility --

18 A. Right.

19 Q. -- of the wire. All right. Now, is it a  
20 -- is it a given by all concerned, as far as you  
21 know, that it is dangerous to have two meters on the  
22 same house? Could that even happen?

23 A. It could happen. It wouldn't make much  
24 sense.

25 Q. All right. I'm trying to imagine the most

0150

1 passive customer. Let's say it's a residential  
2 customer --

3 A. Sure.

4 Q. -- who simply stops paying the bill and  
5 doesn't pay the bill for three months or so, and  
6 however long it takes to get a disconnection notice,  
7 and then is disconnected, the service is  
8 disconnected. All right. In that situation, first  
9 of all, as a routine matter, are or aren't facilities  
10 removed?

11 A. Just the meter.

12 Q. So --

13 A. Which breaks the path.

14 Q. Okay.

15 A. So that they couldn't use it.

16 Q. So --

17 A. But we wouldn't physically cut the wire.

18 Q. All right. So if there is a customer who  
19 simply stops paying, ultimately PacifiCorp would come  
20 and remove that person's meter?

21 A. Correct. Or, if it was a hostile customer,  
22 we might disconnect the wire at the pole, not cut it  
23 and remove it, like we were talking, but just  
24 disconnect the connection.

25 Q. All right. And I think where I'm leading

0151

1 with my questions is I too was concerned when I read  
2 the proposed tariff that says when a customer  
3 requests removal of facilities, and it seems to me  
4 that especially with residential or maybe small  
5 commercial, it might very well be the case that they  
6 never do request removal of facilities?

7 A. Well, the tariff states that they're only  
8 requesting it at a location that it will never be  
9 used again, or most likely won't be used, versus like  
10 a house on a nonpayment. We know eventually  
11 somebody's going to be there, somebody's going to  
12 sign up for the bill or the people are going to come  
13 up with the money to get us to reconnect them. So I  
14 think that might be the difference between what we're  
15 talking in the tariff and where you were going.

16 Q. All right. Well, let me posit two  
17 neighbors.

18 A. Okay.

19 Q. Again, let's say it's residential. And  
20 they talked to each other and they both decide that  
21 they want to go with the other guy.

22 A. Okay.

23 Q. Let's say it's CREA. One calls up and  
24 says, I want to switch my service, I want -- please  
25 do what it takes for me to be able to switch my

0152

1 service to CREA. Am I right that, in that situation,  
2 under the proposed tariff, PacifiCorp would say,  
3 Fine, it will be \$200, and we'll be out on Monday.

4 A. Okay.

5 Q. All right. The other customer does  
6 absolutely nothing, other than call CREA and say, I  
7 want service from you. What do you see happening in  
8 that situation?

9 A. We would leave our wire in place until the  
10 customer asked us to remove it.

11 Q. All right. And then, if CREA comes out to  
12 put in a meter, what do you see happening in a  
13 physical sense, not the tariff sense?

14 A. Well, they would have to remove our meter  
15 and then they would hook a meter up to our system,  
16 because it would still be our wire connected to the  
17 home. They would have to physically disconnect us,  
18 run a new wire in and put their own meter in before  
19 the customer would be switched.

20 Q. All right. So -- but to do that, some form  
21 of trespass --

22 A. Correct.

23 Q. I may not be using the right legal term,  
24 but --

25 A. Correct.

0153

1 Q. -- someone would have to cut your wire?

2 A. Correct.

3 Q. But in some theoretical sense only or a  
4 highly unusual situation, could all the wiring within  
5 a house be directed over toward another meter?

6 A. They could put in another panel, rewire  
7 into all the existing house, put another meter base,  
8 weatherhead, which financially wouldn't make much  
9 sense.

10 Q. Now, in an industrial situation, where  
11 there may be a lot of equipment on the premises,  
12 could it make sense for the competing utility to lay  
13 whatever wires are necessary to hook up to the  
14 customer's facilities in such a way as to avoid this  
15 other expense? That's what I'm getting at.

16 A. Well, the industrial customer would still  
17 have to put in all new switch gear, which would be  
18 very expensive, for -- and rewire from the old switch  
19 gear to the new switch gear before the new utility  
20 could hook up to it. And that would probably wipe  
21 out any savings or whatever reason they were using to  
22 go to another utility.

23 Q. Then, as a practical matter, is it your  
24 opinion that in order to make a switch, one way or  
25 another, the first company, let's say PacifiCorp,



0154

1 will, in fact, be called out to disconnect or remove  
2 equipment before the other utility, as a practical  
3 matter, can hook up?

4 A. Correct.

5 Q. Okay. Can you repeat for me what counties  
6 in Washington are served by PacifiCorp?

7 A. In the entire state?

8 Q. In Washington.

9 A. In Washington, there's Walla Walla,  
10 Columbia, Garfield, and Yakima Counties, and just a  
11 small piece of Benton County. Very small.

12 Q. And then, which of those counties, with  
13 which utilities, do you have service territory  
14 agreements?

15 A. We have a service territory agreement in  
16 Yakima County with Benton REA, and that's the only  
17 one. In Garfield County, we're surrounded by Inland  
18 Power, but there hasn't been any problems there of  
19 people switching or any of that stuff.

20 Q. And you have no service territory agreement  
21 with Inland?

22 A. Correct.

23 Q. And then, let's see, in Walla Walla and  
24 Columbia, is CREA your only contiguous utility  
25 neighbor?

0155

1 A. Correct.

2 Q. So have I covered everything? Are there  
3 any other utility neighbors you have?

4 A. Not currently.

5 Q. Then, if you could turn to page three of  
6 your rebuttal testimony, that's Exhibit 2-T, and I  
7 was a little bit confused on some of the discussion  
8 surrounding lines 10 to 12. The line says, When the  
9 facilities removed by company are residential  
10 overhead services and meter only, what does the word  
11 overhead service mean? Does that mean the wires come  
12 from above or there's something more specific that --

13 A. It's that wire we were talking about  
14 earlier from the transformer to your weatherhead on  
15 your house.

16 Q. Okay.

17 A. And it's in the air instead of going  
18 underground.

19 Q. All right. And there was reference to say  
20 a situation where seven poles need to be removed?

21 A. Mm-hmm.

22 Q. Now, in that situation, is that not part of  
23 something called overhead service?

24 A. It is part of overhead service, but it's  
25 more than just the service drop and the meter. If

0156

1 the house is far enough back, say it's on a five-acre  
2 piece of land, and for us to get our service there  
3 from the transformer, we have to hit several poles to  
4 get there, it's not just that last span of wire down  
5 to the house.

6 Q. Well, if that's the case, what I would have  
7 put in, based on your testimony right now, is it  
8 would read, When the facilities are removed -- when  
9 the facilities removed by company are service drop  
10 and meter only in connection with overhead service,  
11 with residential overhead service.

12 A. Okay.

13 Q. Is that a more precise way to say what you  
14 mean?

15 A. Probably.

16 Q. As distinct, for example, if there are  
17 seven poles in connection with overhead service --

18 A. I see what you're saying, yes.

19 Q. -- it's not covered by this.

20 A. Well, the intent of it was, then you move  
21 to the next piece, where it's more than just the  
22 simple disconnect, where we actually do an estimate  
23 and charge in addition to the 200 or \$400 simple  
24 service removal.

25 Q. And I think I understand your intention.

0157

1 I'm focusing --

2 A. Sure.

3 Q. -- on these words, and they seem to me to  
4 include both the simple service drop situation and  
5 the seven-pole situation, because it says residential  
6 overhead service and meter only.

7 A. Okay.

8 Q. I think we've clarified that. If you could  
9 turn to page two of your direct testimony, I just  
10 want to clarify your answer to Ms. Davison on the  
11 point of lines six and seven. Are you saying here  
12 it's not that labor likely will be included, but that  
13 labor will be included, likely for meter and poles,  
14 conductors and transformers? Is that where the  
15 likely part comes in?

16 A. Yes, it is.

17 Q. All right. Thanks. My last question, you  
18 said that unless a customer requests removal of  
19 facilities, the company is not going to go out and  
20 give an estimate of what it would cost. And my  
21 question is why?

22 A. The way our system is structured,  
23 everything is triggered on a request that comes in to  
24 us. I mean, we can give ballpark estimates, but you  
25 know, they're just quick, in ballpark-type things.

0158

1 But to get anything very accurate, the way our system  
2 is structured, is the request is what triggers the  
3 activity or the action, and then the whole process is  
4 put in place from then on.

5 Q. Well, first of all, is there anything, any  
6 administrative reason why you could not respond to a  
7 request to come and give an estimate of what it would  
8 cost now that -- as distinct from a cost reason,  
9 which I'll ask you in a minute.

10 A. Sure. It's just staffing. I mean, to have  
11 enough people available to do that type of work.

12 Q. I realize I may be leading us into another  
13 tariff, but if it costs money for PacifiCorp to come  
14 and give an estimate, if you were paid the amount of  
15 money that it cost to give that estimate, would you  
16 perform it or could you perform it?

17 A. If I'm not mistaken, there is a tariff that  
18 covers that issue.

19 Q. Okay. Well, then, under that tariff,  
20 assuming it exists for purposes of this question --

21 A. I think -- let me clarify. I think there's  
22 a tariff if we get more than -- if we get multiple  
23 estimates, we can charge for the additional ones.

24 Q. I see.

25 A. But we can do a ballpark estimate, like I

0159

1 say, if somebody just wanders in and says, Hey, how  
2 much does it cost, you know, we can do this is in the  
3 neighborhood of what you're talking about without  
4 going through a formal full-blown estimate.

5 Q. But I think you said you would not rely on  
6 that estimate for determining whether a customer  
7 should or shouldn't switch?

8 A. Personally, I wouldn't. I mean, like I  
9 say, it's a ballpark. It could vary one way or the  
10 other.

11 Q. Do you have a sense of how much it does  
12 cost in terms of manpower or labor to come out and  
13 give an estimate of what it costs to remove  
14 facilities?

15 A. I'm having a tough time. You've got a  
16 journeyman estimator's wages, the truck they're  
17 driving, you know, the time they spend at the  
18 computer inputting the information, the time you  
19 spend with the customer on the front end and on the  
20 tail end. I mean, those would be, in my estimation,  
21 the costs of doing the estimate.

22 Q. But it's your understanding that, as far as  
23 existing tariffs are concerned, only a second type or  
24 multiple estimates are covered, not a first cut  
25 estimate?

0160

1           A.    As far as I know.  I'm not positive on  
2  that.

3                   CHAIRWOMAN SHOWALTER:  Okay.  I have no  
4  further questions.  Thank you.

5                   THE WITNESS:  Thank you.

6                   JUDGE CAILLE:  Commissioner Hemstad.

7

8                               E X A M I N A T I O N

9  BY COMMISSIONER HEMSTAD:

10           Q.    I'm trying to understand some of these  
11  terminology distinctions and tariff distinctions, and  
12  this is my problem of understanding this; it's not  
13  your problem in having attempted to explain it.  
14  First, I still don't understand this distinction  
15  between termination and disconnection.  Am I using  
16  the right categories?

17           A.    They're the same.

18           Q.    Oh, they're the same, okay.

19           A.    I mean, if you terminate service or  
20  disconnect the service, it's the same thing, but if  
21  we remove facilities, it's different than just the  
22  disconnect.

23           Q.    All right, okay.  So those -- the first two  
24  terms are used interchangeably, so the issue is then  
25  between removal and just disconnection?

0161

1 A. Correct.

2 Q. Well, so that leads to the -- I guess I  
3 didn't follow adequately the discussion about the  
4 accommodation tariff and its relationship to this  
5 proposed tariff here in your discussion with counsel.  
6 Under the accommodation tariff, the -- well, for  
7 example, using the customer and the customer billing  
8 summary in the Exhibit 61 and the charge there under  
9 the accommodation tariff of \$1,167, what portion of  
10 that would be covered under the proposed tariff here?

11 A. Well, the entire amount. The difference  
12 between that request and then a simple disconnection  
13 in that case, there was a pole that needed to be  
14 removed, we needed a crew, flaggers to remove the  
15 pole. And the service across the road where we did  
16 the simple disconnect, we were able just to send a  
17 service man up that was already stationed in Dayton.  
18 He was able to get off the highway, disconnect the  
19 wire from the meter. The pole and the wire across  
20 the road are still there. So that was the difference  
21 between his original request, which was to remove  
22 facilities. Then he changed his mind and said he  
23 just wanted to be disconnected. So then we just went  
24 up and disconnected and we didn't charge for that.  
25 But the cost you see in the estimate would have been



0162

1 for removing all the facilities that served his  
2 house.

3 Q. Okay. If we accept the tariff as the  
4 company -- as proposed, as modified with the Staff  
5 suggestions, then there would be what, first a \$200  
6 charge that would be assessed for the removal of the  
7 meter and the service drop?

8 A. That would be, depending on the request  
9 from the customer, if he requests just to be  
10 disconnected, that's what we would do. But if he  
11 requested to remove all the facilities, then that  
12 would trigger the RCMS estimate and the more work.

13 Q. And but that would be over and above the  
14 200, or would the 200 go away?

15 A. The 200 would go away, because it would be  
16 -- that labor would be figured in with the rest of  
17 the estimate.

18 Q. I see. This is a more general question. I  
19 believe it's your testimony that this issue has not  
20 presented itself, at least within your memory, of  
21 requests to switch service, and I think it was  
22 earlier in your testimony that -- well, it probably  
23 isn't related to cost, but it could be. Maybe I'm  
24 putting more words in your mouth than you said  
25 precisely, but my question is do you have any opinion

0163

1 as to why these requests are coming now and they  
2 haven't occurred historically?

3 A. Well, in my opinion is when they had the  
4 change of management in Columbia REA, they've taken a  
5 new direction, where they're working to get more  
6 density in their system. They are not -- they don't  
7 want to be so tied to agriculture, and I've heard  
8 numbers around 60 percent of their load is tied to  
9 agriculture. They want some more diversity in their  
10 system. So they've taken a stance where they are  
11 going to go out and grow their customer base.

12 COMMISSIONER HEMSTAD: That's all I have.

13

14 E X A M I N A T I O N

15 BY COMMISSIONER OSHIE:

16 Q. Mr. Clemens, you may have already answered  
17 this question, but I'm going to -- I want to be clear  
18 on your answer in that, in light of your rebuttal  
19 testimony, and I'm referring to your adoption of  
20 Staff's proposed tariff, I want you to turn now to  
21 page one of your direct testimony, lines 17 through  
22 19. My question is whether you've withdrawn that  
23 section of your testimony?

24 A. What lines were they, again?

25 Q. Lines 17 through 19.

0164

1           MR. PAINE: May I clarify? The reason I  
2 asked him at the very first, when he took the stand,  
3 as to whether or not there were any changes in his  
4 initial testimony was to introduce the fact that we  
5 had modified positions and it's reflected in the  
6 rebuttal testimony. I did want to clarify that at  
7 first. That's the only area that I wanted to touch  
8 upon when he first took the stand, but that was the  
9 purpose of it, to give everyone an understanding that  
10 if they read the initial testimony, it has been  
11 modified by the rebuttal.

12           COMMISSIONER OSHIE: That's my question,  
13 Mr. Paine. If he's withdrawn that sentence, lines 16  
14 through 19, because it seems inconsistent -- or 17  
15 through 19 because of the inconsistency with the  
16 position taken in the rebuttal testimony?

17           MR. PAINE: That is correct. It is not  
18 solely limited to customers to switch electric  
19 suppliers, for example, as it is now, the form that  
20 it's now in in the rebuttal testimony.

21           COMMISSIONER OSHIE: Is that your witness'  
22 answer?

23           THE WITNESS: Yes, it is.

24           MR. PAINE: I'll ask him.

25           COMMISSIONER OSHIE: Okay, thank you.

0165

1 Q. Let's focus a bit, Mr. Clemens, on your  
2 testimony and your rebuttal testimony. On page four,  
3 lines 23 through 26 --

4 A. This is on the rebuttal or direct?

5 Q. On rebuttal. You raise the issue in your  
6 testimony of placing public safety personnel, such as  
7 firemen, in a potentially harmful situation where  
8 duplicative electrical distribution facilities are  
9 present. And my question is, really, is that the  
10 only safety consideration with the duplicative  
11 facilities?

12 A. Well, I would think another one would be  
13 where you have distribution facilities going down  
14 both sides of the street, it just doubles the  
15 opportunity for car-pole accidents, those type of  
16 things.

17 Q. What are your operational concerns that you  
18 refer to on line 23?

19 A. It's mainly that they cannot hook up to the  
20 customer until we remove our facilities or our  
21 service drop and meter.

22 Q. Let me present at least a hypothetical, and  
23 I'll refer to -- let's say in Yakima County, which is  
24 a predominantly fruit area. And you have a situation  
25 where you have two blocks of some tree crop, like

0166

1 apples or pears or peaches. And the two plots, the  
2 two blocks are adjacent to one another, and they're  
3 both farmed by different individuals, and therefore  
4 there'd be two meters, one to each block. And let's  
5 say Block A owner acquires Block B and wants to put  
6 both blocks under one meter and will do that by  
7 running a hard line from the irrigation pump on A to  
8 the irrigation pump on B.

9 Now, is that a situation that would apply  
10 here where this tariff would be in play and the  
11 company would charge the individual for removing the  
12 meter on Block B?

13 A. No, because they wouldn't be switching --  
14 let me think this through. The work would be on  
15 their side of the meter and would require us to  
16 remove the meter and the service to Block B. It  
17 would be an accommodation, so I would -- I mean --

18 Q. What if the owner didn't request that you  
19 remove the meter on Block B? It just -- the owner  
20 said, I just don't need it anymore, it's up to you  
21 whether you want to remove it or not, because I can  
22 run a hard line down my property and I'll connect  
23 both blocks.

24 A. Then we would -- there would be the -- I  
25 mean, the deciding factor would be is if that

0167

1 facility would ever be used again, and I think in the  
2 tariff -- well, I don't think. In the proposed  
3 tariff it says if, you know, there's no likelihood of  
4 that being used again, we would -- might leave the  
5 meter there, because you don't know if they might  
6 sell it to the guy in Block C and have a whole  
7 different situation. I mean, it's one of those ones  
8 we'd have to really take a look at and --

9 Q. If you decided to remove the meter, what  
10 would be the safety concerns --

11 A. The meter --

12 Q. -- on Block B?

13 A. The safety concern would be the meter.

14 Q. The safety of the equipment?

15 A. Huh?

16 Q. The safety of the equipment? Excuse me for  
17 interrupting.

18 A. Well, usually when the safety issues are is  
19 when you have duplicate sets of lines, where you're  
20 talking about a meter here and then, you know, a mile  
21 down the road, another meter, or a half mile or four  
22 blocks or whatever coming into it. And if you had a  
23 problem at -- I mean, it's not -- I mean, it's not a  
24 safety issue in all cases.

25 And in that case, the other issue would be

0168

1 is if there was a problem and somebody came to  
2 respond to the -- what do I want to say, the pump  
3 burning up, whether that service is energized or  
4 whether it's fed underground, there would be some  
5 concern that way if I was, you know, a fireman  
6 showing up. You see a wire coming over, hitting a  
7 meter right next to the pump. You would assume it's  
8 being fed that way, but if it's fed the other  
9 direction, then there could be a potential safety  
10 issue there. And we will remove safety problems  
11 outside the tariff if they exist.

12 COMMISSIONER OSHIE: No more questions.

13 Thank you.

14 CHAIRWOMAN SHOWALTER: I just have one  
15 follow-up on that.

16

17 E X A M I N A T I O N

18 BY CHAIRWOMAN SHOWALTER:

19 Q. I think we're struggling with this issue of  
20 the customer requesting or not. Why isn't the  
21 fundamental premise if it appears that the customer  
22 is not going to be using the facilities anymore, that  
23 this would all trigger? Why is it -- why does it  
24 hinge on a request versus an apparent reality that  
25 this is permanent?

0169

1 A. I don't know.

2 Q. Well, let's take the other -- let's say  
3 there is no request, but it appears to you, based on  
4 objective evidence, that this equipment of the  
5 ex-customer will not be used again, or about to be  
6 ex-customer. Isn't that, in terms of cost to the  
7 company to remove, the same as if the customer  
8 requests that it be removed?

9 A. Well, we would have no idea whether it was  
10 going to be used or not unless we had some input from  
11 the customer.

12 Q. Well, let's say you do. Let's say the  
13 customer says, I am switching to CREA --

14 A. Okay.

15 Q. -- but no, I'm not requesting that you  
16 remove my facilities, because maybe the customer  
17 knows you're going to have to do it, anyway, so it  
18 doesn't want to trigger this tariff by requesting it.

19 A. But they would have to request us to do it  
20 before the other provider could serve them.

21 Q. They would?

22 A. It's physically impossible, unless they put  
23 in a whole new service.

24 Q. Supposing CREA requests it instead of the  
25 customer, say, We've received -- we've received a



0170

1 request from your customer to switch to us, we want  
2 to do it, we would like to cut your wire?

3 A. We would say, No, that's our facilities,  
4 and when the customer requests this, we'll be out to  
5 redo -- disconnect our service.

6 CHAIRWOMAN SHOWALTER: Okay. Thank you.

7

8 E X A M I N A T I O N

9 BY COMMISSIONER HEMSTAD:

10 Q. Well, I take it that the practical on the  
11 ground reality is that in -- almost surely the  
12 typical and almost the universal situation is there  
13 would have to be a request in order to transfer the  
14 service?

15 A. Correct.

16 Q. There could be -- I suppose we could dream  
17 up some hypothetical where that would not be the  
18 case, and the best example of that is abandonment,  
19 where the person on the site takes off for California  
20 and then you're left with the situation. Do you  
21 withdraw the facility or do you leave it there on the  
22 expectation there might be someone else who will take  
23 it. But if you conclude it's a fallen down barn and  
24 no one is going to be there, then you'd probably  
25 remove it at your cost?

0171

1 A. Probably.

2

3

E X A M I N A T I O N

4 BY COMMISSIONER OSHIE:

5 Q. I have a follow-up question, as well. It  
6 has to do with -- my question, really, Mr. Clemens,  
7 has to do with the event there's construction on a  
8 piece of property, that someone's building a home.  
9 So is it my -- is my understanding correct that,  
10 during the period of construction, a meter would be  
11 installed?

12 A. Correct.

13 Q. And then the --

14 A. Or a temporary.

15 Q. A temporary meter would be installed. And  
16 I guess my question, then, is whether this tariff  
17 would apply when that temporary meter is removed and  
18 the permanent meter is installed on the constructed  
19 home or structure?

20 A. There is a fee for a temporary meter,  
21 and then an estimate is done for the final hookup,  
22 and those costs would be put into the RCMS line  
23 extension cost to serve the permanent house. It's  
24 two different fees.

25 Q. So another tariff would apply to that

0172

1 situation?

2 JUDGE CAILLE: You need to speak your  
3 answer.

4 THE WITNESS: Yes. Sorry.

5 JUDGE CAILLE: Any further redirect, Mr.  
6 Paine?

7 MR. PAINE: Just a few questions. Thank  
8 you.

9

10 R E D I R E C T E X A M I N A T I O N

11 BY MR. PAINE:

12 Q. If this tariff is approved, Mr. Clemens,  
13 and a customer requests an estimate, will the company  
14 provide that customer with an estimate of the cost of  
15 removal under its RCMS software system?

16 A. Yes, we will.

17 Q. You mentioned Benton County REA. You  
18 indicated that that was the only service territory  
19 agreement that we have entered into in the state of  
20 Washington. Does that mean that there are other  
21 utilities in the Yakima area other than Benton REA  
22 that are contiguous to our service territory?

23 A. Not at this time.

24 Q. It's all surrounded by Benton REA; is that  
25 correct?

0173

1 A. Right.

2 MR. PAINE: Okay. That's all I have,  
3 except I would like to approach the bench and ask --  
4 the question of duplication of facilities arose in  
5 cross-examination. I have some photographs that  
6 would be illustrative of what is occurring or has  
7 occurred in the Walla Walla area. I would like to  
8 have it marked as a rebuttal exhibit. I have two  
9 sets of five.

10 MS. DAVISON: Your Honor, I'm confused by  
11 this. He is --

12 MR. PAINE: We could either call it a  
13 redirect or rebuttal, it makes no difference to me,  
14 exhibit. I'm going to propose and sponsor two  
15 photographs of the area that I think illustrate the  
16 duplicative facility issue.

17 MS. DAVISON: And Mr. Paine, did you have  
18 these photographs this morning with you?

19 MR. PAINE: I did.

20 MS. DAVISON: And weren't we required to  
21 notify this morning of any additional exhibits that  
22 we had?

23 MR. PAINE: I wasn't aware of the fact that  
24 the duplicative issue was going to arise. Mr.  
25 Trotter asked questions with regard to duplicate

0174

1 facilities in the area, and I would like to sponsor,  
2 through Mr. Clemens, two photographs.

3 CHAIRWOMAN SHOWALTER: There's an  
4 objection?

5 MS. DAVISON: Yes, I would object on the  
6 basis that there's testimony on the issue of  
7 duplicate facilities, and I believe that, under the  
8 rules that the Judge has imposed in this case, that  
9 if Mr. Paine wanted to introduce these exhibits, he  
10 should have notified the parties and done so, at a  
11 minimum, this morning.

12 MR. HUBBARD: We would join that objection.  
13 This is a -- duplication of facilities has been  
14 throughout this proceeding from the beginning, and  
15 also these pictures do not actually reflect the whole  
16 condition at the site, because there are streets with  
17 PacifiCorp poles running down both sides of the same  
18 street the same way, so if we're going to have one,  
19 we ought to have both.

20 MS. DAVISON: Well, and I think the other  
21 thing I would add is I'm not sure these photographs  
22 do anything to help the record. I think it confuses  
23 the record. And if they're admitted, I think the  
24 parties have to have the opportunity to ask questions  
25 about it, and I'm not sure that that really is very

0175

1 helpful in moving forward with this case.

2 CHAIRWOMAN SHOWALTER: It's being offered  
3 for illustrative purposes. We don't know -- this  
4 could be from Iowa, as far as we know. It seems to  
5 me all it does is demonstrate a picture of a street  
6 where you have poles running down both sides.

7 JUDGE CAILLE: We're going to allow this as  
8 an illustrative exhibit. We do not see this as  
9 prejudicial to the parties. And let me see. We  
10 would mark that as exhibit -- why don't we just call  
11 this 114?

12 MR. PAINE: 114 would be the picture with  
13 automobiles on the street?

14 JUDGE CAILLE: Right, and then 115 will be  
15 the one without.

16 MR. PAINE: Thank you.

17 MS. DAVISON: Do I have a copy of the  
18 exhibits?

19 MR. PAINE: I had five copies. I'm sorry,  
20 I should have brought more, but five is what I had.

21 MR. TROTTER: We'll give her ours.

22 MR. PAINE: May I proceed?

23 JUDGE CAILLE: Yes.

24 MR. PAINE: Mr. Clemens --

25 JUDGE CAILLE: Just so the record is clear,

0176

1 those exhibits are admitted into the record over  
2 objection.

3 MR. PAINE: All right.

4 Q. Mr. Clemens, placing before you what's been  
5 marked for identification as Exhibit 114, it appears  
6 to be a photograph. Can you identify the location of  
7 that photograph?

8 CHAIRWOMAN SHOWALTER: Counsel, you  
9 introduced these as illustrative, and that's why they  
10 were admitted. You're now proceeding to pin them  
11 down with precision, which is a different purpose for  
12 offering them, and we would entertain another -- a  
13 different objection on that grounds.

14 MR. PAINE: All right. I would intend to  
15 -- I will assert that these do reflect facilities  
16 constructed in the service territory that is at  
17 issue. If permitted, I would ask the witness to  
18 identify what facilities are PacifiCorp's and what  
19 facilities are Columbia REA's, and that would be the  
20 purpose of the exhibits.

21 MS. DAVISON: And Your Honor, I would renew  
22 our objection on the basis that I think it is  
23 prejudicial. I think the rules in this case were  
24 very clear when parties were to have their exhibits  
25 for this hearing to the other parties, and obviously

0177

1 these photographs had to be taken some time ago, and  
2 he brought them to the hearing, and I think that he  
3 should have given them to the parties this morning so  
4 we could have at least looked at them and tried to  
5 figure out what they were instead of being surprised  
6 with them on the spot.

7 MR. PAINE: Well, I apologize for the  
8 surprise. The photographs, if described by my  
9 witness, would identify a particular locale, and  
10 they stand for what they stand for and depict for  
11 what they depict.

12 CHAIRWOMAN SHOWALTER: But the point is the  
13 other parties haven't had a chance to go verify this.

14 MS. DAVISON: Right.

15 MR. PAINE: All right.

16 JUDGE CAILLE: Did you have anything  
17 further, Commissioner Hemstad?

18 COMMISSIONER HEMSTAD: Well, I was going to  
19 pose a question to counsel for CREA. The question  
20 was raised by Mr. Trotter on cross with respect to  
21 the conflict in the testimony on this issue.  
22 Counsel, are you prepared to concede the point that  
23 the witness responded to to Mr. Trotter's cross?

24 MR. HUBBARD: He responded, but there's  
25 more to it, and this is a complete surprise to us.



0178

1 We would object.

2 COMMISSIONER HEMSTAD: Okay.

3 JUDGE CAILLE: All right. The objection is  
4 sustained.

5 MR. PAINE: Very well. That's all I have,  
6 and I would ask if the witness could be excused.

7 JUDGE CAILLE: Is there anything further  
8 from anyone? All right. Thank you, Mr. Clemens.  
9 You're excused. All right. Will the next -- Mr.  
10 Husted, would you please take the witness stand?  
11 Whereupon,

12 THOMAS H. HUSTED,  
13 having been previously duly sworn, was called as a  
14 witness herein and was examined and testified as  
15 follows:

16 JUDGE CAILLE: If you'll please introduce  
17 your witness, and then we'll proceed.

18 MR. HUBBARD: Certainly. I'd like to  
19 introduce Thomas H. Husted. He's the chief executive  
20 officer and general manager of Columbia Rural  
21 Electric Association, headquartered in Dayton,  
22 Washington.

23 JUDGE CAILLE: All right.

24 MR. HUBBARD: Testimony is admitted as  
25 Exhibit THH-T-1, response testimony July 3, 2001.

0179

1 JUDGE CAILLE: And that has been marked as  
2 Exhibit 201-T.

3 MR. HUBBARD: That would be correct.

4 JUDGE CAILLE: And Mr. Paine, I believe  
5 you're beginning with the cross-examination of Mr.  
6 Husted.

7 MR. PAINE: Very well.

8

9 C R O S S - E X A M I N A T I O N

10 BY MR. PAINE:

11 Q. I have just a few questions, Mr. Husted.  
12 If I could direct you to your direct testimony,  
13 specifically page three of four, at line 22 or 23,  
14 there's a question and an answer addressing the issue  
15 of competition, is there not?

16 COMMISSIONER HEMSTAD: Counsel, perhaps we  
17 should hold up just for a moment until the Chair  
18 comes back.

19 MR. PAINE: Okay.

20 JUDGE CAILLE: Could you give us that  
21 reference again?

22 MR. PAINE: Exhibit 201-T, page three of  
23 four, lines approximately 22 through 25.

24 Q. There's one question and one answer there  
25 addressing the issue of competition; is that correct?

0180

1 A. That's correct.

2 Q. And you indicate that competition fairly  
3 brought promotes better service and better rates to  
4 the end consumers; is that correct?

5 A. That is correct.

6 Q. And I believe in a data response you shed  
7 some light on what you mean by the phrase fairly  
8 brought, did you not? I believe it was --

9 A. Do you have something specific you're  
10 referring to?

11 Q. Yes.

12 MR. TROTTER: If it helps, Your Honor,  
13 we've identified that as Exhibit 218.

14 MR. PAINE: 218.

15 JUDGE CAILLE: Thank you.

16 Q. Do you have a copy of that in front of you,  
17 Mr. Husted, Exhibit 218, which is WUTC Staff Data  
18 Request Number 75, and response thereto?

19 A. Yes, I do.

20 Q. All right. And I just wanted to get an  
21 understanding of what you mean by the term  
22 competition fairly brought. And you indicate therein  
23 that you mean free enterprise as the term is commonly  
24 understood; is that correct?

25 A. That is correct.

0181

1 Q. All right. And does free enterprise denote  
2 capitalism, in your mind?

3 A. Yes.

4 Q. Does capitalism involve private ownership  
5 of production facilities?

6 A. It can.

7 Q. But it does not necessarily involve private  
8 ownership; is that correct? Is that your position?

9 A. Could you restate that, please?

10 Q. Capitalism does not necessarily involve  
11 private ownership with a minimum of government  
12 intervention?

13 A. Depends on the circumstances.

14 Q. Normally, when one hears the word  
15 capitalism, I think one normally assumes that we're  
16 talking about private ownership of production  
17 facilities. Do you disagree with that statement?

18 A. No.

19 Q. You are supplied by the Bonneville Power  
20 Administration, is that correct, all of your  
21 wholesale power?

22 A. That is correct.

23 Q. So there is no private ownership of the  
24 production facilities involved as regards the source  
25 of your electricity; is that correct?

0182

1 A. No, I wouldn't agree with that.

2 Q. Does the government operate and market the  
3 Columbia hydroelectric system?

4 A. Yes, it does.

5 Q. Did they own -- does the federal government  
6 own the hydroelectric facilities?

7 A. Yes.

8 Q. So can we say that that is not private  
9 ownership of hydroelectric facilities?

10 A. It's owned by the citizens, the ratepayers  
11 that have paid for those facilities. It is owned by  
12 the --

13 MS. DAVISON: I just -- I'm sorry.

14 THE WITNESS: Go ahead.

15 MS. DAVISON: No, please finish.

16 THE WITNESS: It's owned by the people of  
17 the United States.

18 Q. Right.

19 MS. DAVISON: I object to the this line of  
20 questioning on the basis that who owns Bonneville and  
21 the hydroelectric dams is completely irrelevant to  
22 whether or not the tariff that PacifiCorp's proposing  
23 is fair, just and reasonable.

24 MR. PAINE: Your Honor, in response to the  
25 motion to strike of PacifiCorp, the Commission

0183

1 determined that it should -- the testimony of CREA  
2 should not be -- should not be struck. The  
3 Commission indicated that it was consistent with the  
4 public interest to allow CREA to intervene to  
5 address, one, whether the proposed tariff charges are  
6 an unlawful restraint of trade, restricting  
7 competition and customer choice in contravention of  
8 law and policy.

9 Now, competition, we are getting an  
10 understanding of what competition means to the  
11 various participants in this proceeding. That is  
12 where I'm going. I think it's relevant and I think  
13 Mr. Husted is shedding some light on what he means by  
14 competition.

15 JUDGE CAILLE: It's overruled.

16 Q. I assume that the cooperative, as a  
17 non-profit corporation, does not pay income taxes; is  
18 that correct?

19 A. We do not pay a federal income tax. Those  
20 taxes are paid by our ratepayers.

21 Q. Based on their income?

22 A. Based on the dividends. The patronage  
23 capital dividends that each of those ratepayers then  
24 receives from the cooperative.

25 Q. The cooperative does pay property tax to

0184

1 the state of Washington, does it not?

2 A. That is correct.

3 Q. Does it enjoy a break because of the  
4 density of customers in its service territory when it  
5 pays its excise tax?

6 A. There is an equalization factor that's  
7 figured into that. For instance, Columbia REA, one  
8 of the lowest density utility systems in the state of  
9 Washington, is three customers per mile, whereas a  
10 utility such as PacifiCorp, another investor-owned  
11 utility, can have hundreds of customers per mile.  
12 And so yes, there is a factor that's rolled into  
13 those particular property tax charges based on the  
14 amount of revenue and the plant investment that a  
15 utility such as ours has to incur by serving those  
16 rural remote areas.

17 Q. Thank you. So your current contract with  
18 Bonneville Power Administration runs through 2006; is  
19 that correct?

20 A. That is correct.

21 Q. Is it your intention to renew an agreement  
22 with the Bonneville Power Administration for power  
23 after 2006?

24 MR. HUBBARD: I'm going to object. This is  
25 beyond the scope.

0185

1           MR. PAINE: Your Honor, we're talking about  
2 capitalism and free enterprise, and I just want to  
3 know how much longer CREA is going to be leaning on  
4 the federal government for the source of its power.

5           MR. HUBBARD: Objection to the comment.

6           CHAIRWOMAN SHOWALTER: Overruled -- or to a  
7 point, overruled.

8           Q. So do you believe that you may -- are  
9 likely to renew your agreement with the Bonneville  
10 Power Administration?

11          A. It's entirely possible, yes.

12          MR. PAINE: All right. That's all the  
13 questions I have. Thank you.

14          JUDGE CAILLE: Commission Staff.

15          MR. TROTTER: Thank you, Your Honor.

16

17                   C R O S S - E X A M I N A T I O N

18 BY MR. TROTTER:

19          Q. Good afternoon, Mr. Husted. Mr. Husted,  
20 you are testifying on behalf of Columbia REA in this  
21 case; is that right?

22          A. That is correct.

23          Q. Would you turn to your testimony, Exhibit  
24 201-T, page three, line 15. And in that area, the  
25 numbers don't quite line up, but you use the terms



0186

1 exit fees and stranded cost charges. Do you see  
2 that?

3 A. Yes, I do.

4 Q. Please refer to Exhibit 215, Columbia REA's  
5 response to Staff Data Request 57. And you say that  
6 stranded cost charges, as you're using that term, are  
7 charges imposed on the customer that are related to  
8 the facilities used to serve that customer prior to  
9 their permanent disconnection from the system. The  
10 charges would be based on the unrecovered or  
11 undepreciated cost of the facilities, unquote; is  
12 that correct?

13 A. Correct.

14 Q. Is that a complete definition of the term,  
15 as you were using it?

16 A. For stranded cost?

17 Q. Yes.

18 A. Stranded cost is a generic term that's  
19 commonly used in the utility industry for charges  
20 relating to the unrecovered or the undepreciated cost  
21 of the facilities.

22 Q. And so is this a complete definition?

23 A. Correct.

24 Q. Thank you. Would any charge that meets  
25 that definition be a stranded cost charge, in your

0187

1 opinion?

2 A. Yes.

3 Q. Do I take it correctly from your testimony  
4 that Columbia REA opposes the imposition of charges  
5 that meet your definition of stranded cost charge?

6 A. Yes.

7 Q. Excuse me? Yes?

8 A. Do we oppose it?

9 Q. Yes.

10 A. Depends on the situation.

11 Q. Well, you say in your testimony that  
12 Columbia Rural Electric does not restrict the freedom  
13 of its members to choose to receive service from a  
14 different utility by imposing -- we'll get to exit  
15 fees in a minute -- stranded cost charges on them;  
16 right?

17 A. That is correct.

18 Q. Am I mistaken to take from that that  
19 Columbia REA -- is it true, then, that Columbia REA  
20 opposes stranded cost charges?

21 A. No.

22 Q. Would it be correct, then, that you only  
23 oppose stranded cost charges when they restrict the  
24 freedom of your members or others to choose service  
25 from another supplier?

0188

1 A. No, that wouldn't be correct at all.

2 Q. Does Columbia REA impose stranded cost  
3 charges on its customers?

4 A. No, we do not. We do not have to.

5 Q. Turn to Exhibit 216, Columbia's response to  
6 Staff Data Request 59, and also 217, your response to  
7 exhibit -- excuse me, Staff Data Request 61. And  
8 could you review your responses there to yourself?  
9 And my question is, is it correct that Columbia REA  
10 does not consider the tariff that is being proposed  
11 here in Pacific's rebuttal case and in Staff's case  
12 to be a stranded cost charge?

13 A. No, because it doesn't meet the general  
14 definition. It doesn't have any relationship to the  
15 net unrecovered cost of the facilities being retired.  
16 PacifiCorp has adopted Staff's proposal, which is not  
17 based on the net back book value of facilities  
18 retired.

19 Q. So it's not a stranded cost charge; right?

20 A. That is correct.

21 Q. Okay. Now, when a customer discontinues  
22 service with Columbia ERA (sic), Columbia ERA  
23 assesses a charge on that customer for any unpaid  
24 line extension charges that were assessed when that  
25 customer first received service from Columbia REA;

0189

1 correct?

2 A. Correct.

3 Q. And the existence of that charge has an  
4 effect on that customer's choice of providers, does  
5 it not?

6 A. It's possible.

7 Q. That charge meets your definition of a  
8 stranded cost charge as it is stated in Exhibit 215,  
9 does it not?

10 A. No, it doesn't.

11 Q. Are those charges imposed on the customer  
12 that are related to the facilities used to serve that  
13 customer prior to their permanent disconnection from  
14 the system?

15 A. Would you repeat that, please?

16 CHAIRWOMAN SHOWALTER: Can you slow down  
17 just a bit?

18 MR. TROTTER: Yes.

19 Q. Are the charges that Columbia REA assesses  
20 for unpaid line extension charges imposed on the  
21 customer that are related to the facilities used to  
22 serve that customer prior to their permanent  
23 disconnection from the system?

24 A. Number one, they're not imposed on the  
25 customer. All new customers with Columbia REA are

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1 required to sign a contract for service. In many  
2 instances, that contract for service does require an  
3 additional contract for service facilities. So that  
4 customer has met the terms of -- if they haven't met  
5 the terms of those contracts, then, yes, they do have  
6 to pay for those facilities. But in our case, it's  
7 not retroactively put onto that customer. They know  
8 up front these are going to be the disconnect charges  
9 or the charges that that customer has to pay if they  
10 leave before the set period of time for the contract.  
11 We do not retroactively go back and charge that  
12 customer. It's all done with the contract.

13 Q. Can you look in Exhibit 215, please, and  
14 tell me what words in that response indicate  
15 retroactivity to you?

16 A. What is the question?

17 Q. Where -- what words -- in your definition  
18 of stranded cost, where in that definition is the  
19 concept of retroactivity, in your opinion?

20 A. It's not in there. In our situation that I  
21 was explaining, it doesn't apply.

22 Q. Would the charge for unpaid line extension  
23 charges be based on the unrecovered or undepreciated  
24 cost of the facilities?

25 A. Yes. Or excuse me, no.

0191

1 Q. Are they based on the unrecovered cost of  
2 the facilities?

3 A. Are our what?

4 Q. The unpaid line extension charges that  
5 we've been discussing?

6 A. And the end of the question is what?

7 Q. Are they based on the unrecovered cost of  
8 the facilities?

9 A. Yes.

10 Q. When you used the word retroactivity in  
11 your past answer, were you doing so in the legal  
12 sense of that term?

13 A. Yes.

14 Q. What is your understanding of the legal  
15 sense of the term retroactivity?

16 A. It's to go back.

17 Q. Is it to go back and change conduct that  
18 occurred in the past? Is that the sense that you're  
19 using it, change the legal effect of conduct that  
20 occurred in the past?

21 A. It could be.

22 Q. Now, in your testimony, let's now talk  
23 about exit fees, which you refer to also on page  
24 three of your rebuttal -- excuse me, of your direct  
25 testimony, line 15 to 16. You're not an economist

0192

1 are you, Mr. Husted?

2 A. No, I'm not.

3 Q. And in Exhibit 215, you define those  
4 charges as charges imposed on a customer for  
5 permanently disconnecting from a utility. Do you see  
6 that?

7 A. What exhibit are you on?

8 Q. 215.

9 A. Okay.

10 Q. And is that the entire definition of the  
11 term, as you're using it in this case?

12 A. Once again, exit fee is a commonly used  
13 generic term within our industry. It's for charges  
14 imposed on a customer that permanently disconnects  
15 from a utility.

16 Q. The question is simply does this reflect  
17 the entire definition as you are using it in this  
18 case?

19 A. It can be, yes.

20 Q. You did not rely on any document for your  
21 definition, did you?

22 A. No. Once again, it's a commonly used  
23 generic term within the utility industry.

24 Q. Are you aware of any document, other than  
25 your testimony, where the term exit fee is used in

0193

1 the utility industry in a context other than stranded  
2 cost recovery?

3 A. Once again, I would refer to my previous  
4 answers. It's a commonly used generic term within  
5 this industry. No, I'm not.

6 Q. Did you examine any decisions from  
7 regulatory commissions, state or federal, in which  
8 the term exit fee is used?

9 A. No, I did not.

10 Q. Are all exit fees, as you define them, an  
11 unlawful restraint of trade, in your opinion?

12 A. They can be.

13 Q. Does it matter to your definition of exit  
14 fee whether the charge is cost-based or not  
15 cost-based?

16 A. I don't know.

17 Q. Back to page three of your testimony, and  
18 you refer to, on lines six through nine, that CREA  
19 charges off as a general operating expense its cost  
20 of removing facilities. Do you see that?

21 A. Yes.

22 Q. Now, is that a policy choice that CREA has  
23 made?

24 A. Yes.

25 Q. You then go on to say that you do that



0194

1 rather than charging the departing customer or  
2 directly assessing against his or her patronage  
3 capital in the cooperative. Do you see that?

4 A. Yes.

5 Q. I'd like you to refer now to Exhibit 205,  
6 which is a collection of three annual reports of  
7 Columbia REA, and I'd like you to refer to page six  
8 of that exhibit.

9 A. I don't have those. Thank you.

10 Q. And for the year 2001, Columbia is showing  
11 total assets of around 24 million; is that right?

12 A. Correct.

13 Q. And for liabilities and equities, under  
14 memberships and patronage capital, there's  
15 approximately \$14.2 million; correct?

16 A. Correct.

17 Q. Can you estimate how much of that 14.2 is  
18 patronage capital, as opposed to memberships,  
19 whatever that is?

20 A. The entire amount is memberships and  
21 patronage capital.

22 Q. They're the same thing, in other words?

23 A. Correct.

24 Q. Okay. Now, you indicated, in response to  
25 questions by PacifiCorp's counsel, that federal

0195

1 income taxes will be paid by your customers based on  
2 their patronage capital. Do you recall that?

3 A. Yes.

4 Q. Okay. So is it correct, then, that your  
5 members have paid federal income taxes on the 14.2  
6 million shown on this page?

7 A. They pay that depending on their certain  
8 particular tax situation when that patronage is  
9 retired to the members.

10 Q. So it's only when this patronage capital is  
11 returned to members and they receive a check from  
12 Columbia REA that they pay FIT on it?

13 A. That is correct.

14 Q. And this wouldn't be one year's worth of  
15 patronage capital? You accumulate it over time;  
16 right?

17 A. Correct.

18 Q. And is net income directed to the patronage  
19 account at the end of an accounting period?

20 A. Correct.

21 Q. Okay. When customers become REA members,  
22 do they have to pay patronage capital?

23 A. No.

24 Q. Okay. So when you become a customer, you  
25 pay your rates based on your rate schedules, and

0196

1 then, at the end of the year, if the CREA has net  
2 income, it's booked as patronage capital. Is that  
3 how it works?

4 A. Basically, yes.

5 Q. And isn't it correct that in 1999, Columbia  
6 returned \$1.3 million in patronage capital to its  
7 customers? And that's on page 22 of this exhibit, if  
8 you want to check it.

9 A. Okay.

10 Q. You accept that?

11 A. Sure.

12 Q. When a REA -- Columbia REA customer  
13 disconnects and leaves the state, let's say, is no  
14 longer a customer, do they lose their rights to  
15 receive any patronage capital from Columbia REA?

16 A. No.

17 Q. So as long as they're living, they have  
18 rights to the capital?

19 A. Correct.

20 MS. DAVISON: Your Honor, while I find all  
21 this discussion quite fascinating, because I  
22 personally wasn't aware of all this with co-op, I'm  
23 very concerned about the time and I fail to see the  
24 relevance of patronage capital of Columbia REA to  
25 whether or not PacifiCorp's tariff at issue is fair,

0197

1 just and reasonable and should be accepted.

2 MR. TROTTER: I can assure the Commission I  
3 will be on my time limit. And if there's an  
4 objection to a pending question, I'd be happy to  
5 answer it -- or if the bench requests me to, I will  
6 answer it, of course.

7 JUDGE CAILLE: Let's move on. Go ahead.  
8 Continue.

9 Q. I think the last question may have  
10 satisfied my point here, but so customers, when they  
11 leave, let's say, to become a PacifiCorp customer, do  
12 not lose their right to whatever patronage capital  
13 they were entitled to when they left?

14 A. That is correct.

15 Q. Changing subjects, if a Columbia REA  
16 customer asks Columbia REA to change that customer's  
17 point of service from the northwest corner of its  
18 building to the southeast corner of its building,  
19 will Columbia REA do that?

20 A. Yes.

21 Q. Will you charge the customer your cost for  
22 making that move?

23 A. No.

24 Q. Why not? I'll withdraw that question.

25 Does Columbia incur a cost to remove the facilities

0198

1 in that context?

2 A. Yes.

3 Q. Why do you not charge the customer to do  
4 that?

5 A. That's the cost of doing business. And  
6 what you're talking about there is not utility work.  
7 What you're talking about in that particular  
8 situation is, most likely, you're talking a building,  
9 you're talking commercial electricians' work; you're  
10 not talking utility work.

11 Q. No, I'm talking about moving the service  
12 point so a new meter, a new fuse box, that the  
13 customer would provide, obviously, and a new service  
14 drop. Is your answer the same?

15 A. Yes.

16 Q. Okay. You incur the cost, so would it be  
17 fair to say that, when it comes time to set rates,  
18 you'll include that in your cost of service?

19 A. That is correct.

20 Q. So you recover it from all of your  
21 ratepayers, not just the one that asked for that  
22 service?

23 A. Correct.

24 Q. In that situation, would it be fair to say  
25 that Columbia REA has a policy of not recovering

0199

1 costs from the cost causer?

2 A. No.

3 Q. That would not be fair to say that?

4 A. No.

5 Q. Did that customer cause you to incur the  
6 cost to move the facilities?

7 A. It could be looked at it that way.

8 Q. Well, if they ask you for the service, can  
9 it be looked at in any other way?

10 A. Sure.

11 Q. What other way? Service was brought to  
12 their facilities to begin with because other people  
13 had paid for those facilities. I think you have to  
14 understand the total philosophy behind a cooperative  
15 utility.

16 Q. Do you advocate that PacifiCorp have the  
17 same policy as CREA in that context that we've been  
18 discussing?

19 A. Do I what? What was that?

20 Q. Advocate that PacifiCorp have the same  
21 policy as Columbia REA for the example that we went  
22 through of a customer changing its service point?

23 A. Well, it would be my belief that in the  
24 past they have had that philosophy.

25 Q. And do you advocate that they maintain it?

0200

1           A.    I think it would be in the customers' best  
2 interest.

3           Q.    The remaining customers or the departing  
4 customers?

5           A.    Either.

6           Q.    I'd like to also focus on your testimony  
7 about competition fairly brought, which is on page  
8 three, line 24 of your Exhibit 201-T.  And your  
9 definition of competition fairly brought is in  
10 Exhibit 218, and that was discussed with you.

11                   Webster's defines free enterprise as,  
12 quote, The freedom of private businesses to operate  
13 competitively for profit with little government  
14 regulation, unquote.  Is that the definition you had  
15 in mind by free enterprise?

16           A.    I'll agree with that.

17           Q.    Do you consider -- do you understand that  
18 PacifiCorp's rates, services, practices and  
19 facilities are regulated by this Commission?

20           A.    Yes, I do.

21           Q.    Do you consider this Commission's  
22 regulation of PacifiCorp as minimal?

23           A.    What do you mean by that?  Can you further  
24 explain that, please?

25           Q.    Well, you agreed that the definition of

0201

1 free enterprise included the concept of minimal  
2 government regulation, and my question to you is  
3 whether you considered this Commission's regulation  
4 of PacifiCorp to be minimal governmental regulation  
5 or whether you have an opinion on that subject?

6 A. I don't have an opinion on that.

7 Q. In that data request, which is Exhibit 218,  
8 we asked you to include in your answer all conditions  
9 under which, in Columbia REA's view, competition  
10 would be fairly brought between PacifiCorp and  
11 Columbia REA. Do you see that?

12 A. Yeah, I'm familiar with it.

13 Q. You did not provide those conditions, did  
14 you?

15 A. Can you restate that?

16 Q. I'll withdraw the question. Turn to page  
17 two of your rebuttal -- excuse me, your testimony,  
18 Exhibit 201-T.

19 Q. On line eight, you're asked the question,  
20 Is Columbia REA duplicating the facilities of  
21 PacifiCorp in those cities, one of which is Walla  
22 Walla; correct? Excuse me, one of which is College  
23 Place; correct?

24 A. We both have facilities in College Place.

25 Q. I'm just focusing on the question right



0202

1 now. The question says, Is Columbia REA duplicating  
2 the facilities of PacifiCorp in those cities? Do you  
3 see that question?

4 A. Yes.

5 Q. And one of those cities includes College  
6 Place; right?

7 A. Yeah, we both have facilities in College  
8 Place.

9 Q. Okay. And your answer to the question is  
10 no; correct?

11 A. Yes. I stand by my testimony.

12 Q. That's fine. I'm just going to ask you the  
13 same questions I asked of Mr. Clemens, and I'll try  
14 to ask them the same way. Are you familiar with  
15 College Place, Washington?

16 A. Yes.

17 Q. Are you aware of streets within College  
18 Place, Washington, where there are two sets of power  
19 poles going down the same street, one set owned by  
20 PacifiCorp and one set owned by CREA?

21 A. Yes.

22 Q. And as they go down those streets, are they  
23 serving customers in the same area?

24 A. Would you define area?

25 Q. The same street.

0203

1 A. Yes.

2 Q. And you do not consider that to be  
3 duplication of facilities; is that correct?

4 A. That is correct.

5 Q. And why is that?

6 A. Because there is a distinct difference  
7 between our facilities. There's a number of reasons.  
8 One of the -- in Mr. Clemens' testimony this morning,  
9 he stated that CREA does have different construction  
10 standards. There was also a statement made that  
11 possibly some of the customers, one of the reasons  
12 they could be leaving was for reasons of service.

13 Q. But --

14 A. So if --

15 Q. I'm not getting to the why people are  
16 choosing one utility over another; I'm just talking  
17 about the existence, the physical existence of  
18 duplicating facilities in College Place, Washington.  
19 And you're saying that they're not duplicating?

20 A. That is correct.

21 Q. And they're not duplicating because they're  
22 different types of poles?

23 A. The quality of service, based on the  
24 infrastructure, is obviously different. Just because  
25 you have two utilities running down each side of the

0204

1 street does not mean you have duplicative facilities.

2 Q. Okay. Well, there's two sets of power  
3 poles going down the street, one owned by CREA and  
4 one owned by PacifiCorp. To that extent -- and  
5 they're serving customers along the same street.

6 Well, I'll withdraw the question. But do I take it  
7 that your answer is that because you believe you are  
8 offering service superior to that offered by  
9 PacifiCorp, there is no duplication? Is that your  
10 point?

11 A. No, that's not my point at all.

12 Q. Page two, line 18, you're asked whether  
13 Columbia REA has been soliciting existing customers  
14 of PacifiCorp, and your answer is no. Do you see  
15 that?

16 A. Yes.

17 Q. Is there a reason CREA has not done that?

18 A. As the chief executive officer of Columbia  
19 REA, it's my responsibility to ensure that the  
20 policies of Columbia REA are carried out by all  
21 employees. It is our policy not to solicit customers  
22 of an existing utility.

23 Q. When was that policy established?

24 A. That policy has been in place for a number  
25 of time -- I can't give you an exact date.

0205

1 MR. TROTTER: That's all I have. Thank  
2 you.

3 JUDGE CAILLE: Chairwoman Showalter.

4

5 E X A M I N A T I O N

6 BY CHAIRWOMAN SHOWALTER:

7 Q. Yes. First of all, how do you like to  
8 refer to Columbia Rural Electric Association? I've  
9 heard --

10 A. Columbia, CREA, it doesn't matter.

11 Q. I never like to call somebody by the  
12 inappropriate name, so --

13 A. Anything but the other guys.

14 Q. Let me begin, actually, with a follow-up to  
15 Mr. Trotter's last question. You said that your  
16 policy is not to compete or not to solicit -- not to  
17 solicit other utilities' customers?

18 A. That is correct.

19 Q. Isn't that a policy not to expressly  
20 compete, I suppose? I mean -- or aren't you  
21 restraining yourself from a degree of competition  
22 with that policy?

23 A. No, I don't believe so.

24 Q. And how is it that you see yourself  
25 competing?

0206

1           A.    We are visibly very visible within the  
2 community.  Obviously, we have public relations  
3 programs, communications programs and marketing  
4 programs, advertising programs, so we are visible  
5 within the community.  But to directly solicit  
6 customers of another utility is against our policy.  
7 We don't go door to door soliciting customers of  
8 another utility.

9           Q.    Okay.  I'm going to come back to  
10 competition issues in a minute, but I wanted to ask  
11 you about the way that Columbia REA sets rates.  And  
12 don't your rates, any rates, balance, to some degree  
13 or another, cost causation with socialization?

14                    I mean, if you're having trouble answering  
15 the question, we can go to the extreme side of cost  
16 causation.  I take it that you do not charge rates  
17 that charge each customer exactly what that customer  
18 caused for that situation.  Am I correct on that end?

19           A.    Correct, within rate classes, yes.

20           Q.    All right.  And then, let's go to the other  
21 end, total socialization.  Am I correct or not  
22 correct that it is not the case that every customer  
23 pays exactly the same thing regardless of amount of  
24 use or amount of equipment?  Am I right on that?

25           A.    Correct.

0207

1 Q. So given that those are the two extremes,  
2 don't your rates, to one degree or another, balance  
3 cost causation with socialization?

4 A. I suppose so, yes.

5 Q. And in that sense, at a very abstract  
6 level, do you have any problem with cost causation  
7 being a factor in setting rates? It may not always  
8 be the determinative factor or the only factor.

9 A. Do I have a problem with cost causation?

10 Q. Right.

11 A. I suppose in general terms, no.

12 Q. All right. And I'm still sticking to  
13 general. I want to stay away for the moment from  
14 this specific tariff at hand. So the question is is  
15 it inappropriate, as an abstract matter, to take into  
16 account cost causation when deciding the appropriate  
17 rate, in your view?

18 A. I suppose so. It could be.

19 Q. I do want to talk a little bit about  
20 competition, and I'm trying to get a sense of where  
21 your starting point is in your position in this case.  
22 And is it your position that there is a state policy  
23 favoring competition or that, on the other hand, we,  
24 the Utility Commission, ought to be implementing or  
25 adopting such a policy, or neither?

0208

1           A.    Well, I believe that when you look at the  
2   confine of the structure of the utility industry in  
3   the state of Washington back to the beginning, when  
4   there were no certified territories, then obviously,  
5   you know, you can only surmise that that was done in  
6   order for those facilities to be competed for when  
7   utility industries were first beginning to take root  
8   in order to serve the needs and to meet the needs of  
9   all customers in the state of Washington.

10          Q.    Well, let me turn to the subject of service  
11   territory agreements.  Do you agree that state law  
12   provides for neighboring utilities to enter into  
13   service territory agreements?

14          A.    Sure.

15          Q.    Do you have any service territory  
16   agreements with any other utility?

17          A.    No, we do not.

18          Q.    And have you ever?

19          A.    No, not to my knowledge.

20          Q.    If state law provides that two utilities  
21   can agree with one another not to compete, would you  
22   say that's consistent or inconsistent with a state  
23   policy favoring competition?

24          A.    If a state law would do what?

25          Q.    If a state law provides, as I think you

0209

1 just agreed it does, that two neighboring utilities  
2 can enter into an agreement with one another not to  
3 compete, does such a law -- is such a law consistent  
4 or inconsistent with a policy favoring competition?

5 A. It could be perceived as inconsistent, at  
6 least with state energy strategy that was adopted in  
7 -- I don't have that exhibit in front of me, but  
8 1990.

9 Q. You're speaking of something that came out  
10 of our state energy office, are you? All right.  
11 Would you agree that a state law supersedes something  
12 called a policy?

13 A. Yeah.

14 Q. Let's assume for the moment that either  
15 there is a policy favoring competition or this  
16 Commission has some leeway in moving in that  
17 direction, so assume for the purpose of this question  
18 we have a goal of encouraging competition, all right?

19 A. Mm-hmm.

20 Q. The question I have is whether cost  
21 causation and rates based on cost causation promote  
22 or inhibit competition? As I understand one of the  
23 points that you're making, you see the exit fee or  
24 removal fee as a barrier to competition; am I correct  
25 on that?



0210

1 A. That's correct.

2 Q. And is that simply because it is a dollar  
3 amount that may discourage a customer from switching  
4 from one utility to another?

5 A. Well, I think that you're using it in more  
6 of a general term, while in the confines of this  
7 particular tariff case, it's more specific than that.

8 Q. Go ahead and explain.

9 A. Well, this particular proposed tariff is --  
10 was brought about, as you can see in the original  
11 testimony, because there was a competitive situation.

12 Q. And I'm trying to set aside for the time  
13 being the motives of anybody -- but I'm simply  
14 saying, in a competitive world, let's say we moved to  
15 a competitive world, wouldn't we expect prices to  
16 converge towards cost? That is, to become less  
17 socialized and more cost-related?

18 A. It's entirely possible. You can look at  
19 competition in many different ways, you know. Are  
20 you talking about competition which involves, you  
21 know, more than one set of facilities or are you  
22 talking about competition in the form of retail  
23 wheeling or competition more in the line of such as  
24 what there is in a gas or telephone industry.

25 Q. Well, let's take telephone industry, and I

0211

1 won't -- try not to digress too far there, but there  
2 actually is a federal and state policy favoring  
3 competition, and we are routinely engaged in  
4 elaborate exercises to try to bring prices -- that  
5 is, rates -- close to costs in order to allow  
6 competition.

7 A. Sure.

8 Q. So my question to you is if competition  
9 were the goal here, and that's -- I'm just assuming  
10 that, for purposes of the question, wouldn't we want  
11 to start bringing rates close to costs in order to  
12 facilitate competition based on costs or based on  
13 prices that reflect real costs?

14 A. It's entirely possible providing they  
15 accurately reflect those costs.

16 Q. All right. And the accurate reflection of  
17 costs is a factual matter, I take it?

18 A. Correct.

19 Q. All right. With regard now to this tariff,  
20 or the proposed tariff, would you say that a \$200  
21 charge is closer to actual cost than zero in let's  
22 say most instances in the case of a residential  
23 removal?

24 A. Not necessarily. No, I wouldn't agree with  
25 that, because there's -- I don't believe there's true

0212

1 cost justification to support the \$200 charge.

2 Q. So you take issue or contest the factual  
3 basis for the \$200 amount?

4 A. Yeah, show me the methodology, the  
5 accounting methodology to support the \$200, you know.  
6 Columbia REA is not a big company, so obviously I'm  
7 well aware of a lot of the things that go on in that  
8 company, and one of the things is the actual cost of  
9 operations and sending a lineman or somebody out to  
10 do something. You're talking about a professional  
11 person that's earning approximately \$30 an hour, 60  
12 percent overhead. You've got a truck that's going to  
13 cost you several hundred dollars an hour, you know,  
14 50 bucks an hour or somewhere in that neighborhood,  
15 and you show me where you're going to get that cost  
16 back on a \$200 charge.

17 Q. All right. Let's assume that after you  
18 have conducted a cost study, that the accurate cost  
19 is \$125. I'll just assume that's the accurate  
20 number.

21 A. Okay.

22 Q. Do you object to a rate that charges that  
23 \$125 amount?

24 A. You know, I don't if it's employed at a  
25 date certain time going forward to all new customers,

0213

1 not retroactively put on existing customers or  
2 existing facilities, because those facilities and  
3 those customers signed up under different  
4 circumstances. And in many instances, the facilities  
5 are already depreciated out. So I wouldn't have a  
6 problem putting that say, for instance, on a date  
7 certain time going forward on new facilities.

8 Q. All right.

9 A. Then the customers know up front this is  
10 what the cost is going to be.

11 Q. All right. Let me focus my question for  
12 now on existing customers, not the new customers. Is  
13 it the case, let's say in Columbia REA, that you have  
14 existing customers who become subject to new rates  
15 from time to time as Columbia REA imposes new rates  
16 for new things?

17 A. Correct.

18 CHAIRWOMAN SHOWALTER: That's all my  
19 questions. Thank you.

20 (Recess taken.)

21 JUDGE CAILLE: All right. We're ready.

22 CHAIRWOMAN SHOWALTER: I forgot to ask into  
23 one area.

24 Q. When I think about competition, it can  
25 occur in at least three ways. One is in unbundled

0214

1 states, which we are not, where state policy  
2 expressly permits and sometimes requires customers to  
3 choose among suppliers. Now, we don't have that in  
4 this state, do you agree?

5 A. Correct.

6 Q. Although I will say this Commission has the  
7 authority and has, in some instances, authorized, on  
8 very specific cases, that kind of permission.  
9 Another is when -- is the competition, you might say,  
10 between neighboring utilities in the sense that the  
11 citizens of one area can municipalize if they're  
12 unhappy, let's say, with an investor-owned utility.  
13 I'll call that kind of a group competition, if you  
14 follow that. Let's stop on that one for a minute.

15 A. Is that competition?

16 Q. Well, you know, these are different  
17 possible meanings of competition. I'm really trying  
18 to get at different situations where choices are  
19 made.

20 A. Okay. Actually, that second item wouldn't  
21 be competition, would it? Wouldn't that be when they  
22 condemn the facilities and take it over? Is that  
23 what you're referring to as the second item of  
24 competition?

25 Q. Yes, I am. And wouldn't that be a form of

0215

1 choice? Let's call it the word choice.

2 A. I'll go along with that.

3 Q. Where a city, for example, might choose to  
4 condemn the facilities of an investor-owned utility.

5 You follow that example?

6 A. Sure.

7 Q. Okay. In that situation, wouldn't the  
8 municipality be required to pay the investor-owned  
9 utilities for those facilities?

10 A. That has been the case, yes.

11 Q. All right. So that's the collective  
12 situation. Now, let's go to a third scenario, which  
13 I think is the one in front of us, where individuals  
14 choose to move from one utility to another. In that  
15 situation, why wouldn't it, as a general matter, be  
16 fair to compensate the utility that's being left for  
17 the costs of their equipment, just as, at a  
18 collective level, it is done through condemnation?

19 A. In general terms, there would be nothing  
20 wrong with that. In specific terms, when those costs  
21 have already been recovered and been recouped for  
22 generations, for decades through rate base, then  
23 obviously it wouldn't be correct. If those charges  
24 have been met through contracts or prior contractual  
25 obligations, then that would not be correct.

0216

1 Q. All right.

2 A And I think it gets back to my earlier  
3 statement that I wouldn't have a problem with some of  
4 those charges at a date certain time going forward to  
5 new customers, but to retroactively go back and  
6 impose those charges on existing customers I think is  
7 going beyond rate tariff adjustments.

8 Q. All right.

9 A. We're talking about facilities.

10 Q. There were a couple of concepts you  
11 introduced there in that answer. One was where  
12 equipment had already been bought and paid for and  
13 has existed a long time. Now, let me assume for the  
14 moment that there's some brand new equipment of some  
15 recent customer, and that equipment has not been  
16 fully amortized, and now that customer wants to  
17 switch. Are you saying -- you're suggesting that  
18 that's a different situation than if the equipment  
19 has been amortized?

20 A. Most certainly can be, you know, if you  
21 have a new customer that would connect, number one,  
22 it -- I guess in the way that we do business is that  
23 customer has to enter into a contract. So does your  
24 question or your scenario involve somebody trying to  
25 get out of a contractual obligation?

0217

1 Q. No.

2 A. Or are you saying there wasn't a contract?

3 Q. There was no contract.

4 A. There was no contract.

5 Q. Just say we have a new --

6 A. Well, we didn't have prudent business  
7 planning on the part of the utility.

8 Q. The example I'll give is let's say somebody  
9 builds a new house, gets the service laid to the  
10 house, has PacifiCorp service for a year, and then  
11 decides to switch. Is it unfair to ask that customer  
12 to pay some of the expenses that it cost to remove  
13 the equipment?

14 A. Yeah. The way the confines of the  
15 structure within the utility world in the state of  
16 Washington is today is that's part of the risk, part  
17 of the cost of doing business. And you see that in  
18 our area. There are no certified territories and we  
19 do not have a territorial agreement, so that could  
20 just as easily happen to Columbia REA. But what we  
21 have done to ensure that, not only now, but for years  
22 and years, is we've entered into contractual  
23 arrangements with the customers, just for that very  
24 reason. I mean, and it doesn't have to be -- call it  
25 prudent business planning. It doesn't have to be a



0218

1 situation in which you're just trying to protect  
2 yourself from a competitive situation; it can be a  
3 situation in which you're building in facilities and  
4 maybe it's whatever industry that person is in, maybe  
5 it's taken a downturn and they're going out of  
6 business or, for whatever reason, they just decided,  
7 well, we don't like it here, we're going to move. So  
8 on our part, it's been prudent business planning to  
9 enter into these contractual arrangements for years.

10 Q. All right. So you're saying, in your  
11 situation, you do take care of some of these cost  
12 causation issues by contract; is that correct?

13 A. That is correct.

14 Q. Isn't a tariff, in effect, a substitute for  
15 a contract? It's a general contract of sorts that  
16 runs from the utility to the general ratepayer?

17 A. Could be, yeah. Yeah, you could interpret  
18 it that way.

19 Q. My last question, let's take the area where  
20 the equipment has been paid for. It's old, and now  
21 it is going to be sold. Excuse me. Well, let's say  
22 if it is sold, the proceeds, in general, go back to  
23 the ratepayers, not the company, and in the situation  
24 where you have the group of ratepayers left behind  
25 and the one who wants to switch, why should the group

0219

1 of ratepayers left behind not get some benefit from  
2 equipment that is no longer used by that one  
3 customer?

4 A. Again, I don't think that you can just  
5 throw that out in a general term and expect me to  
6 agree with that. There's particular circumstances  
7 behind those situations that could make the answer  
8 land either way. You know, there's some  
9 considerations that would have to be made.

10 CHAIRWOMAN SHOWALTER: Okay. Thank you.

11 THE WITNESS: Mm-hmm.

12

13 E X A M I N A T I O N

14 BY COMMISSIONER HEMSTAD:

15 Q. The example was posed by Mr. Trotter with  
16 regard to the circumstance where the customer asked  
17 for a change of how his connection is made, and I  
18 think your response was that cost would be socialized  
19 or that cost would not be charged to that customer.  
20 What if one of your customers asks to have his wires  
21 undergrounded? Would you assess that cost against  
22 the customer or would you socialize that?

23 A. You know, that's another question that you  
24 just can't make a specific answer, because it's  
25 pretty broad and general.

0220

1 Q. Well, make it specific. You get a request  
2 from a customer to underground.

3 A. And he's had -- okay. Let's just say that  
4 you've got a customer that all of a sudden wants to  
5 go underground. He's had overhead.

6 Q. Because he wants the benefit of the better  
7 aesthetics.

8 A. Then he would be charged for that.

9 Q. Now, then why is that different from the  
10 hypothetical that Mr. Trotter provided?

11 A. Well, in the hypothetical that Mr. Trotter  
12 provided, he's saying a customer wants to move the  
13 service from one side to the next, from one side of  
14 the building to the next. You're talking about a  
15 very minimal amount of work, and you know, there's a  
16 certain level of work in which it's just customer  
17 service, whether it be providing an estimate or doing  
18 something along those lines.

19 Q. Okay. Then take example of a power upgrade  
20 with substantial up-front cost to the co-op. How do  
21 you handle that?

22 A. Through contract.

23 Q. And in which the customer then pays up  
24 front for those capital costs?

25 A. Either pays up front or amortizes that over

0221

1 the life of the contract.

2 Q. Right. But --

3 A. There is a payment.

4 Q. But that's not socialized; that's put into  
5 the contract?

6 A. That is correct.

7 Q. Okay. Do co-ops have condemnation  
8 authority?

9 A. Yes.

10 Q. Do you have -- well, I'll turn this into a  
11 hypothetical. Assuming that a co-op wishes to  
12 condemn properties of an investor-owned utility, do  
13 you have that authority? Not you. Does the co-op  
14 have that authority?

15 MR. HUBBARD: I'd object. That calls for a  
16 legal conclusion.

17 Q. Okay. I was trying to get -- well, do you  
18 have an opinion on that?

19 CHAIRWOMAN SHOWALTER: Answer on the  
20 record.

21 THE WITNESS: No.

22 Q. Well, I was trying to get to a larger  
23 hypothetical. We've been talking about a handful of  
24 customers here, and again, I'll turn this into a  
25 hypothetical. Assume that a co-op does go out and

0222

1 makes a substantial solicitation for customers, and  
2 call it a fairly dense area, say a community of, say,  
3 10,000 residential customers, and not in any kind of  
4 condemnation, but in simply seeking to have them sort  
5 of collectively switch service from the  
6 investor-owned to the co-op. Is it your position  
7 that there ought to be no assessment against each of  
8 those individual customers by the investor-owned  
9 company when they switch?

10 A. No, not at all. That's not what I've said.

11 Q. Okay. What are you saying?

12 A. You know, it depends on the situation. Do  
13 some of those customers have contracts? Some of them  
14 don't.

15 Q. Well, let me back up. In the normal scene,  
16 none of them have contracts. We have a tariff that  
17 -- or tariffs that apply to them that determine the  
18 rates that they will pay, and it's the exception  
19 where there are contracts, because investor-owned  
20 operates under tariffs approved by us, or either  
21 approved by or filed with us. So it really isn't a  
22 contract situation at all.

23 A. So am I mistaken in my belief that they do  
24 have contracts?

25 Q. Not individual. Not individual ratepayers

0223

1 don't have contracts, no.

2 A. Really? For construction of facilities?

3 Q. Well, I'm describing a situation where up  
4 and down the residential streets in that community, a  
5 residential service is being provided pursuant to  
6 tariffs with us. So now the solicitation is to,  
7 collectively, for the very large number of customers  
8 to switch. And what I'm trying to get to is, in  
9 contrast to isolated individual situations now, large  
10 numbers of people, is it your view that there should  
11 be no cost assessment imposed upon any of those  
12 customers switching?

13 A. You just can't say yes, I believe that  
14 there should be no cost. You just can't throw that  
15 hypothetical question out there and expect an answer  
16 one way or the other.

17 Q. Why not?

18 A. How long have those facilities been in  
19 there? Are we talking 20, 30, 40 years? You know,  
20 when we talk about contracts, I think maybe there's  
21 some misperception on -- you know, we have different  
22 kinds of contracts. You have contracts for electric  
23 facilities and you have contracts to take electric  
24 service. We're talking about facility charges,  
25 facility contracts that will actually -- over a

0224

1 certain period of time, and then that customer has  
2 the right to go elsewhere.

3           You know, in our situation, and I think  
4 that a hypothetical situation, such as what you've  
5 posed, takes into consideration or it takes for  
6 granted that the utility has no obligation to be a  
7 good corporate citizen. You know, we're not talking  
8 about in our particular situation in which we're  
9 grossly going down the streets duplicating  
10 facilities. That's just not the case. And in your  
11 hypothetical situation, it -- you know, that could  
12 be.

13           I think the question there is why would a  
14 group of citizens want another utility in there to  
15 serve them? Isn't that the core fundamental question  
16 to be asked here?

17       Q. Well, my hypothetical is only intended to  
18 probe the premises behind the issue about these more  
19 isolated individual circumstances, and hence my  
20 question about if you're talking now about a much  
21 larger group of potential switching customers.  
22 Apparently, you don't feel that you can answer that?

23       A. You know, one of the things that I think is  
24 important to let you know is that Columbia REA, just  
25 as any utility, we were formed in 1930s, and we were

0225

1 called into service and formed to serve an area that  
2 investor-owned utility would not serve. So obviously  
3 we have a strong obligation within our mission. We  
4 have an obligation to serve. And so if a customer  
5 would ask us -- say, for instance, a customer of an  
6 existing utility would ask us to serve that. Well,  
7 do we not have an obligation to accommodate that  
8 customer and see if it's possible to serve that  
9 customer. And obviously, there's many things that  
10 are taken into that equation. Would it be prudent on  
11 our part, would it be prudent on their part, are we  
12 taking in the aspect of good corporate citizenship  
13 and not just grossly going down the streets just to  
14 willy-nilly get customers.

15 So no, there's a lot of things to take into  
16 consideration, but I think it's important for you to  
17 understand that our whole core basis of being here  
18 was because people did not have service, so we feel  
19 very strongly about the fact that we have an  
20 obligation to serve.

21 Q. I don't mean to be argumentative.

22 A. I didn't take it that way.

23 Q. And -- but, of course, the investor-owned  
24 has an obligation to serve, too.

25 A. Shareholders.



0226

1 Q. Well, no, they have a public service  
2 obligation that we impose upon them to serve, and in  
3 the areas I think that are in question here, it's not  
4 a matter of an area where there's no service; it's a  
5 question of switching service where customers are  
6 currently receiving service. You'd agree to that, I  
7 assume?

8 One other point. Do co-ops, in effect,  
9 have individual contracts with each of their  
10 customers? Is that how you operate?

11 A. That's how we operate at Columbia REA.

12 Q. Okay. And apparently that's -- I don't  
13 know this. Apparently that's the typical situation  
14 for cooperatives?

15 A. In my experience, it is, with utilities in  
16 which I've been the CEO or worked for.

17 Q. Okay. With regard to the state-regulated  
18 investor-owned, again, there are not individual  
19 contracts typically. There can be in extraordinary  
20 circumstances. Again, the ratepayers take a service  
21 subject to whatever the state tariffs provide for.

22 Now, your earlier response to the Chair's  
23 question with regard to whether there was a right to  
24 recover costs, I believe your response was to say,  
25 Well, if a new standard were put in place, it could

0227

1 apply to -- not to historical customers, but only to  
2 future customers, who would then take service  
3 pursuant to that. Is that a fair description of what  
4 you said?

5 A. Again, I said I would agree to something  
6 like that. I can see where that would be fair.

7 Q. Okay. But, now, one of the situations we  
8 have, of course, is that there is a -- well, on the  
9 one hand, tariffs are relatively stable and they need  
10 to be, so there's some predictability going forward.  
11 At the same time, tariffs change, and so the  
12 circumstances under which a customer takes service  
13 change. And a good example of that is, for example,  
14 fixed rate prices. But now we've adopted for -- both  
15 for Puget and Avista purchase cost adjustments  
16 whereby the pricing varies depending upon the  
17 wholesale cost of electricity. Now, that's a  
18 significant change in the terms.

19 Would it be your idea that that ought to  
20 apply only to customers on a going forward basis?

21 A. No, because what you're talking about there  
22 is rates for their electric usage, for their service;  
23 correct? And once again, I'll get back -- and maybe  
24 this is my fault, but I've talked about contractual  
25 terms. If a new customer hooks up with us and say if

0228

1 there is no cost of -- there is no change in  
2 facility; it's just a matter of us going out and  
3 connecting a meter, connecting a service drop,  
4 there's not a contract for facilities that will tie  
5 them down for a set period of time. So you know, we  
6 have two different forms of contracts, contracts for  
7 electric service and contracts for facilities. And  
8 so in your situation, yes, I would agree that rate  
9 tariffs for those services can change.

10 Q. But in the circumstance that we have in  
11 front of us --

12 A. It's different.

13 Q. -- it would be your view that that's  
14 something that ought not to change?

15 A. What you're talking about is something  
16 that's been in the rate tariffs for a long time that  
17 they've not ever charged for.

18 COMMISSIONER HEMSTAD: That's all I have.  
19 Thank you.

20 COMMISSIONER OSHIE: I have no questions.

21

22 E X A M I N A T I O N

23 BY CHAIRWOMAN SHOWALTER:

24 Q. I just have -- I just want to make sure I  
25 understand these differences, if there are

0229

1 differences, between how Columbia REA operates and  
2 how an investor-owned utility regulated by us  
3 operates, because perhaps there's, you know, ships  
4 passing in the night on that question.

5           If I, as an individual, move into Columbia  
6 REA area, let's say onto a new lot or a lot and I  
7 build a house and I want electricity from you and you  
8 agree to give it, do I sign a contract with you, as  
9 an individual resident?

10          A.    Yes.

11          Q.    And does that contract provide for various  
12 terms, including who pays for facilities and things  
13 like that?

14          A.    Yes.  Actually, you'll enter into two  
15 contracts with us.

16          Q.    The facilities contract and the --

17          A.    It's entirely possible, yes, facilities,  
18 and then an agreement to take electric service.

19          Q.    All right.  So I sign those two contracts,  
20 and then let's say the Columbia REA has a change in  
21 policy on one of the provisions that is in my  
22 contract.  Does that -- are there changes that you  
23 might make that would apply to me?

24          A.    There could be an actual change in your  
25 rate tariffs, but would there be contractual changes

0230

1 that would apply to your contract and go back and  
2 retroactively change that? We wouldn't do that. We  
3 couldn't do that.

4 Q. Your contract doesn't provide, for example,  
5 subject to changes that the board might make, that  
6 kind of language?

7 A. We entered into a contractual agreement and  
8 that contract agreement will stand. That's just a  
9 matter of course of law.

10 Q. My question was does your contract provide  
11 -- did your contract itself provide that there may be  
12 changes from time to time in some of the terms and  
13 conditions as approved by your board?

14 A. Not that I recall.

15 Q. And another question. You spoke of the  
16 obligation to serve. That's a term of art in our  
17 world. By law, an investor-owned utility has an  
18 obligation to serve in a reasonable manner, and I'm  
19 just wondering, if I move into your area, as far as  
20 you know, do you have a statutory legal obligation to  
21 serve me?

22 A. I believe --

23 Q. And if you don't know, don't answer.

24 A. I believe so.

25 CHAIRWOMAN SHOWALTER: All right. No

0231

1 further questions. Thank you.

2 JUDGE CAILLE: Redirect.

3 MR. HUBBARD: Just one question, and I'm  
4 sure --

5 MR. TROTTER: Your Honor, before that  
6 happens, can I just ask one question that was  
7 generated from the Bench?

8 JUDGE CAILLE: Yes, certainly.

9

10 R E C R O S S - E X A M I N A T I O N

11 BY MR. TROTTER:

12 Q. With respect to the service contract that  
13 your new customers sign on, not the construction  
14 contract, but the service contract, what is the  
15 length of that contract typically?

16 A. I can't answer that typically.

17 Q. For a residential customer?

18 A. It could be zero years. They enter into a  
19 contract, but the actual term can be zero.

20 CHAIRWOMAN SHOWALTER: You mean zero or  
21 indefinite?

22 THE WITNESS: No, zero.

23 COMMISSIONER HEMSTAD: Well, I don't  
24 understand that.

25 THE WITNESS: They can enter into a

0232

1 contract with an agreement to take electric service  
2 and there's provisions in that contract that they  
3 have to meet, but one of those provisions can be that  
4 they can get out of this at any time. There's not a  
5 set specific period of time in which they have to  
6 take electric service. Does that make sense?

7 Q. Well, your standard form of contract does  
8 have a place in it for the length of the contract,  
9 does it not?

10 A. Correct.

11 Q. Okay.

12 A. But it can be zero.

13 MR. TROTTER: Thank you.

14 JUDGE CAILLE: Mr. Hubbard.

15 MR. HUBBARD: Thank you.

16

17 R E D I R E C T E X A M I N A T I O N

18 BY MR. HUBBARD:

19 Q. And I'm sure the Commission's under no  
20 illusion in this regard, but PP&L, to your knowledge,  
21 receives payments from BPA, does it not?

22 CHAIRWOMAN SHOWALTER: Can you use the  
23 microphone?

24 Q. PP&L receives payments from BPA?

25 A. Credits, payments and/or power, that is

0233

1 correct, through the residential exchange.

2 MR. HUBBARD: That's all I have. Thank  
3 you.

4 JUDGE CAILLE: All right. You're excused,  
5 Mr. Husted. Thank you. Let's take a break until  
6 4:00.

7 (Recess taken.)

8 JUDGE CAILLE: All right. Mr. Trotter, if  
9 you will please introduce your witness?  
10 Whereupon,

11 HENRY G. McINTOSH,  
12 having been previously duly sworn, was called as a  
13 witness herein and was examined and testified as  
14 follows:

15

16 D I R E C T E X A M I N A T I O N

17 BY MR. TROTTER:

18 Q. Yes. Would you please state your name for  
19 the record?

20 A. Yes, my name is Henry McIntosh.

21 Q. And are you the Staff witness in this  
22 docket?

23 A. Yes, I am.

24 Q. You're sponsoring Exhibits 301-T through  
25 309; is that right?



0234

1 A. Yes.

2 MR. TROTTER: I'd tender the witness for  
3 cross, Your Honor.

4 JUDGE CAILLE: And I believe it's CREA. I  
5 mean, no, ICNU, Ms. Davison, that will begin.

6 MS. DAVISON: Thank you.

7

8 C R O S S - E X A M I N A T I O N

9 BY MS. DAVISON:

10 Q. Good afternoon, Mr. McIntosh.

11 A. Good afternoon.

12 Q. Were you in the hearing room when  
13 Chairwoman Showalter made the observation that a  
14 tariff, an investor-owned utility tariff is like a  
15 contract for customers?

16 A. Yes.

17 Q. Do you, in a general sense, agree with that  
18 characterization?

19 A. In the sense it's analogy, yes.

20 Q. Do you know of any customer who would enter  
21 into a contract that doesn't identify the price or  
22 the facilities covered in that contract?

23 A. Contract for what?

24 Q. A tariff that would be a contract for  
25 electric services?

0235

1           A.    They would have a general understanding,  
2   yeah, of the terms and, you know, the rates.

3           Q.    Can an industrial customer pick up the  
4   proposed tariff and have a general understanding of  
5   what the facilities are that would be covered by this  
6   tariff and what the price or costs would be  
7   associated with this tariff for that customer?

8           A.    He may or might not, depending on the  
9   sophistication of that customer, the line of business  
10   he's in.

11          Q.    Did you see the data responses that  
12   PacifiCorp provided to ICNU with respect to asking  
13   the whole series of questions about how much would  
14   you charge for this, and we went through a whole  
15   series of questions?

16          A.    Right.

17          Q.    And PacifiCorp basically said that they  
18   were unable to provide those numbers.  Do you recall  
19   seeing those?

20          A.    I have, yes, general recollection of a data  
21   request series in that area, but I don't have them  
22   before me right now.

23          Q.    We'll talk generally.  If we need to, I can  
24   point you to the numbers, but would you consider  
25   Boise Cascade to be a sophisticated customer?

0236

1 A. They should be.

2 Q. And do you think Boise Cascade, if they  
3 chose to switch service providers, would have any  
4 idea of what kind of costs PacifiCorp would assess  
5 against them with regard to this tariff at issue?

6 A. Well, they would have a basis for coming to  
7 a conclusion based on the general terms of the tariff  
8 and probably what their internal consultants will  
9 tell them.

10 Q. What if they think that the distribution  
11 facilities are worth \$5,000 and PacifiCorp comes up  
12 with a bill for \$5 million? Is that possible?

13 MR. TROTTER: I'll object.

14 MR. PAINE: Excuse me, I would object,  
15 because the tariff does not call for value of assets.  
16 What we're talking about is removal of costs here, so  
17 it's a mischaracterization of the costs that are  
18 involved.

19 MS. DAVISON: I think the witness is a very  
20 competent, sophisticated witness that can correct any  
21 assumptions that I'm using that are incorrect. I  
22 don't think it's really appropriate for Mr. Paine to  
23 characterize or judge the quality of my question.

24 MR. PAINE: I believe it is.

25 MR. TROTTER: I'm going to join the

0237

1 objection that Mr. Paine made.

2 JUDGE CAILLE: I'm going to overrule the  
3 objection.

4 Q. Do you recall the question? Want me to try  
5 it again?

6 A. So that means I can answer the question?

7 JUDGE CAILLE: Yes.

8 THE WITNESS: What's the question?

9 Q. The question I posed to you is, under this  
10 tariff, is it possible that Boise Cascade would hire  
11 an expert and come up with a conclusion that they are  
12 going to be charged \$5,000, but PacifiCorp has  
13 concluded that the fee that they're going to charge  
14 under this tariff is \$5 million? Is that possible?

15 A. It's logically possible, yeah. I don't  
16 consider that a real possibility, but --

17 Q. It's possible?

18 A. Yes.

19 Q. Thank you. And Mr. McIntosh, would you  
20 support the imposition of a cap, i.e., the maximum  
21 amount that PacifiCorp could charge a commercial or  
22 industrial customer for this tariff?

23 A. Well, in concept, I would, but it would  
24 require some empirical work on the part of the  
25 utility and in cooperation with other parties to make

0238

1 sure that reasonable numbers were arrived at and --  
2 go ahead.

3 Q. And wouldn't it be a good public policy for  
4 the company to have done that so that there would  
5 have been at least some certainty with regard to what  
6 rate or fee or charge would be imposed on a customer,  
7 a commercial or industrial customer under this  
8 tariff, as opposed to where it stands right now where  
9 it's open-ended and ambiguous?

10 A. Your question is?

11 Q. Wouldn't it be good public policy for  
12 PacifiCorp to have undertaken that study and actually  
13 suggested a cap or a maximum charge for commercial  
14 and industrial customers under this tariff?

15 A. They could have done that and they did what  
16 they did. Seems to me a reasonable thing to have  
17 done. It would have probably been more than one  
18 number, would have reflected the complexity of the  
19 events that they expect to face.

20 Q. Right, thank you. Is it possible for a  
21 commercial or industrial customer to know exactly  
22 what facilities PacifiCorp will identify as  
23 distribution facilities and, therefore, subject to  
24 this tariff?

25 A. Well, which customers? The general

0239

1 customer?

2 Q. Let's pick a commercial customer.

3 A. All right. Is it possible for him to what?

4 Q. Is it possible for the commercial customer  
5 to look at the tariff as it's currently written and  
6 identify what facilities PacifiCorp will designate as  
7 distribution facilities and, therefore, charge that  
8 customer for in calculating the net removal cost?

9 A. It's -- yeah, within reason. There's some  
10 ambiguity as to what constitutes transmission and  
11 distribution property in some cases, but it's usually  
12 feasible to get a good idea of what distribution is.

13 Q. Do you think the average commercial  
14 customer would be able to figure that out by reading  
15 the tariff?

16 A. You mean on his own or with the aid of  
17 consultants or other people in the business?

18 Q. Well, I would assume the average commercial  
19 customer wouldn't have any consultants or people on  
20 retainer that might have that level of sophistication  
21 that perhaps an industrial customer would have, so my  
22 question assumes that it's an average commercial  
23 customer that doesn't have any particular expertise  
24 on electric distribution facilities. Is that  
25 customer able to pick up this tariff and figure out

0240

1 what facilities would be subject to an exit or a --  
2 excuse me, a net removal charge?

3 A. I think he would have a general idea, yeah,  
4 but -- yeah.

5 Q. And can you point to the language in the  
6 tariff that provides a general idea for that  
7 commercial customer?

8 A. Well, I think the language --

9 Q. And can you tell us what exhibit you're  
10 looking at?

11 A. Okay. Okay. In my testimony, page seven,  
12 lines one through six, there's a reference to  
13 distribution facilities that need to be removed for  
14 safety or operational reasons if they serve --  
15 provide service to this customer. So I think there  
16 will be some possibility of a customer walking  
17 outside and using his own vision and identifying the  
18 lines that feed his store and following them until  
19 more common plant is found.

20 Q. Do you think the average commercial  
21 customer can do that?

22 A. Yes, they can do as I just said, yeah.

23 Q. But other than walking outside and  
24 eyeballing it, there's no other way to identify  
25 whether a meter or a transformer or a pole or a wire

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1 or any of the other types of facilities would be  
2 subject to this charge; is that correct?

3 A. There could be other ways, yeah. Is that  
4 what you're saying? I'm not saying this is the  
5 exclusive way.

6 Q. Well, Mr. McIntosh, what I'm getting at is  
7 that the tariff doesn't provide a listing of the  
8 distribution facilities that this is subject to; is  
9 that correct?

10 A. That's correct.

11 Q. So the average commercial customer wouldn't  
12 necessarily know whether, at the point that he  
13 requests to switch service providers, whether he's  
14 going to be charged for simply the meter and the  
15 wires or if he's going to be charged for a  
16 transformer or for a pole or any number of other  
17 distribution facilities; isn't that correct?

18 A. That's correct.

19 Q. And let's back up for a moment. When you  
20 saw the original version of this tariff that was  
21 filed by PacifiCorp on November 9th, 2000, and let's  
22 just -- simply this paragraph. I know you can't see  
23 quite that far, but it's the original language. What  
24 was your reaction to that tariff language?

25 A. Well, that it was -- the original language



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1     seemed to me discriminatory.

2           Q.     Did you also find it to be ambiguous?

3           A.     Could you refer me again to exactly -- is  
4     there an exhibit that that's found in?

5           Q.     There is --

6           MR. TROTTER:   Exhibit 303.

7           JUDGE CAILLE:   Thank you.

8           THE WITNESS:   I'm sorry.   Go ahead.

9           Q.     Okay.   So Mr. McIntosh, you just testified  
10    that when you originally read this original tariff  
11    language, that your reaction was that it was  
12    discriminatory.   My question -- my second question to  
13    you was did you find it to be ambiguous?

14          A.     I think I found it to be vague.

15          Q.     Did you have any other concerns with it?

16          A.     I think those were the major concerns.

17          Q.     And how did you approach your concerns with  
18    the company?

19          A.     I guess I don't understand you.

20          Q.     Did you talk to the company, did you  
21    express to them your concerns?   I know that you  
22    presented some proposed tariff language in your  
23    testimony, but I assume that, in advance of that, you  
24    talked it over with the company; is that correct?

25          A.     Well, no, what -- we talked to them in the

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1 sense of data requests and the process of discovery.  
2 Some were telephonic, and most were e-mail and snail  
3 mail.

4 Q. And then you came up with your proposed  
5 language that's in your testimony; correct?

6 A. That's correct.

7 Q. And the company has subsequently agreed to  
8 your proposed language; is that correct?

9 A. Yes.

10 Q. The proposed modification to the tariff  
11 language, do you consider it to be a cost-based cap  
12 for residential customers?

13 A. It's as close to that as we can have with  
14 the data available.

15 Q. And is it your --

16 A. Oh, excuse me.

17 Q. I'm sorry.

18 A. It's a cost based rate. It's not  
19 necessarily a cap. It is a rate to be imposed on  
20 people who fall under the terms of the language of  
21 that rule.

22 Q. Okay. Is it your position that net removal  
23 costs should be imposed in a uniform manner for all  
24 customer classes?

25 A. Well, I would say it should be imposed in a

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1 uniform manner consistent with the needs -- the  
2 differences found in customer classes.

3 Q. And isn't it correct that for the 200 and  
4 \$400 charges that you recommended for equipment  
5 removal, that this provides clarity, uniformity and  
6 predictability for that class of customers?

7 A. Well, yes.

8 Q. And isn't it correct that this \$200 and  
9 \$400 charge for equipment removal removes or reduces  
10 the opportunity for PacifiCorp to discriminate among  
11 customers?

12 A. Well, yes, that and the presence of  
13 vigorous regulation, too.

14 Q. Did you propose a maximum cap for removal  
15 costs for commercial customers?

16 A. I don't think so, no.

17 Q. From a system perspective, do you see a  
18 great deal of difference between a residential  
19 customer and a small commercial customer?

20 A. Well, the trouble is the variation in those  
21 classes. Certainly you could find at least one  
22 commercial customer who resembled a residential  
23 customer.

24 Q. And my question focus -- assumes in my  
25 question that we're talking about the small

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1 commercial customers. Do they generally resemble  
2 residential customers in their service?

3 A. If they're small enough, I suppose they do.

4 Q. Okay. And do you see any notable  
5 differences in the facilities that are required to  
6 serve a small commercial customer versus a  
7 residential customer?

8 A. I can see some in some small commercial  
9 customers. I can also envision some small commercial  
10 customers to be almost identical with residential  
11 customers.

12 Q. Have you seen any evidence in this record  
13 that identifies the costs for removal of facilities  
14 for commercial or industrial customers?

15 A. I have not.

16 Q. And were you in the hearing room when  
17 earlier today Mr. Clemens testified that PacifiCorp  
18 will not provide an estimate of those costs until the  
19 customer actually submits a request for disconnection  
20 and switching to another utility? Do you recall  
21 that?

22 MR. PAINE: Objection. I don't believe  
23 that that is what the record will reflect was asked.  
24 I believe that Mr. Clemens indicated that the company  
25 would provide an estimate if asked by a customer. It

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1 did not hinge upon a request for disconnection, as  
2 well. If this tariff is approved, Mr. Clemens  
3 indicated that the company would provide an estimate  
4 if requested to do so.

5 MS. DAVISON: I believe Mr. -- I was asking  
6 Mr. McIntosh of his recollection, and I believe he  
7 can clarify that if I do not have it accurate.

8 JUDGE CAILLE: Well, and the record will  
9 speak for itself.

10 MS. DAVISON: Right.

11 JUDGE CAILLE: Why don't you ask your  
12 question again, because I'm sure by now Mr. McIntosh  
13 has forgotten it.

14 MS. DAVISON: I'll rephrase it.

15 Q. Mr. McIntosh, do you recall Mr. Clemens,  
16 through my cross-examination, as well as questioning  
17 from Chairwoman Showalter, indicating that the  
18 company could provide a ballpark estimate to a  
19 customer desiring to switch utility providers, but  
20 the company would not provide a precise estimate  
21 until that customer has actually put in a request to  
22 switch utility providers? Do you recall that?

23 MR. PAINE: Same objection.

24 JUDGE CAILLE: The objection is overruled.

25 THE WITNESS: My recollection is that what

0247

1 you said is -- describes what he said.

2 Q. Okay. And so in other words, if a customer  
3 is trying to make a decision on whether or not to  
4 switch utility providers, a commercial or industrial  
5 customer will not know what the cost is until he or  
6 she has actually made that decision; isn't that  
7 correct?

8 A. Well, you know, I don't think that really  
9 follows.

10 Q. Why not?

11 A. Well, the customer could ask for the  
12 ballpark estimate and make a preliminary decision  
13 and, following that, ask for removal of property, and  
14 after receiving an unhappy result, rescind his  
15 request and remain a customer of PacifiCorp. But he  
16 would have in the meantime information available to  
17 make the decision on economic grounds.

18 Q. Okay. And what if, based on your answer,  
19 there isn't this period of time I think your answer  
20 assumes that the customer puts in a request to  
21 disconnect service, switch over to another provider?  
22 Isn't it possible that PacifiCorp could simply  
23 disconnect the service prior to submitting the bill  
24 to the customer?

25 A. I don't think PacifiCorp would do that.

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1 Q. Why not?

2 A. Because that would be -- they would be in  
3 the process of handling a customer request. And  
4 until that is completed, they have an obligation to  
5 serve, so they would continue serving.

6 Q. Well, why isn't it possible for the  
7 customer to put in a request for disconnection and  
8 removal of facilities and have that occur prior to  
9 getting the estimate?

10 A. I'm sorry?

11 Q. Why isn't it possible for the customer to  
12 put in their request for disconnection and removal of  
13 facilities and have that occur prior to actually  
14 receiving the bill for those services?

15 A. Well, the thing is, he needs -- you're  
16 asking if he needs to have an estimate. Estimate  
17 would be created before the event occurred,  
18 presumably?

19 Q. And were you in the room when Mr. Clemens  
20 indicated twice that he wouldn't rely on such a  
21 ballpark estimate?

22 A. Yes, I'm not talking about the ballpark  
23 part. I'm talking about the better estimate which  
24 would happen at the point of customer request.

25 Q. How long do you think it would take them to

0249

1 get those numbers to the customer? Do you have any  
2 idea?

3 A. I don't.

4 Q. Are you familiar with, in line extension  
5 situations, how long it takes for customers to get  
6 estimates for the construction of new facilities?

7 A. I'm generally aware.

8 Q. Are you generally aware that it could take  
9 many months to get such estimates?

10 A. Yes.

11 Q. Is it possible for PacifiCorp to use this  
12 removal fee as a way to prevent competition for  
13 commercial and industrial customers?

14 A. You mean, could they abuse their monopoly  
15 position and prevent people exercising choice based  
16 on other than cost basis?

17 Q. Yes.

18 A. Well, any monopolist can abuse his power,  
19 and that's why they're regulated. And when a  
20 customer feels abused, he utilizes -- he uses the  
21 complaint system at the UTC, and if the complaint has  
22 merit, it's brought into the arena of public hearing.

23 Q. Do you think the average customer has the  
24 financial resources to bring a complaint to the WUTC  
25 for challenging the costs of removal charges imposed



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1 by PacifiCorp?

2 A. Well, it doesn't cost very much to bring a  
3 complaint.

4 Q. Can you elaborate what you mean by that?

5 A. Well, it's a matter of mailing a letter or  
6 e-mailing or telephoning the people at the WUTC's  
7 complaint and customer service division, and if it  
8 has -- after a certain amount of processing and  
9 review and dealing with the company, it's decided  
10 whether this will raise the price of the service of  
11 the complaint that should be brought forward.

12 Q. But you're talking about an informal  
13 complaint process; isn't that correct?

14 A. Yes, and it could become a formal one.

15 Q. And at the point that it becomes a formal  
16 complaint, doesn't the customer have to hire  
17 attorneys or expert witnesses or other people to help  
18 them prosecute that formal complaint?

19 A. Not exactly. He can allay himself of the  
20 services of Public Counsel to a degree, and he would  
21 find sympathetic Staff members to review his  
22 documentation in case there were real merit to his  
23 case.

24 Q. Have you seen --

25 A. Who might volunteer as expert witnesses on

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1 his behalf on their vacation time.

2 Q. With that, I think I have to change topics  
3 a little bit. Does the tariff give the customer the  
4 option of purchasing the equipment for PacifiCorp?

5 A. No, it does not. You're talking about the  
6 proposed tariff revision; correct?

7 Q. Yes, yes.

8 A. Okay.

9 Q. Do you think it's appropriate for the  
10 Commission to look at PacifiCorp's motivation for  
11 filing this tariff?

12 A. Well, excuse me. Could you clarify what  
13 you mean by the motivation?

14 Q. Any motivation. Is it appropriate for the  
15 Commission to look at the reasons why PacifiCorp is  
16 seeking to recover these costs at this time?

17 A. Well, yes.

18 Q. Are you familiar with what PacifiCorp calls  
19 the accommodation tariff?

20 A. Well, yes, I think that has to do with the  
21 general -- they're referring to the rules section of  
22 the tariff in which the word accommodation occurs  
23 several times for cases in which the customers ask  
24 for things that are not standard services. I think  
25 that's -- is that what you're talking about?

0252

1 Q. Yes. And did you review Exhibit 61 that  
2 has the discussion -- or has the line item regarding  
3 the accommodation tariff?

4 A. This is 61, as opposed to 61-A; right?

5 Q. Yes.

6 A. Yes, I did look at it.

7 Q. Okay. And you see the RCMS customer  
8 billing summary that was discussed earlier today.  
9 And on that sheet, you see the line item special  
10 accommodation?

11 A. Yeah, yes.

12 Q. And are you generally aware that this was a  
13 billing summary that PacifiCorp put together for  
14 purposes of charging a customer for switching utility  
15 providers?

16 A. No.

17 Q. What do you think this billing summary was  
18 put together for?

19 A. For the removal of electric utility --  
20 rather, for the movement of electric utility property  
21 from the premises at this Mr. Labe's (phonetic)  
22 service point.

23 Q. And apparently PacifiCorp believes that it  
24 has the legal ability to charge for such costs under  
25 its accommodation tariff; is that correct?

0253

1           A.    It would seem so.

2           Q.    So if we try to isolate who is really going  
3 to be subject to this new tariff proposal, I'm trying  
4 to get the essence of who's really covered by this  
5 and is this really necessary, and we can identify  
6 from Exhibit 61 that, in certain instances,  
7 PacifiCorp certainly believes that they can charge  
8 for those services under the accommodations tariff;  
9 correct?

10          A.    Would you say that again?

11          Q.    We can assume from -- on the face of  
12 Exhibit 61 that, in certain instances, PacifiCorp  
13 certainly believes it has the legal authority to  
14 charge for the costs they incurred for moved  
15 facilities?

16          A.    Yes.

17          Q.    Okay. Well, then, let's move over to the  
18 other extreme. Let's talk about the instance that  
19 Commissioner Hemstad posed earlier. Let's assume  
20 that 10,000 customers leave PacifiCorp. Do you think  
21 that the tariff that they're proposing here is going  
22 to sufficiently cover what costs they think they may  
23 have, stranded costs, whatever? Wouldn't you  
24 envision in that situation that PacifiCorp would  
25 pursue some remedy above and beyond this tariff?

0254

1           MR. PAINE:  Objection, speculative.  Calls  
2 for speculative answer on the part of the witness.

3           MR. TROTTER:  I'll join the objection.  
4 But, also, the tariff does not even purport to  
5 recover stranded costs, so the question's irrelevant.

6           MS. DAVISON:  I think the question is  
7 highly relevant.  I'm really trying to get to the  
8 essence of who is truly going to be covered by this  
9 tariff.  Because we have certain customers that we  
10 know from Exhibit 61 are going to be billed under the  
11 accommodation tariff, and other customers that, if  
12 they leave, their costs are going to be far greater  
13 than 200 or \$400 if customers leave en masse, and so  
14 I'm trying to figure out who's left and who -- why  
15 this tariff really matters, and that's the questions  
16 that I'm trying to elicit from Mr. -- or answers I'm  
17 trying to elicit from Mr. McIntosh to figure out what  
18 the need is for this tariff.

19           CHAIRWOMAN SHOWALTER:  Ms. Davison, you had  
20 a lot of things in that question.  One was who it  
21 covers, but the other is what is the need.  So those  
22 are very different questions.

23           MS. DAVISON:  Right.  Well, my question was  
24 simply saying if 10,000 customers left, do you think  
25 this tariff is going to be sufficient, from

0255

1 PacifiCorp's perspective, to cover its cost?  
2 Wouldn't you expect them to pursue some other kind of  
3 remedy to collect those costs beyond this tariff?

4 MR. PAINE: Same objection.

5 MR. TROTTER: I'll join the objection that  
6 it's speculative, Your Honor. And that's the whole  
7 problem here, is that after the customers are gone,  
8 that the only charges that can be assessed is charges  
9 against the remaining customers who didn't choose to  
10 leave. I mean, that's the whole fairness issue. If  
11 she wants to pursue that, so be it, but speculating  
12 on what PacifiCorp will file, a hypothetical that has  
13 no factual basis, is simply asking for speculation.

14 JUDGE CAILLE: Objection is overruled. And  
15 I'd direct the witness to please answer the question.

16 THE WITNESS: Okay. Would you please  
17 restate the question?

18 Q. If 10,000 customers decided to leave en  
19 masse and switch utility providers and take their  
20 service from Columbia REA, would you expect, under  
21 those circumstances -- and let's assume they're all  
22 residential customers. Would you expect, under those  
23 circumstances, that the \$200 charge in the tariff  
24 would cover all the costs that PacifiCorp would seek  
25 to recover for those customers leaving their system?

0256

1                   CHAIRWOMAN SHOWALTER: Ms. Davison, I think  
2 you changed the question again. Do you mean would it  
3 cover the costs of removing the equipment for 10,000  
4 customers or do you mean the general cost to  
5 PacifiCorp resulting from 10,000 customers leaving  
6 its system in general?

7                   MS. DAVISON: The latter. I mean in  
8 general.

9                   MR. TROTTER: Your Honor, I'm going to  
10 object. ICNU intervened as representing the largest  
11 customers in the PacifiCorp system, the industrial  
12 class. Most of their questions today have been  
13 related to small commercial customers and residential  
14 customers that they are not intervening to represent  
15 the interests for. So I'm going to object as beyond  
16 the scope of their intervention.

17                   MS. DAVISON: Well, I believe that we are  
18 certainly representing the interests of the  
19 industrial customers here, but I believe that if a  
20 tariff is, on its face, discriminatory between  
21 commercial and residential customers, I believe I  
22 have the ability to ask those questions. And  
23 actually, I am quite disturbed that there is no one  
24 here today representing the interests of commercial  
25 customers, they're not covered by Staff's proposal

0257

1 and there is no party here, public counsel or  
2 otherwise, representing the interest of commercial  
3 customers. I don't purport to represent that  
4 interest, but I do believe that this tariff is, on  
5 its face, discriminatory.

6 MR. TROTTER: My problem is that the  
7 question had nothing to do with that. And she's  
8 welcome to make her legal argument in brief. And her  
9 question -- if it's discriminatory on its face, then  
10 we don't need to ask about it. It's in the record,  
11 and she can make her argument. So I'll object to the  
12 question.

13 JUDGE CAILLE: The objection is still  
14 overruled.

15 THE WITNESS: So would you say the -- would  
16 you rephrase that -- say it again, please.

17 Q. I'm going to try to get it exactly the same  
18 this time. If 10,000 customers left PacifiCorp's  
19 system, and I'm speaking in a general sense. I'm not  
20 talking about just net removal. In a general sense,  
21 do you think that PacifiCorp would simply seek to  
22 recover \$200 per customer and that would be the end  
23 of the story?

24 A. Do you mean they left all on a Saturday  
25 night or did they trickle away over a decade?



0258

1 Q. They all left on a Saturday night.

2 A. Well, I think they would have a lot of  
3 problems to be facing, and this particular tariff  
4 would be pretty small in their view.

5 Q. Right. And -- okay.

6 A. And I'm saying, for the time being, it's  
7 the best information we have in recovering average  
8 costs of these events of cost of removal. It's only  
9 going to be -- proposed to be here till 2005, and  
10 it's subject to process of data collection and  
11 interim reporting. Your hypothetical is very  
12 interesting, but we're not facing that event as the  
13 problem.

14 Q. And isn't it true that we're not facing the  
15 event of PacifiCorp passing on these costs to other  
16 customers at all, because PacifiCorp's under a  
17 five-year rate plan?

18 A. That's right, it can't fall into -- this  
19 won't be a rate year, that's true, but that is the  
20 point.

21 Q. And isn't it also true that the costs that  
22 we're talking about, less than \$20,000, will make no  
23 difference whatsoever with a \$190 million revenue  
24 requirement?

25 MR. TROTTER: I'll object to the

0259

1 characterization that all we're talking about is  
2 \$20,000 in this case. I'll object to the question.  
3 It's misleading and inaccurate.

4 MS. DAVISON: That was the testimony of Mr.  
5 Clemens.

6 MR. TROTTER: We talked about  
7 prospectively, also, Your Honor.

8 JUDGE CAILLE: I do believe it is  
9 misleading. The objection is sustained.

10 Q. Let me try to rephrase the question. We  
11 just established that these costs will not be passed  
12 on to other ratepayers because of the rate plan,  
13 correct, at least not till PacifiCorp files a new  
14 rate case at the end of the rate plan; correct?

15 A. That's true.

16 Q. And at the point that PacifiCorp gets  
17 around to filing a new rate case, do you think that  
18 it is reasonable that the costs associated with the  
19 removal of facilities will have any impact on the  
20 revenue requirement in any kind of noticeable way for  
21 other customers?

22 A. Well, the revenue requirement is composed  
23 of many small parts that add up to the big number,  
24 and we do our best to identify the causes of those  
25 parts when we make rates.

0260

1 Q. Does Staff generally take on \$20,000 items  
2 in revenue requirement cases?

3 A. Well, we have, yes.

4 Q. Is that generally what you look at?

5 A. We review accounts, the contents of which,  
6 in many subaccounts, some of those values are as  
7 small as a thousand dollars.

8 Q. When you review those accounts, does  
9 PacifiCorp include in its rates currently the cost of  
10 disconnections?

11 A. Well, are we talking about this sort of  
12 disconnection or are we --

13 Q. I'm not talking about switching utility  
14 providers. I'm talking about disconnections in  
15 general. Aren't those costs already included in  
16 PacifiCorp's rates?

17 A. Well, no.

18 Q. If a customer calls up and asks PacifiCorp  
19 to disconnect its service, it's moving to California,  
20 those costs are not included in PacifiCorp's rates?

21 A. You mean turning off the service?

22 Q. Yes.

23 A. That cost is, yeah.

24 Q. And what if the customer is a small  
25 business owner and that customer goes out of

0261

1 business? Are the costs associated with that already  
2 in PacifiCorp's rates?

3 A. You mean the cost of deenergizing that?

4 Q. Yes.

5 A. Yes, that one is.

6 MS. DAVISON: I just have one quick thing.

7 I think I'm done. I have no further questions.

8 Thank you.

9 JUDGE CAILLE: Thank you. Mr. Hubbard.

10 MR. HUBBARD: Thank you. And we'll  
11 endeavor to make this brief, Commissioners and Judge.

12

13 C R O S S - E X A M I N A T I O N

14 BY MR. HUBBARD:

15 Q. Mr. McIntosh, you've been with the  
16 Commission since what, 1994?

17 A. Yes.

18 Q. And during that time, I take it, you've  
19 reviewed many tariff proposals?

20 A. Yes.

21 Q. And the instant proposal was filed I think  
22 in December of 2000, the original version; is that  
23 right?

24 A. I believe you're right.

25 Q. And that version you along the line

0262

1 rejected?

2 A. Yes.

3 Q. According to your testimony?

4 A. Yes, yes.

5 Q. And you rejected it for two reasons. One  
6 was that it was vague, and the other was that it was  
7 discriminatory; is that correct?

8 A. Yes.

9 Q. And with those two flaws in this tariff,  
10 did you not go to work with PacifiCorp to  
11 rehabilitate it?

12 A. What do you mean by rehabilitate?

13 Q. Make it perhaps palatable to yourself so  
14 that you would have a tariff to recommend to the  
15 Commission?

16 A. Well, as I said before, we use a process of  
17 discovery to find out what's behind that filing and  
18 we do have some phone conferences and exchange some  
19 e-mails to find out what the foundation of the filing  
20 is and -- if that's what you mean by go to work with.

21 Q. It is, thank you. And you went to work for  
22 some period of time with PacifiCorp on this tariff,  
23 did you not?

24 A. Well, we worked on it for some period of  
25 time. I'm not sure what you mean by go to work with.

0263

1 Q. Well, you were in direct contact with  
2 PacifiCorp, were you not, to develop the language  
3 that eventually formed the revised version of this  
4 tariff?

5 A. Well, we didn't negotiate that, no.

6 Q. Well, you must have talked about something,  
7 and it was about the language, was it not?

8 A. Well, then, that, among other things, sure.

9 Q. Like what's for dinner? Strike that.  
10 Who did you deal with at PacifiCorp in  
11 regards to this tariff application?

12 A. Well, I've forgotten his name. He's  
13 sitting right there.

14 MR. PAINE: Let the record show it's Rob  
15 Stewart.

16 Q. The Rob Stewart?

17 A. The Rob Stewart.

18 Q. An employee of PacifiCorp?

19 A. Yes, and Mr. Paine, as well.

20 Q. So you were in good hands?

21 A. (Nodding.)

22 MR. TROTTER: Your Honor, I'll object to  
23 this. We're not advancing the ball at all.

24 MR. PAINE: Object to that  
25 characterization.

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1 Q. Is it your usual and normal practice to  
2 work hand in hand with the applicant of a new tariff  
3 to refine language?

4 MR. TROTTER: Objection, Your Honor, the  
5 characterization of hand in hand. The Staff  
6 developed this proposal, we issued data requests,  
7 filed testimony on it, and if there's any suggestion  
8 that there was more or less to it than that, then  
9 let's get to those facts, but hand in hand does not  
10 help us. I'm going to object to the form of the  
11 question.

12 JUDGE CAILLE: Mr. Hubbard, if you could  
13 just ask the questions simply without adding such  
14 things as hand in hand to them. Just ask your --  
15 straightforward.

16 Q. Without the cinematography, then, you  
17 worked with PacifiCorp, you've testified to that  
18 effect, in developing this tariff as now proposed; is  
19 that right?

20 A. If that means the usual process of data  
21 requests, conversation, and analysis following  
22 independently upon that, then yes.

23 Q. And have you acted similarly in other  
24 instances with other companies on their tariff  
25 requests?

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1 A. Yes, I think so.

2 Q. You don't remember?

3 A. I remember.

4 Q. And what do you remember?

5 A. I remember I've done this before. This is  
6 a common thing.

7 Q. It's a common thing?

8 A. Yes.

9 Q. Okay. And one of the things that you set  
10 about to do with this revised version, was it not, is  
11 to get rid of the vagueness objection; is that right?

12 A. Yes.

13 Q. And as revised, however, this tariff still  
14 has no fixed numbers in it beyond the 200 and \$400,  
15 does it?

16 A. Right, so it's reduced in vagueness.

17 Q. But it's not completely set out or defined  
18 as a regular tariff as now phrased, is it?

19 A. That's right. It shares that property with  
20 many other features of electric tariffs.

21 Q. There's still vagueness in it?

22 A. Yes.

23 Q. And as far as the discriminatory aspect,  
24 you tackled that problem by simply making it apply to  
25 all disconnects for any reason; isn't that right?



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1 Disconnects and removals?

2 A. All disconnects of this type for any  
3 reason.

4 Q. And removals?

5 A. Yes.

6 Q. Rather than just to switch providers for  
7 any reason?

8 A. Yes.

9 Q. And so you put a bonnet and a nightie on a  
10 wolf and called it a grandma?

11 MR. TROTTER: Objection, Your Honor,  
12 argumentative and ask that remark be stricken from  
13 the record.

14 MR. HUBBARD: I'll withdraw the question.

15 MR. TROTTER: I'd still ask that it be  
16 stricken from the record.

17 JUDGE CAILLE: Your request is granted.  
18 And we would really appreciate it if you would not  
19 characterize things in that manner. It's not  
20 advancing anything here.

21 MR. HUBBARD: I realize it's getting late.

22 JUDGE CAILLE: No, that's not the point.

23 MR. HUBBARD: I'll rephrase.

24 JUDGE CAILLE: The point is no one else in  
25 this room has conducted cross-examination that way,

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1 Mr. Hubbard, so would you please endeavor not to do  
2 that again?

3 MR. HUBBARD: Understood, Your Honor.

4 Q. Now, if this tariff, as now revised, has a  
5 disproportionate effect on one segment of  
6 PacifiCorp's customer base, it would still be  
7 discriminatory, would it not?

8 A. What do you mean by disproportionate  
9 effect?

10 Q. If, in fact, and as applied it actually  
11 affected to a greater degree people who were  
12 switching utilities, that would be a disproportionate  
13 effect and still discriminatory; correct?

14 A. No, the intent of this tariff is to recover  
15 the costs caused by individual events and in so  
16 doing, in so focusing on those individual costs, it  
17 escapes any kind of discrimination.

18 Q. And these are costs that you apparently  
19 believe are not already in their tariff?

20 A. These are incremental costs to those  
21 covered by the tariff.

22 Q. I'm going to ask you, Mr. McIntosh, and we  
23 don't have a blackboard or a large easel, if you  
24 would just take a blank piece of paper and label it  
25 Exhibit -- and this is going to be the end for our

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1 examination -- 313, Exhibit 313, put your name and  
2 the date on it?

3 A. Okay.

4 Q. I'd like to explore just briefly this  
5 business of a rate base and what this tariff would  
6 do. And we're going to create an example, if you  
7 will. And so in the left-hand column, if you would  
8 write -- we have a hundred dollars in plant, \$40 in  
9 depreciation underneath that, draw a line and reduce  
10 it to \$60 net plant.

11 Then, in the middle column, let's assume  
12 that we have a \$10 charge for disconnection and  
13 removal of facilities and, as a matter of regular  
14 utility practice, that \$10 charge, I believe, would  
15 be split this way, so if you would put that in the  
16 exhibit. Five dollars of it would be a debit against  
17 plant. Have you got that, Mr. McIntosh? And  
18 underneath that \$5 would be a \$5 credit that would go  
19 against depreciation. And you bring those down and  
20 there's your \$10. Do you have that?

21 A. The \$10 represented what?

22 Q. The cost of net removal of facilities,  
23 okay, under this tariff. Then we move over to the  
24 right-hand column and we apply the debits and credits  
25 of that cost, and don't we then have a plant of \$95,

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1 if you'll put that on the right-hand column, and  
2 depreciation, because of the way credits are applied  
3 to depreciation, is now \$35.

4 A. I'm lost now. So I took my \$5 away from  
5 plant?

6 Q. Right, and you have 95 --

7 A. Okay.

8 Q. -- as a debit, and a \$5 credit on  
9 depreciation because that material's come back. And  
10 that would be -- make that number \$35 --

11 A. Okay.

12 Q. -- in the usual way, and then we have \$60.  
13 And you'll see that the point of this exercise after  
14 we do that is that the \$60 is still the net plant in  
15 both instances. Do you have that? So that there's  
16 no change in the rate base, is there?

17 MR. TROTTER: Your Honor, could I ask for  
18 clarification? There was something called a debit  
19 and something called a credit. Could counsel tell us  
20 which is the credit and why it decreased, instead of  
21 increased the account?

22 MR. HUBBARD: Certainly. Well, the \$5  
23 credit begins depreciation, because it's a negative,  
24 becomes the \$35 when you credit depreciation. That's  
25 normal accounting practice in the utility business.

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1           MR. TROTTER: We will not accept that  
2 assumption, Your Honor. Counsel is welcome to brief  
3 this example and we'll reply to it, but we're not  
4 accepting the assumption that a credit decreases  
5 depreciation.

6           CHAIRWOMAN SHOWALTER: Well, why doesn't  
7 the question be posed, and then those are the  
8 assumptions of the questions, and the next question  
9 can be do you accept the assumptions, and why not, if  
10 you know.

11          Q. Five dollars is a debit, \$5 is a credit.  
12 In any event, where we come out, we have \$60 in net  
13 plant at the end of this exercise; is that right?

14          A. Well, I'm not sure that's true, given your  
15 --

16          Q. I mean, just for purposes of this example?

17          A. Let's assume the net plant didn't change,  
18 but did the company incur an expense?

19          Q. And looking still at 313 as marked, sir,  
20 and I appreciate your patience in going along with  
21 this, there would be no change in the rate base under  
22 this example; correct?

23          A. I think you have that. Rate base isn't the  
24 issue.

25          Q. But there would be no change. Still \$60 --

0271

1           A.    Under your hypothesis, that's right.

2           Q.    Sixty dollars is still the net plant.  So  
3  if you take this net removal charge and put it on top  
4  of the cost of removing, you have a double charge, in  
5  effect, don't you?

6           A.    No.

7           Q.    And the tariff, I mean, it's already here.  
8  If you take the \$10, you debit and credit plant and  
9  depreciation, you'd have the same net plant, you  
10 haven't changed your rate base and you haven't  
11 benefited the public.  You haven't benefited  
12 PacifiCorp's customers.  And then you put a tariff on  
13 top of that, isn't it true that the only group that  
14 gains would be PacifiCorp's shareholders?

15          A.    I don't think it follows.

16               MR. HUBBARD:  Well, we would submit 313 as  
17 is.

18               MR. PAINE:  And I would object, Your Honor,  
19 on several bases.  One, any cross-examination  
20 exhibits, as has been pointed out previously, should  
21 have been identified prior to this afternoon.  I  
22 would object on that basis.  Secondly, we are talking  
23 about net removal expenses here.  Mr. Hubbard has led  
24 us through a hypothetical exhibit that addresses rate  
25 base.  It is difficult for me to understand how he

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1 sees an analogy between a rate base based exhibit  
2 versus a net removal incremental expense that we are  
3 talking about with our proposed tariff. I don't  
4 believe it has any foundation. Therefore, I object  
5 to Exhibit 313.

6 JUDGE CAILLE: The objection is sustained.  
7 The answers to the questions in the hypothetical are  
8 in the record and you can make your argument in  
9 brief.

10 MR. HUBBARD: That's all the questions.  
11 Thank you.

12 JUDGE CAILLE: Let's see. Mr. Paine.

13 MR. PAINE: Thank you.

14

15 C R O S S - E X A M I N A T I O N

16 BY MR. PAINE:

17 Q. Just a couple of questions, please. Mr.  
18 McIntosh, I want to clarify the proposed tariff and  
19 what Staff's position is on trueups. PacifiCorp, in  
20 its rebuttal, I believe, I will purport to tell you,  
21 indicated that there would be a trueup. That is,  
22 after the estimate was provided and actual costs  
23 incurred, there would be a trueup, except for those  
24 instances where the flat rate applied to the  
25 residential overhead, \$200, or the residential

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1 underground, \$400. Does Staff accept that?

2 A. You're saying that this is in the rebuttal  
3 testimony?

4 Q. Yes. Could I refer you --

5 A. Yes.

6 Q. -- excuse me, to Mr. Clemens' rebuttal  
7 testimony. Do you recall where Exhibit WGC-T-2, page  
8 four of Mr. Clemens' rebuttal testimony, lines nine  
9 and ten, what the company is -- we are attempting to  
10 propose --

11 A. Yes, I see.

12 Q. -- that there should be trueups in all  
13 instances except where the flat rate has applied?

14 A. Yes, I see your point. Yes, I understand  
15 that.

16 Q. And does Staff accept that proposal?

17 A. Yes.

18 Q. All right. Second of all, with regard to  
19 your testimony, Exhibit 301-T, could we refer to page  
20 seven of that testimony? I'm looking in particular  
21 at lines 29 through 37. Ms. Davison led you through  
22 a number of questions with regard to the timing of  
23 the giving of an estimate to the customer and  
24 PacifiCorp possibly disconnecting and charging even  
25 though the customer perhaps changed his mind and



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1 wanted to stop from incurring these costs.

2 Does lines 29 through and including 37  
3 describe a procedure that would indicate the customer  
4 will get an estimate and will have time to determine  
5 whether or not it wants to cancel the exercise?

6 MS. DAVISON: I object to this question on  
7 the basis that it's friendly cross. This is not the  
8 witness of Mr. Paine, and I do not think it's  
9 appropriate for him to, in essence, conduct redirect  
10 on Staff's witness.

11 MR. HUBBARD: Columbia joins that  
12 objection.

13 MR. PAINE: I'm asking for clarification of  
14 the proposed tariff.

15 MS. DAVISON: He is trying to rebut  
16 questions that I asked Mr. McIntosh in an effort to  
17 conduct redirect on Mr. McIntosh, who is not his  
18 witness.

19 MR. TROTTER: I will be covering this on  
20 redirect, if that helps.

21 JUDGE CAILLE: All right. Let's let Staff  
22 -- your objection's sustained.

23 Q. Mr. McIntosh, would you read lines 25  
24 through 37 into the record, please?

25 MS. DAVISON: I object. I think that the

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1 testimony is already into the record. You don't need  
2 to read it. It's already there. It's been admitted.

3 MR. PAINE: Very well. I'll brief it.

4 Thank you.

5 JUDGE CAILLE: Thank you. Are you --

6 Q. Mr. McIntosh, you indicated a familiarity  
7 with the rate case plan that's currently in effect  
8 for PacifiCorp; is that correct?

9 A. Yes, generally.

10 Q. Does that rate case plan prohibit the  
11 filing of another general rate case during this  
12 five-year period?

13 A. No, it doesn't prohibit it.

14 MR. PAINE: Thank you. That's all the  
15 questions I have.

16 JUDGE CAILLE: Commissioners.

17

18 E X A M I N A T I O N

19 BY CHAIRWOMAN SHOWALTER:

20 Q. First, on the question of the tariff being  
21 limited to customers who request removal, are you  
22 satisfied that, as a practical matter, in nearly all  
23 cases, there will have to be a request from the  
24 customer to accomplish a switch?

25 A. Yes, I think, as a practical matter, that's

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1 true.

2 Q. Reference has been made to this  
3 accommodation tariff, and can you give me a more  
4 specific reference of where to find it?

5 A. Well --

6 Q. Under the table, apparently.

7 A. Yeah. Well, it's -- the accommodation  
8 language -- the accommodation language is used in  
9 several places in the filed tariff. For example, in  
10 general rules and regulations.

11 Q. You need to speak into the microphone a  
12 little more, but I'm looking for a number of a  
13 tariff, like go to --

14 JUDGE CAILLE: Is there an exhibit that you  
15 have?

16 THE WITNESS: No. I'm holding the tariff  
17 book.

18 Q. Okay. Well, if I want to go and find that  
19 tariff, where do I go to find it?

20 A. You mean, what sheet in this book?

21 Q. Right.

22 A. Okay. I think you could find Rule 14(6)  
23 and General Rules Number 6.

24 Q. You're referring to something called rules.  
25 Is this a rule or a tariff that we're --

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1           A.    The tariff has various sections.  Some of  
2  them are sheets for rates and conditions, some for  
3  rules of service.

4           Q.    Okay.

5           A.    This section is called the General Rules  
6  and Regulations.

7           Q.    All right.  And does it have -- does the  
8  tariff have an identifying number?  Is it called  
9  Tariff Number 80 or --

10          A.    It is tariff WNU 74, Pacific Power & Light  
11  Company.

12          Q.    Okay.  And in general, I have not reviewed  
13  that tariff, but it sounds as if it allows for  
14  estimates of expenses on an individual case-by-case  
15  basis; is that correct?

16          A.    That's true.

17          Q.    All right.  There was also a reference  
18  earlier to an estimate tariff or a tariff under which  
19  things could be estimated.  In your view, were we  
20  talking about the same tariff here, as far as you  
21  know?

22          A.    I think we're talking about the same thing.

23          Q.    All right.  I want to ask just a couple  
24  questions about levels of specificity in tariffs.  
25  The most specific level I could think of as an exact

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1 dollar amount for an exact service, such as \$200 to  
2 remove residential equipment. But in going up to a  
3 level of abstraction, are there various instances  
4 where we have tariffs that outline that certain costs  
5 must be borne without identifying what the costs are?

6 A. Well, yes.

7 Q. Line extensions come to mind for me, but  
8 what a customer has to pay for is identified, but not  
9 how much, because that will vary from job to job?

10 A. Yes.

11 Q. Can you think of other examples offhand?

12 A. Well, this relocation customer charge comes  
13 to mind.

14 Q. The underground relocation?

15 A. Yeah.

16 Q. And in making choices about whether to have  
17 a specific amount versus a term or condition in which  
18 the specific amount is determined later, is it  
19 relevant how typical a cost may be versus how  
20 individualized a cost may be?

21 A. Well, yes. In fact, the reason some  
22 tariffs use the technique of nonspecific designation  
23 is that you have unusual events, infrequent events,  
24 and it's hard to capture them in an average cost  
25 study.

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1 Q. And included in the concept of events is  
2 also the distinctive characteristics of a customer's  
3 situation, would that be fair to say, or at least is  
4 that a comparable unusual or atypical circumstance  
5 where one customer may have quite different cost  
6 characteristics or one job may have different cost  
7 characteristics than another?

8 A. Special contracts for electric and gas  
9 service are examples. In those cases -- and special  
10 contracts are implicitly part of the tariff system of  
11 a given company. In those cases, the exact price a  
12 person will face in getting that service is subject  
13 to bargaining, estimation and finally review by the  
14 Commission before it's accepted, and so special  
15 contracts don't have a price or rate specified before  
16 they're imposed. It is not as if a list of special  
17 contracts options existed before the exercise of free  
18 choice.

19 Q. But when the special contract is signed,  
20 generally its terms and conditions are known; is that  
21 correct?

22 A. Yes, but they come about by -- in the  
23 process of customer negotiation with a company who --  
24 and no such thing exists when they discuss the  
25 decision to become a special contract customer.

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1 Q. All right. And even in the case of special  
2 contracts, aren't there special contracts where the  
3 amount is not going to be known with specificity?  
4 For example, a special contract in which a customer  
5 pays a Dow Jones market rate, in other words, the  
6 actual amount won't be known, it's -- but the  
7 customer is agreeing to pay whatever that is; is that  
8 correct?

9 A. Well, that's true.

10 Q. Actually, I want to get out of the contract  
11 situation and back into the tariff, and I think you  
12 have answered the question that we have in our  
13 tariffs, a range of specificity in putting a customer  
14 on notice of what is going to be paid. Sometimes  
15 it's quite specific and sometimes it is not, if the  
16 expenses are of the type that can't be predicted in  
17 advance; is that correct?

18 A. I think that's true.

19 Q. I guess my last question revolves around  
20 why it is reasonable to, in your view, to require  
21 customers exiting by choice permanently to be treated  
22 one way and customers who simply exit maybe because  
23 they leave the -- they move out to be treated another  
24 way. This tariff makes a distinction, I think, of  
25 customers who request removal of equipment when it

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1 appears that that is going to be a permanent  
2 situation and carves them out for this tariff,  
3 whereas there are other types of customers who also  
4 end service for one reason or another, but who would  
5 not be subject to this. And my question is why do  
6 you think this is a legitimate category to select out  
7 for a tariff?

8 A. Well, I think that because in the one case,  
9 you're talking about the equipment at issue never  
10 having to leave the premise or the part of geography  
11 that it currently sits on because another customer  
12 will soon occupy it and use it.

13 Q. And I take it it may not always be the case  
14 that that will occur, but typically it does occur?

15 A. Right, it can be expected to occur.

16 CHAIRWOMAN SHOWALTER: I have no further  
17 questions. Thank you.

18

19 E X A M I N A T I O N

20 BY COMMISSIONER HEMSTAD:

21 Q. I have only one. And another example of  
22 the uncertainty in estimation is where there's a  
23 shift from overhead to undergrounding in the tariffs  
24 that describe that, wouldn't you agree?

25 A. Oh, yes. Yes, sir.



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1                   COMMISSIONER HEMSTAD: That's all I have.

2

3                   E X A M I N A T I O N

4 BY COMMISSIONER OSHIE:

5           Q.    Mr. McIntosh, I thought that you had  
6 testified earlier that the removal costs associated  
7 with the removal of meters was not included in the  
8 rates presently charged by PacifiCorp, and I assume  
9 by that that you meant the costs that weren't  
10 otherwise recovered through some -- through a tariff,  
11 such as the accommodation tariff?

12           A.    I guess I don't understand your question.

13           Q.    Well, as I understood your answer on the  
14 cross-examination by Ms. Davison, is that there were  
15 no removal costs that were included in the rates  
16 presently charged by PacifiCorp?

17           A.    Oh, yes, removal of property for permanent  
18 discontinuance, where no service would be rendered in  
19 the future.

20           Q.    And as I understood, then, your cross under  
21 -- a question, then, by Mr. Hubbard, the answer was  
22 it didn't include the incremental costs that were  
23 being proposed by this tariff, so there's a bit of an  
24 inconsistency there to me, at least. One question  
25 you answered that the costs were not included, at

0283

1 least as I understood it, and in response to Mr.  
2 Hubbard, you said only the incremental costs that  
3 were proposed by this tariff were not included.

4 A. Well, those are the same costs, I thought,  
5 in both questions.

6 Q. Is it your testimony, then, that there are  
7 no circumstances in which removal costs -- or in  
8 which meters are removed other than those proposed by  
9 this tariff?

10 A. Oh, I see your point. No.

11 Q. And what other circumstances would there be  
12 other than those that were -- that are included under  
13 other tariffs, such as the accommodation tariff?

14 A. I don't follow your question.

15 Q. Well, I guess what I'm really getting at is  
16 that your -- as I understood your testimony, is that  
17 there are no costs associated with removal of meters  
18 in PacifiCorp's revenue requirement in the rates that  
19 are in place today, and that this tariff, because  
20 it's adding incremental costs --

21 CHAIRWOMAN SHOWALTER: Incremental revenue.

22 Q. -- or add incremental revenue because of  
23 the associated incremental costs?

24 A. Right, but I don't think I -- I'm sorry if  
25 I led you to believe that no event of meter removal

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1 for any reason or in any shape or form is covered by  
2 a current tariff.

3 Q. So that's not true?

4 A. Well, I think the discussion was on the  
5 service. We weren't isolating meter; is that right?

6 Q. Well, I guess what I'm -- maybe let's just  
7 cut it down to the chase. I mean, you're not worried  
8 about some type of double recovery under the proposed  
9 tariff, because, under the specific tariff that was  
10 proposed by PacifiCorp, it was only for customers  
11 leaving under the circumstances that were originally  
12 proposed because they wanted to switch providers.  
13 Under your proposed tariff, it covers all  
14 circumstances.

15 My question is aren't all circumstances, at  
16 least some elements of those all circumstances,  
17 covered in the existing tariffs that are in play with  
18 PacifiCorp today?

19 A. I don't think so.

20 Q. Well, what circumstances are not covered,  
21 other than the ones proposed by this tariff?

22 A. I guess I'm really lost. It is -- I think  
23 we've isolated that, the scenario's described in the  
24 tariff, isolate the costs, generally speaking, of the  
25 event not covered by the rates.

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1 Q. Let me go back to my circumstance that I --  
2 my hypothetical and start from there that I proposed  
3 to Mr. Clemens. That you have individual -- you have  
4 two blocks of agricultural properties, A and B?

5 A. Okay.

6 Q. And you have Customer B, who leaves the  
7 system, quits farming, is no longer irrigating. And  
8 Customer B requests and is disconnected from the  
9 system, is no longer a customer. Customer A  
10 purchases the adjacent property, which is Block B,  
11 and combines the loads under a single meter and farms  
12 the property under the single meter. Now, you have a  
13 meter that is associated with Block B. You have no  
14 customer. So would there be a customer charge  
15 imposed for removal of Meter B?

16 A. Well, probably not. The point is is that  
17 these removal charges are for the event in which the  
18 property, the site, will no longer be served in the  
19 foreseeable -- in the foreseeable probability by this  
20 company.

21 Q. Exactly. And let's say that the crop  
22 that's now being planted by the owner of Block A, now  
23 the Joint A and B, is the kind of crop, let's say  
24 it's wine grapes, where you have a long life span,  
25 and in the foreseeable future there's no reason to

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1 have a meter on Block B. So who -- would Customer A  
2 be charged for the removal of Meter B if, in  
3 PacifiCorp's opinion, that Meter B should be removed?

4 A. Why would Customer A be charged? He hasn't  
5 asked for a removal of the property.

6 Q. And so it would be Customer B, who doesn't  
7 exist?

8 A. That's Customer B, who doesn't exist;  
9 that's right.

10 Q. So if PacifiCorp wanted to remove that  
11 meter, then it would absorb the cost; correct?

12 A. It would seem so.

13 Q. And your testimony is that circumstance  
14 isn't happening today?

15 A. I have no evidence to lead me to that  
16 conclusion.

17 COMMISSIONER OSHIE: No more questions.

18 CHAIRWOMAN SHOWALTER: I just have a  
19 follow-up on Commissioner Oshie's first question.

20

21 E X A M I N A T I O N

22 BY CHAIRWOMAN SHOWALTER:

23 Q. Am I correct that essentially the proposed  
24 tariff is like a subset of the accommodation tariff?  
25 That is, currently, there is an accommodation tariff

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1 for a range of things and a range of situations, and  
2 it could be used in the situation of a requested  
3 removal of facilities, but that what is being  
4 proposed is a carve-out, if you want to think of it  
5 that way, for a specific situation; i.e., request of  
6 removal of facilities, and it has, at least in the  
7 case of residents, a specific price, \$200 or \$400,  
8 and that only if either tariff is invoked or used  
9 does the company get the incremental revenue. It's  
10 just a specific example of accommodation to have this  
11 proposed tariff. Is that generally right?

12 A. Yes, that is right.

13 CHAIRWOMAN SHOWALTER: Thank you.

14 JUDGE CAILLE: Redirect.

15 MR. TROTTER: Thank you.

16

17 R E D I R E C T E X A M I N A T I O N

18 BY MR. TROTTER:

19 Q. Mr. McIntosh, let's go back to Commissioner  
20 Oshie's hypothetical where a customer on Tract B just  
21 left. And I'd like you to refer to your testimony,  
22 Exhibit 301-T on page seven, where you quote the  
23 tariff language at issue. If Customer B does not  
24 request the company to permanently disconnect the  
25 facilities, does paragraph A apply?

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1 A. What line are you at?

2 Q. Line one, where paragraph A begins, If  
3 Customer B does not request the company to  
4 permanently disconnect the meter or the service of  
5 Tract B --

6 A. That's right, that's right.

7 Q. Okay. Let's assume that -- let's assume  
8 that the customer does leave. Are they still going  
9 to be -- will the company still be billing the  
10 minimum charge each month for that service, since it  
11 hasn't been disconnected, the customer charge?

12 A. Well, that's true.

13 Q. And in order to stop that charge from being  
14 incurred, could the customer simply ask for the  
15 service to be disconnected at that point?

16 A. Yes.

17 Q. And if at that time the circumstances are,  
18 focusing on lines two and three, the circumstances  
19 are that the facilities will not be reused at that  
20 same site, in other words, Customer A has not yet  
21 purchased the property and there's no indication they  
22 will, will the charge apply for net removal costs?

23 A. No, it wouldn't.

24 Q. Let me start over. Customer B requests the  
25 company to permanently disconnect the company's

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1 facilities.

2 A. Right.

3 Q. And the circumstances are that the  
4 facilities would likely not be reused at that same  
5 site because Customer A has not yet purchased the  
6 property and has no plans to do so. Would the tariff  
7 cost of removal charge apply?

8 A. Yes, it would, in that case.

9 Q. Now, let's focus, then, on page seven,  
10 lines 29 through 37. Ms. Davison was asking about  
11 estimated charges and so on. Is it correct that if a  
12 company -- excuse me, if a customer does ask for  
13 permanent disconnect and the tariff is triggered  
14 because the conditions are met and we're not in the  
15 200 to \$400 situation, that the company will give an  
16 estimate to the company -- customer, excuse me, and  
17 the customer shall pay that amount prior to  
18 disconnection or removal of facilities?

19 A. Yes, that's what it says.

20 Q. Okay. And then turn to page eight of your  
21 testimony. In terms of the reporting requirements,  
22 is PacifiCorp required to report the estimated  
23 removal cost and salvage?

24 A. Yes.

25 Q. As well as the actual removal cost and



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1 salvage?

2 A. Yes.

3 Q. So if PacifiCorp were to have an incentive  
4 to misstate estimated or actual cost, will these  
5 reports help Staff determine whether that is going  
6 on?

7 A. Yes.

8 Q. And is that the type of thorough regulation  
9 that you refer to in your cross-examination?

10 A. Yeah, it's part of that, yes.

11 Q. And in your experience, have you ever had a  
12 customer who thought the proper utility charge was  
13 5,000, while the utility thought it was five  
14 million?

15 A. Would you repeat your question?

16 Q. In your experience, have you ever had a  
17 customer believe the appropriate charge was \$5,000,  
18 while the utility thought it was \$5 million, or  
19 anywhere close to that range of figures?

20 A. I can't remember an example with that great  
21 a difference of opinion on any specific charge, no.

22 Q. As a hypothetical, you answered in that  
23 context, as if that was an actual practical question  
24 to ask? You answered it hypothetically?

25 A. I -- yes.

0291

1 Q. If there is such a disagreement in actual  
2 fact, does the Commission have procedures in effect  
3 to handle complaints to resolve that amazing dispute?

4 A. Yes, in fact, they do.

5 Q. You were asked about customer understanding  
6 of what facilities were involved or not involved.  
7 Would you please turn to page seven of your  
8 testimony? Is it correct, looking at -- focusing on  
9 lines six through nine, that distribution facilities  
10 located on public easement, unless those happen to be  
11 the meter or overhead, are not to be included in the  
12 cost of removal charge?

13 A. That's what it says.

14 Q. So if a customer understands where the  
15 public easement is, will that help them understand  
16 what facilities might be involved?

17 A. It should.

18 Q. Did you review the cost support for the 200  
19 and \$400 charges listed in the tariff proposed?

20 A. Yes.

21 Q. Is that the best information available, in  
22 your opinion?

23 A. To the best of my knowledge, it is.

24 Q. If it turns out that those estimates are  
25 too low or too high, can they be adjusted by a

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1 subsequent tariff filing or complaint?

2 A. They can.

3 Q. Exhibit 61 was a customer complaint in  
4 which the company took the position that the charge  
5 was due and owing under the existing tariff. Was  
6 that because the customer specifically asked the  
7 company to move facilities?

8 A. I think he said to move them, yeah.

9 Q. Is there anything in the tariff, as you  
10 have proposed it, that will prevent PacifiCorp to  
11 recover stranded costs?

12 A. No.

13 Q. You were asked a hypothetical by counsel  
14 for CREA. Are the only costs covered by -- excuse  
15 me, are operating costs involved in a removal  
16 activity under the proposed tariff, such as labor?

17 A. I don't understand your question.

18 Q. Okay. Are there operating expenses  
19 involved in the cost of removal charge or are they  
20 all capitalized costs?

21 A. They're expenses.

22 Q. And with respect to the plant balance --  
23 well, never mind. I'll brief it.

24 Did you examine any other tariffs on file  
25 with the Commission to determine whether costs are

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1 imposed on customers choosing to cease service from  
2 any company?

3 A. Yes, I did. I looked at -- around and I  
4 found the Qwest tariff.

5 Q. And what did you find there?

6 A. Under a customer-initiated request for  
7 termination of service with -- a service contract  
8 exists for that customer, customer can be billed  
9 remaining charges.

10 Q. In your experience, have you ever heard the  
11 term exit fee used in any context other than stranded  
12 cost recovery?

13 A. No, I have not.

14 MR. TROTTER: Those are all my questions.

15 Thank you.

16 JUDGE CAILLE: Anything further?

17 CHAIRWOMAN SHOWALTER: I just have one  
18 follow-up.

19

20 E X A M I N A T I O N

21 BY CHAIRWOMAN SHOWALTER:

22 Q. I just wanted to confirm -- this had to do  
23 with your answers just now on page seven, lines 29 to  
24 36. As I read these lines, in effect, a request for  
25 removal is tantamount to a request to get an estimate

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1 of the costs for removal, but the actual execution of  
2 removal cannot occur until the customer pays those  
3 amounts. Am I right on that?

4 A. Yes.

5 Q. And I think it clarified for me some  
6 earlier discussion where it appeared you couldn't get  
7 an estimate, but, in effect, you get an estimate by  
8 initiating a request. The request is not binding on  
9 anybody?

10 A. Right.

11 Q. Until the customer gets the estimate,  
12 agrees to pay the cost, and then that triggers the  
13 actual removal and switch; is that correct?

14 A. Yes.

15 CHAIRWOMAN SHOWALTER: Thank you.

16 JUDGE CAILLE: Anything further? All  
17 right. Thank you, Mr. McIntosh. You're excused.

18 THE WITNESS: Thank you.

19 JUDGE CAILLE: All right. If there is  
20 nothing further to come before the Commission --

21 MR. PAINE: Excuse me. I do have one  
22 thing.

23 JUDGE CAILLE: Oh, okay.

24 MR. PAINE: I believe I have an open  
25 request to take official notice of a public document.

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1 JUDGE CAILLE: Oh, yes.

2 MR. TROTTER: I would also ask that  
3 official notice be taken of PacifiCorp's current  
4 tariff. I think the Chairwoman asked for reference  
5 to the tariff, it's not in the record, so I just  
6 would propose we take official notice of the tariff  
7 so that you can refer to it and consider it for  
8 whatever it is.

9 JUDGE CAILLE: All right. Let me take care  
10 of that first. I think that's appropriate, and  
11 official notice will be taken of PacifiCorp's tariff.

12 Mr. Paine, with respect to your request,  
13 could you please present your argument, since the  
14 Commission wasn't here.

15 MR. PAINE: Yes, thank you. I'm asking the  
16 Commission to take official notice, under the  
17 provisions of Washington Administrative Code Section  
18 480-09-750. And I'm asking the Commission to take  
19 official notice of the testimony of Chairwoman  
20 Showalter before the U.S. Senate Energy and Natural  
21 Resources Committee of September 17th, 2002. It is a  
22 public document. I believe that it does set forth  
23 certain pieces of testimony that do go to the issue  
24 of whether the proposed tariff changes are an  
25 unlawful restraint of trade restricting competition

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1 and customer choice in contravention of law and  
2 policy, and therefore I believe official notice is a  
3 proper and appropriate course.

4 JUDGE CAILLE: Any other comments?

5 CHAIRWOMAN SHOWALTER: I guess I'll pose  
6 the question. Much as I, you know, liked my own  
7 words, it doesn't strike me that I'm a witness in  
8 this case, and we take official notice of opinions of  
9 courts and tariffs. I would like some guidance, I  
10 guess, of whether it's appropriate to take official  
11 notice of an individual Commissioner's testimony.

12 MR. TROTTER: Just a moment. What's the  
13 rule?

14 COMMISSIONER HEMSTAD: I'll pose the  
15 further question. I don't understand the relevance  
16 of testimony before a legislative committee about  
17 something that's at issue in front of the Federal  
18 Energy Regulatory Commission.

19 MR. PAINE: I will attempt to clarify that.  
20 Commissioner Hemstad, basically what I'm saying is  
21 that the testimony of a government official of the  
22 state of Washington has been submitted to a Senate  
23 committee, and that testimony touches upon, among  
24 other things, the state of retail electric  
25 competition in the state of Washington. Therefore, I

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1 believe that it is relevant, based on the Commission  
2 order that addressed the role of Columbia REA in this  
3 proceeding.

4 CHAIRWOMAN SHOWALTER: I didn't get the  
5 last part of that, of how it connects up to my  
6 testimony. I did testify as an individual in the  
7 Senate and did object on policy and legal grounds to  
8 a proposed FERC rule.

9 MR. PAINE: Yes, you did.

10 CHAIRWOMAN SHOWALTER: But now, relevance  
11 aside, I'm looking at WAC 480-09-750, sub two, which  
12 is entitled official notice. It says, The Commission  
13 may take official notice of -- and then there's any  
14 judicially cognizable fact. Examples of such facts  
15 include, but are not limited to rules, regulations,  
16 administrative rulings and orders, exclusive findings  
17 of fact of the Commission and other governmental  
18 agencies, contents of certificates, permits and  
19 licenses, tariffs, classifications and schedules, and  
20 then goes on, technical or scientific facts within  
21 the Commission's specialized knowledge, codes or  
22 standards that have been adopted by the United States  
23 or state.

24 I'm -- this testimony -- my testimony to  
25 the Senate does not seem to me to be the kind of



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1 thing that falls within this.

2 MR. PAINE: I suggest it's --

3 CHAIRWOMAN SHOWALTER: I realize I might

4 not be objective on this, so I'd defer to others.

5 But it strikes me that it's actually injecting me as

6 a witness into the case. Now, when we, as a

7 Commission, issue an order, we do take judicial

8 notice of that, because that's an agency position.

9 MR. TROTTER: Your Honor, if I might offer

10 some guidance here. You did read the list, and it's

11 not an exhaustive list, obviously. I have seen your

12 testimony, I don't have it in front of me, but if

13 this was an official statement of Commission

14 position, for example, it would be analogous to an

15 order or a ruling. I mean, it wouldn't be exactly

16 those, but you could kind of fit it into this list.

17 If it was simply your personal views for the benefit

18 of FERC or whomever, Congress, I'm sorry, then I

19 don't think it would necessarily qualify.

20 And I think you could -- I think you can

21 probably take official notice of anything if it's

22 stipulated, but if it is going to be contested, then

23 I think, if it was your personal view, as opposed to

24 the Commission statement of policy or whatever, then

25 it probably should not be included through official

0299

1 notice.

2 CHAIRWOMAN SHOWALTER: You are obviously  
3 free to use the same arguments that you see in that  
4 testimony if it's relevant in your brief, but I think  
5 it's inappropriate.

6 MR. PAINE: You're saying that I can use  
7 the arguments set forth in your brief?

8 CHAIRWOMAN SHOWALTER: Well, I'm saying you  
9 can't cite them, because it's not part of the record.  
10 My words are my words as applied to Congress and  
11 FERC, and I don't know how it applies here, but no,  
12 it seems to me it should not be admitted into this  
13 record because it's not the kind of document that  
14 represents any kind of official agency action or  
15 position, and say contrasted when this agency files  
16 comments with FERC in which all three of us sign or  
17 the secretary signs on the agency's behalf, that  
18 would be, I believe, an official position of this  
19 agency and probably of the kind you take official  
20 notice of.

21 MR. PAINE: I see. So before detailing our  
22 specific concerns, which is what you said to the  
23 Senate committee, you really were just speaking on  
24 behalf of yourself?

25 CHAIRWOMAN SHOWALTER: Yes, I was.

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1           MR. PAINE: All right. With that  
2 explanation, fine.

3           JUDGE CAILLE: Then, if there is nothing  
4 further, I do need to just hold counsel for a couple  
5 minutes to take care of a couple of housekeeping  
6 matters, but the Commissioners are free to go.

7           CHAIRWOMAN SHOWALTER: Thank you all very  
8 much.

9           MR. HUBBARD: Thank you.

10          MS. DAVISON: Thank you.

11          JUDGE CAILLE: Mr. Hubbard, your Exhibit  
12 113, I will need it. I mean, it's not admitted, but  
13 it becomes -- it's something that you have offered,  
14 and I will need it for the record.

15          MR. HUBBARD: 313?

16          JUDGE CAILLE: Yes, and the same thing --  
17 unless you're withdrawing it. And the same thing,  
18 Mr. Paine, with your -- with this official notice --  
19 oh, no, that was official notice; that wasn't an  
20 exhibit.

21          MR. HUBBARD: The only copy of 313 is the  
22 one Mr. McIntosh prepared on the stand.

23          JUDGE CAILLE: Okay.

24          MR. HUBBARD: So if it doesn't exist, I'm  
25 not going to worry about it.

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1           JUDGE CAILLE: All right. I'll get it from  
2 Mr. McIntosh, I believe. All right. Briefs are due  
3 October 11th, opening briefs, and response briefs are  
4 due October the 18th. And I believe there's been a  
5 request for an expedited transcript, which will be  
6 available -- is it the 27th; is that right?  
7 September 27th. Is there anything further from  
8 anyone?

9           MR. TROTTER: Your Honor, could we set a  
10 time of day for the due date on the opening briefs,  
11 because -- I would propose noon or 1:00 --

12           JUDGE CAILLE: All right.

13           MR. TROTTER: -- on the 11th for filing  
14 with the Commission. In terms of service on me, I'm  
15 happy to accept e-mail, fax or anything, but --

16           JUDGE CAILLE: I was going to mention that  
17 it would be nice if counsel could send each other  
18 courtesy copies by e-mail. Why don't we make that a  
19 1:00 deadline on the 11th.

20           MR. TROTTER: Thank you.

21           MS. DAVISON: Will you accept filing of a  
22 brief by fax?

23           MR. PAINE: Fax?

24           JUDGE CAILLE: Yeah, I think so.

25           MS. DAVISON: Thank you.

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1           JUDGE CAILLE:  Why don't we do that.  At  
2  least -- let's do it for this initial brief.  For the  
3  next one, no.

4           MS. DAVISON:  Okay, thank you.

5           MR. PAINE:  But can we also agree that they  
6  will be electronically e-mailed?  That is, they will  
7  be electronically served on other counsel?

8           MS. DAVISON:  Yeah, the Judge just asked  
9  us.

10          MR. PAINE:  I didn't understand the  
11  difference between --

12          MS. DAVISON:  I'm talking about filing --

13          JUDGE CAILLE:  Actually filing with the  
14  Commission.

15          MS. DAVISON:  Right.

16          MR. PAINE:  Okay.

17          MS. DAVISON:  So I don't have to put  
18  somebody in a car and drive them up here.

19          MR. TROTTER:  I would also ask, Your Honor,  
20  that parties understand that e-mail means in Word, so  
21  it can be used for cut and paste purposes.

22          JUDGE CAILLE:  Yes.

23          MR. TROTTER:  Some people send things PDF,  
24  where it's just a picture, you can't cut and paste  
25  off it.  I don't see this group being technically

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1 inclined that way, but we've had that problem in the  
2 past. So as a courtesy --

3 MS. DAVISON: I don't know how to do that.

4 MR. TROTTER: I don't know, either. Thank  
5 you.

6 JUDGE CAILLE: Mr. Trotter, if we could get  
7 that one exhibit from Mr. McIntosh so that -- it was  
8 marked. I need to put it in the record as rejected.

9 MR. TROTTER: Is that 313, Your Honor?

10 MR. HUBBARD: Yes.

11 MR. TROTTER: Yeah.

12 JUDGE CAILLE: All right. We're off.

13 (Proceedings adjourned at 5:50 p.m.)

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