Dog	cket No. UE-152253 - Vol. VII (Morning Session)		VVUTC V. Pacific Power & Light Company
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1	BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION	1	APPEARANCES (Continued)
2	WASHINGTON UTILITIES AND)	3	FOR BOISE WHITE PAPER:
4	TRANSPORTATION COMMISSION, ()	4	JESSE E. COWELL
5) Docket No. UE-152253 Complainant,	5	JESSE E. COWELL Dayison Yan Cleve, PC 333 SW Taylor Portland, Oregon 97204 503 241 7242 PO 2014 Com
	v.)		503.241.7242
6)`	6	jec@dvciaw.com
./	PACIFIC POWER & LIGHT COMPANY,)	'/	FOR PUBLIC COUNSEL:
8	Respondent.)	8	
9	EVIDENTIARY HEARING, VOLUME VII	9	Senior Assistant Attorney General
10	EVIDENTIARY HEARING, VOLUME VII MORNING SESSION Pages 434 - 564	10	800 Fifth Avenue, Suite 2000, TB-14
11	ADMINISTRATIVE LAW JUDGE MARGUERITE E. FRIEDLANDER	11	SIMON FFITCH Senior Assistant Attorney General Chief. Public Counsel Division 800 Fifth Avenue Suite 2000, TB-14 Seattle, Washington 98104 206-389-2015
12		12	simonf@afg.wa.gov
13	*** PORTIONS OF THIS TRANSCRIPT ARE DESIGNATED CONFIDENTIAL - CLOSED HEARING TRANSCRIPT OR HIGHLY CONFIDENTIAL AND ARE SEALED UNDER SEPARATE COVER ***	13	FOR SIERRA CLUB:
14	CONFIDENTIAL AND ARE SEALED UNDER SEFARATE COVER	14	GLORIA SMITH TRAVIS RITCHIE Sierra Club Environmental Law Program 85 Second Street, Second Floor San Francisco, California 94105 415.977.5532 gloria smith@sierraclub.org travis.ritchie@sierraclub.org
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16	9:33 a.m.	16	85 Second Street, Second Floor San Francisco, California 94105
17	JUNE 1, 2016	17	415.977.5532
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Page 438 Page 440 1 OLYMPIA, WASHINGTON; JUNE 1, 2016 1 the hearing today. 2 2 9:33 A.M. JUDGE FRIEDLANDER: Thank you. 3 -000-3 And appearing today on behalf of the Northwest 4 Energy Council [sic]? JUDGE FRIEDLANDER: Let's go back on the 5 MS. BOSH: No counsel, ma'am, but I am 5 6 record. I am Marguerite Friedlander, an 6 Joni Bosh, here for the Northwest Energy Coalition. 7 7 Administrative Law Judge with the Washington Utilities JUDGE FRIEDLANDER: Okay. Thank you. and Transportation Commission. With me are Chairman 8 8 And I also want to take a minute just to say 9 9 David and Commissioners Philip Jones and Ann Rendahl. that this is the last hearing that I believe former We are continuing the evidentiary hearing in Docket 10 10 Commissioner Oshie and Mr. ffitch -- at least it's the 11 11 UE-152253, which was recessed on the evening of last hearing you will be in with me. I wanted to 12 12 May 2nd. extend congratulations to both of you, and let you So the plan for today is to take abbreviated 13 know it has been a pleasure to work with you both, so 13 appearances, then we're going to address the admission 14 14 thank you. of exhibits. I'll let you know a very quick overview 15 MR. FFITCH: Thank you, Your Honor. 15 of how the closed session will go for the majority of 16 JUDGE FRIEDLANDER: Thank you. 16 the proceeding today. 17 So is there anyone else on the conference 17 So for the record, if I can have counsel state 18 18 bridge or in the hearing room who wishes to make an your name, title, and who, as far as cocounsel is with 19 19 appearance today? you, that would be great, beginning with Pacific 20 Hearing nothing, it's my understanding that 20 21 Power. 21 the parties have stipulated amongst themselves to the 22 MS. McDOWELL: Thank you, Your Honor, 22 admission of all of the prefiled testimony exhibits, and good morning, Commissioners. This is Katherine 23 including cross-examination and bench requests 23 McDowell. I am here on behalf of Pacific Power, and 24 responses; is that correct? 24 25 with me today is Adam Lowney. MS. McDOWELL: Yes, Your Honor, that is 25 Page 441 Page 439 JUDGE FRIEDLANDER: Thank you. 1 the stipulation we reached over the weekend. 1 2 2 And for Staff? JUDGE FRIEDLANDER: Thank you. 3 3 MS. CAMERON-RULKOWSKI: Appearing on MS. CAMERON-RULKOWSKI: Yes, Your Honor, 4 4 behalf of Staff, Jennifer Cameron-Rulkowski, Assistant that's Staff's understanding as well. 5 5 Attorney General, and with me is Christopher Casey, JUDGE FRIEDLANDER: Thank you. 6 Assistant Attorney General. 6 A word to counsels. When your witness comes JUDGE FRIEDLANDER: Thank you. 7 7 up. I would like you to lay a foundation for them 8 And appearing today on behalf of Boise White 8 after I swear them in, and allow them to make any corrections to their testimony that they will need to, 9 9 Paper? 10 10 MR. COWELL: Thank you, Your Honor. where appropriate, and then we will start cross, Jesse Cowell appearing on behalf of Boise White Paper. 11 followed by bench questions. 11 12 JUDGE FRIEDLANDER: Thank you. So before Mr. Dalley comes up -- actually, you 12 13 13 Appearing today on behalf of Sierra Club? can go ahead and come up and take the stand while I 14 14 MS. SMITH: Gloria Smith on behalf of discuss the confidentiality. Sierra Club, with Travis Ritchie. 15 A large portion of today's hearing is going to 15 16 JUDGE FRIEDLANDER: Thank you. 16 involve confidential information. In order to prevent It's my understanding that Mr. Purdy is not 17 disclosure of the information, while still fully 17 with us from the Energy Project, so appearing today on vetting it through the parties' cross-examination, the 18 18 behalf of Public Counsel? 19 hearing will have to be closed to any and all who have 19 20 MR. FFITCH: Good morning, Your Honor, not signed a confidentiality agreement. The 20 21 Commissioners. Simon ffitch on behalf of the Public 21 confidential information originates with the Company 22 Counsel Office. As the judge is aware, the bench is primarily. I think, actually, all of it originates aware, we are not actively participating today, so we 23 with the Company, so you are pretty much in the best 23 24 have seated our position at counsel table for other 24 position to know who has signed confidentiality

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folks who need the space, but we will be present at

25

agreements. I will be relying upon Ms. McDowell or

	SKCLIVO. OL-102200 - Vol. VII (Morning Ocosion)			parry
1	Page 442		EXAMINATION BY MR. LOWNEY / DALLEY 4-	44
1 2	Mr. Lowney to let me know if there is anybody in the room who should not be in, who has not signed the		EXAMINATION BY MR. LOWNEY / DALLEY	44
3	confidentiality agreement.	1	still under oath from May 2nd.	
4	I will also disconnect the conference bridge	2	So briefly, if you could, lay the foundation,	
5	when the time comes, since we cannot guarantee that	3	Mr. Lowney.	
6	those who have called in or are listening with others	5	EXAMINATION	
7	actually have or are entitled to access to the	6	BY MR. LOWNEY:	
8	information.	7	Q Mr. Dalley, could you please state and spell	
9	Finally, the court reporter is going to have	8	your name for the record?	
10	to segregate the closed hearing transcript from the	9	A Sure. Bryce Dalley, B-R-Y-C-E, D-A-L-L-E-Y.	
11	public transcript.	10	Q And how are you employed, Mr. Dalley?	
12	Are there questions or concerns?	11	A I am Vice President of Regulation for Pacific	
13	MS. McDOWELL: No concerns, Your Honor,	12	Power.	
14	but just for a little bit more background.	13	Q And in that capacity did you file testimony in	
15	We have, pursuant to your instructions at our	14	this case?	
16	last prehearing conference, checked the	15	A I did.	
17	confidentiality order and the highly confidential	16	Q And the testimony has been admitted, so I believe Mr. Dalley is available for cross-examination.	
18	order that's in place here. All parties present right	17 18	JUDGE FRIEDLANDER: Thank you.	
19	now have signed the confidentiality order. I'm not	19	Is it Mr. Casey or Ms. Cameron-Rulkowski?	
20	sure about the bridge line, but everybody present in	20	MS. CAMERON-RULKOWSKI: It will be me,	
21	the room has. I think the only issue is the highly	21	Your Honor.	
22	confidential protective order. A more limited subset	22	JUDGE FRIEDLANDER: Thank you.	
23	of folks have signed that. That is the place where,	23	EXAMINATION	
24	if we get into that kind of questioning, we will need	24	BY MS. CAMERON-RULKOWSKI:	
25	to take a moment and have folks leave, because that's	25	Q Good morning, Mr. Dalley.	
-	Page 443			
1	Page 443 a much more restricted group of folks who have signed		EXAMINATION BY MS. CAMERON-RULKOWSKI / DALLEY	445
1 2			EXAMINATION BY MS. CAMERON-RULKOWSKI / DALLEY	445
	a much more restricted group of folks who have signed	1	EXAMINATION BY MS. CAMERON-RULKOWSKI / DALLEY A Good morning.	445
2	a much more restricted group of folks who have signed that protective order.	1 2		445
2	a much more restricted group of folks who have signed that protective order. JUDGE FRIEDLANDER: Absolutely. And so		A Good morning.	445
2 3 4	a much more restricted group of folks who have signed that protective order. JUDGE FRIEDLANDER: Absolutely. And so if Counsel can let me know. And I believe most, if	2	A Good morning. Q You testified on rebuttal about the	445
2 3 4 5	a much more restricted group of folks who have signed that protective order. JUDGE FRIEDLANDER: Absolutely. And so if Counsel can let me know. And I believe most, if not all, of the highly confidential is involving	2	A Good morning. Q You testified on rebuttal about the disallowance that Staff has recommended for the SCR installation, correct? A Yes, I briefly address it. Although, we have	445
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EXAMINATION BY MS. CAMERON-RULKOWSKI / DALLEY 446 EXAMINATION BY MS. CAMERON-RULKOWSKI / DALLEY 448 Q And if the Commission finds that it is an Q And now I am going to ask you to refer to 1 1 unnecessary capital investment, does the Commission 2 Page 17 in this same exhibit, Lines 9 to 10. 2 have to allow the utility to receive a return on the 3 You testify that if customers do not pay for 3 investment through rates? the SCRs, they should not receive the future benefits 4 4 5 A No, it does not. 5 of Jim Bridger Units 3 and 4; is that accurate? A Yes. The cost of the SCRs allow those 6 Q And so if the Commission finds a company's 6 decision to be imprudent, the Commission can decide 7 facilities to continue to operate and serve customers 7 that the Company should recover zero dollars of that 8 beyond the end of '15 in the instance of Jim Bridger 9 investment in rates, correct? 9 Unit 3, and beyond the end of '16 in the instance of A Yes, the Commission can make that Bridger Unit 4. And so without those investments, 10 10 determination. Although, I don't believe it's Staff's 11 those units and the benefits of those units would not 11 position, in this case, for the SCRs that it's zero. 12 be accessible for customers. 12 13 I believe it's the difference between the cost of the 13 And so I think the symmetry of cost and SCR installation versus Staff's calculation of the benefits associated with those resources, if the costs 14 14 natural gas conversion. 15 are not reflected in rates, then the benefits 15 Q And for an imprudent investment, the 16 associated with those resources also should not be 16 Commission could also decide that the Company should 17 reflected in rates 17 recover some number between zero and full recovery, 18 Q So let's say that the Commission does not 18 19 right? 19 allow Pacific Power to recover the full SCR A The Commission has full jurisdiction, 20 investment. Does your testimony mean that Pacific 20 discretion on how to handle treatment of the Company's Power would stop dispatching power to Washington 21 21 ratepayers from Bridger Units 3 and 4? investments and rates. 22 22 A It's a difficult question to answer assuming 23 Q Now, I'm going to refer you to your testimony, 23 also on Page 16 in this same exhibit, starting at 24 24 the hypothetical. Obviously, any order from this Line 20. You are testifying about Jim Bridger Units 3 Commission we would take and evaluate and decide how 25 **EXAMINATION BY MS. CAMERON-RULKOWSKI / DALLEY** EXAMINATION BY MS. CAMERON-RULKOWSKI / DALLEY 447 449 and 4. You say that, with regard to Staff's that would be treated going forward. What I am 1 recommended disallowance, it is unclear how the arguing in my testimony here is that those investments 2 2 resources will be treated in rates prospectively; is were necessary, they were prudent, and that because 3 3 4 that accurate? 4 those investments were made, those resources can 5 A Yes. 5 continue to be dispatched for the benefit of Q So as in the hypothetical questions that I 6 6 Washington customers. asked you, you would agree that the Commission can 7 If the Commission decides to disallow all or a 7 8 decide that Pacific Power can recover in rates some 8 portion of those investments, it creates some number between zero and 100 percent of it's SCR ratemaking complexities in the future, or it could, 9 9 investment, right? depending on the order, in how that disallowance is 10 10 A It certainly could. And I think what I am articulated by the Commission. Because if the 11 11 pointing out here in my testimony is that Staff's 12 decision were made that those should have been natural 12 recommendation is that the Company should have gas units and should be reflected in rates as natural 13 13 converted those units to natural gas. I think that gas units, that will require a number of assumptions 14 14 15 that does present some complexities in how those units 15 into the future of what those costs will be, because would be treated in the future because we did not the actual cost will reflect that of coal, not of 16 16 17 convert those units to natural gas. The SCR for 17 natural das Bridger 3 is already installed, the SCR for Bridger 4 MS. CAMERON-RULKOWSKI: Thank you, 18 18 will be installed at the end of this year, and so 19 Mr. Dalley. I have no further questions. 19 JUDGE FRIEDLANDER: Thank you. 20 those units will continue to operate on coal. 20 And what I'm describing in this section of my 21 Any redirect? 21 22 MR. LOWNEY: None, Your Honor. testimony is that it does present some potential 22 23 complexities in how those units would be reflected in 23 JUDGE FRIEDLANDER: Okay. Thank you. rates on a going-forward basis because they will not Any questions from the bench? 24 be operating on natural gas. Okay. Thank you. You're excused. 25

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1	I believe for Mr. Teply we will need to close	1	
2	the hearing. So as you have indicated, I don't	2	
3	believe anybody else has come in the room who has not	3	
4	signed a confidentiality agreement. So we will go	4	
5	ahead and	5	
6	MS. McDOWELL: I need a rearview mirror.	6	
7	MS. CAMERON-RULKOWSKI: Your Honor,	7	
8	while Mr. Teply is getting situated, I was able to	8	
9	segregate the first couple questions of my	9	
10	cross-examination for Mr. Teply. We won't need to	10	
11	close necessarily until after the first couple	11	
12	questions, if you would like to do that.	12	
13	JUDGE FRIEDLANDER: I think just for	13	(CONFIDENTIAL PORTION.)
14	consistency sake, and since it is just a couple of	14	
15	questions, I will go ahead and disconnect the	15	
16	conference bridge, we will segregate the transcript	16	
17	for now, and just go that way. So at this point I am	17	
18	going to disconnect the conference bridge.	18	
19	(Pause in the proceedings.)	19	
20		20	
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22		22	
23	(CONFIDENTIAL PORTION.)	23	
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