

1040

1

BEFORE THE WASHINGTON STATE

2

UTILITIES AND TRANSPORTATION COMMISSION

3

WASHINGTON UTILITIES AND) DOCKET NO. UE-050684
TRANSPORTATION COMMISSION,)

4

Complainant,) Volume IX
) Pages 1040 to 1160

5

vs.)

6

PACIFICORP d/b/a PACIFIC)
POWER & LIGHT COMPANY,)

7

8

Respondent.)

9

_____)
In the Matter of) DOCKET NO. UE-050412
the Petition of)

10

11

PACIFICORP d/b/a PACIFIC) (Consolidated)
POWER & LIGHT COMPANY)

12

For an Order Approving)
Deferral of Costs Related to)
Declining Hydro Generation.)

13

14

_____)

15

16

A hearing in the above matter was held on

17

January 20, 2006, from 9:00 a.m to 12:00 p.m., at 1300

18

South Evergreen Park Drive Southwest, Room 206, Olympia,

19

Washington, before Administrative Law Judges ANN E.

20

RENDAHL AND THEODORA M. MACE and CHAIRMAN MARK H. SIDRAN

21

and COMMISSIONER PATRICK J. OSHIE and COMMISSIONER

22

PHILIP B. JONES.

23

24

Joan E. Kinn, CCR, RPR

25

Court Reporter

1041

1 The parties were present as follows:

2 THE COMMISSION, by DONALD T. TROTTER, Senior
3 Assistant Attorney General, 1400 South Evergreen Park
4 Drive Southwest, Olympia, Washington 98504-0128,
5 Telephone (360) 664-1189, Fax (360) 586-5522, E-Mail
6 dtrotter@wutc.wa.gov.

7 THE PUBLIC, by SIMON FFITCH, Assistant
8 Attorney General, 900 Fourth Avenue, Suite 2000,
9 Seattle, Washington 98164-1012, Telephone (206)
10 389-2055, Fax (206) 389-2079, E-Mail simonf@atg.wa.gov.

11 INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES,
12 via bridge line by IRION SANGER, Attorney at Law,
13 Davison Van Cleve, 333 Southwest Taylor Street, Suite
14 400, Portland, Oregon, 97204, Telephone (503) 241-7242,
15 Fax (503) 241-8160, E-Mail ias@dvclaw.com.

16

17 PACIFICORP d/b/a PACIFIC POWER & LIGHT
18 COMPANY, by MARCUS WOOD, Attorney at Law, Stoel Rives,
19 900 Southwest Fifth Avenue, Suite 2600, Portland,
20 Oregon 97204, Telephone (503) 224-3380, Fax (503)
21 220-2480, E-Mail mwood@stoel.com and by JASON B. KEYES,
22 Attorney at Law, Stoel Rives, LLP, 600 University
23 Street, Suite 3600, Seattle, Washington 98101-3197,
24 Telephone (206) 386-7681, Fax (206) 386-7500, E-Mail
25 jbkeyes@stoel.com.

26

27

28

29

30

31

32

33

34

35

36

1 -----

2 INDEX OF EXAMINATION

3 -----

4 WITNESS: PAGE:

5 LARRY O. MARTIN

6 Direct Examination by Mr. Wood 1046

7 Examination by Commissioner Jones 1048

8 RALPH CAVANAGH

9 Direct Examination by Mr. Wood 1064

10 Cross-Examination by Mr. ffitch 1066

11 Examination by Commissioner Oshie 1090

12 Examination by Commissioner Jones 1099

13 Examination by Chairman Sidran 1103

14 Examination by Judge Rendahl 1114

15 Examination by Judge Mace 1118

16 Examination by Chairman Sidran 1120

17 Examination by Commissioner Oshie 1121

18 Cross-Examination by Mr. ffitch 1126

19 CHRISTY OMOHUNDRO

20 Cross-Examination by Mr. Trotter 1134

21 Cross-Examination by Mr. ffitch 1140

22 Examination by Chairman Sidran 1146

23 Examination by Commissioner Jones 1147

24 Examination by Judge Rendahl 1148

25 Examination by Judge Mace 1150

1043

1	JOELLE STEWARD	
2	Direct Examination by Mr. Trotter	1151
3	Cross-Examination by Mr. ffitch	1153
4	Examination by Commissioner Oshie	1154
5	Examination by Commissioner Jones	1156
6	Examination by Judge Rendahl	1158

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1044

1 -----

2 INDEX OF EXHIBITS

3 -----

4

5 EXHIBIT: MARKED: ADMITTED:

6 LARRY O. MARTIN

7 181-T 1048

8 182 1048

9 183 1048

10 184 1048

11 RALPH CAVANAGH

12 671-T 1065

13 672 1065

14 681-T 1128

15 686 1131

16 687 1131

17 688 1131

18 CHRISTY OMOHUNDRO

19 384 1139

20 385 1140

21 386 1140

22 JOELLE STEWARD

23 701-T 1153

24

25

1045

1 JIM LAZAR

2 691-T 1160

3 692 1160

4 693 1160

5 694 1160

6

7

8

9 BENCH REQUESTS

10 26 1050

11 27 1052

12 28 1130

13

14

15

16

17

18

19

20

21

22

23

24

25

1046

1 P R O C E E D I N G S

2 JUDGE RENDAHL: We're back on the record this
3 morning, Friday, January the 20th, continuing our
4 hearings on PacifiCorp's general rate case and hydro
5 deferral filings in Docket Numbers UE-050684 and
6 UE-050412, and this morning we will be taking up the
7 testimony of Mr. Martin, a witness for the company, and
8 is Mr. Martin here, if you can come and join us here.

9 Good morning, thank you for being here, I
10 appreciate it.

11 (Witness LARRY O. MARTIN was sworn.)

12 JUDGE RENDAHL: Okay, please be seated.

13 Mr. Wood.

14

15 Whereupon,

16 LARRY O. MARTIN,

17 having been first duly sworn, was called as a witness
18 herein and was examined and testified as follows:

19

20 D I R E C T E X A M I N A T I O N

21 BY MR. WOOD:

22 Q. I will identify as your exhibits Exhibit
23 181-T, which is your prefiled direct testimony, and
24 Exhibit 182, which is your Exhibit LOM-2, which is the
25 exhibit accompanying your direct testimony. Were these

1047

1 exhibits prepared by you or under your supervision and
2 direction?

3 A. Yes.

4 Q. Do you have any changes to make?

5 A. I have one edit on it would be 181-T, page
6 20, lines 22 and 23.

7 Q. Go ahead.

8 A. Okay. At the end of the sentence it
9 currently reads, illustrates the book, tax, and
10 regulatory treatment. It should read, illustrates the
11 book and tax, striking the words and regulatory, and
12 then continuing with treatment. So it's basically just
13 taking out, and regulatory.

14 Q. With this one change, are the exhibits we
15 have identified true and correct to the best of your
16 knowledge?

17 A. Yes.

18 MR. WOOD: I understand the parties, Your
19 Honor, have waived cross, but there may be questions
20 from the Bench of Mr. Martin.

21 JUDGE RENDAHL: That's correct.

22 MR. TROTTER: Your Honor, if I may, we would
23 like to move for the admission of Exhibits 183 and 184,
24 which are documents we had identified as cross exhibits.
25 If they go in without objection, we have no questions of

1048

1 Mr. Martin.

2 MR. WOOD: And we have no objection, and I
3 will also move 181-T and 182.

4 JUDGE RENDAHL: All right, are there any
5 objections to admitting what's been marked as Exhibits
6 181-T through 184?

7 Hearing nothing, those exhibits will be
8 admitted.

9 Okay, so Commissioner Jones, would you please
10 go ahead.

11

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

13 BY COMMISSIONER JONES:

14 Q. Good morning.

15 A. Good morning.

16 Q. Thanks for coming up.

17 A. Thanks.

18 Q. Could you turn to page 2 of your testimony,
19 Exhibit 181-T, I think we'll start there, page 3 where
20 you start the discussion of the consolidated tax
21 adjustment.

22 A. Okay.

23 Q. Perhaps this is better directed to ICNU, but
24 on lines 8 and 9 you quote the ICNU's adjustment is
25 going to decrease the Washington part of the revenue

1049

1 requirement by \$7.967 Million. Is that an NOI
2 adjustment or the revenue requirement number?

3 A. That would be the revenue requirement figure.

4 Q. Because the numbers that we have in front of
5 us suggest to me that that is an NOI number, the total
6 revenue requirement number would be on the order of
7 \$13.433 Million.

8 A. I would need to check it and go back, but at
9 the time the testimony was prepared, that was the figure
10 that we understood was the revenue requirement figure.

11 Q. Would you please check that and respond on
12 that point, whether or not that's an NOI or a revenue
13 requirement adjustment number.

14 MR. WOOD: Commissioner, we would be happy to
15 do it, but I don't know whether ICNU would prefer to
16 respond itself because we're trying to interpret their
17 testimony in this case. I don't want to speak for them.
18 I know Mr. Sanger is on the phone.

19 COMMISSIONER JONES: Well, Mr. Sanger can
20 respond, but it's listed in your testimony as you quote
21 revenue requirement.

22 MR. WOOD: Oh, we have no objection to
23 responding but just so it's understood this is our
24 interpretation of what ICNU is proposing.

25 COMMISSIONER JONES: Sure.

1050

1 MR. SANGER: Yeah, the number that is in
2 Mr. Martin's testimony I believe came from Mr. Selecky's
3 testimony.

4 JUDGE RENDAHL: Mr. Sanger, can you speak up,
5 please.

6 MR. SANGER: Yes, I can attempt to do that.

7 The number that is in Mr. Martin's testimony
8 came from Mr. Selecky's testimony, and I believe it is
9 the revenue requirement number. We can respond to that
10 Bench request or the company can.

11 COMMISSIONER JONES: Thank you.

12 JUDGE RENDAHL: That will be Bench Request
13 Number 26 concerning whether the figure on line 9 is an
14 NOI number or a revenue requirement effect number.

15 BY COMMISSIONER JONES:

16 Q. Moving on to your testimony as we go into the
17 background on pages 3 and 4, as I understand this
18 consolidation at the holding company level, it is not,
19 as you state in your testimony, is it a requirement that
20 the company, that the holding company file a
21 consolidated tax return, or is it elective on the part
22 of the company?

23 A. It is technically an elective process and for
24 not only the holding company but the subsidiaries that
25 join in the return. As I pointed out in the testimony,

1051

1 however, there are certain items, there's a variety of
2 items that even if you don't elect to consolidate
3 treatment, if you meet certain ownership thresholds, the
4 IRS will treat you as though you're consolidated anyway.
5 So the simple example, which doesn't ever apply to
6 PacifiCorp because we're large, would be the tax
7 brackets. If you meet certain ownership thresholds, the
8 tax brackets will be allocated among all the members in
9 the consolidated group whether you consolidate or not.

10 Q. So de facto, if you will, a holding company
11 in almost all cases files on a consolidated basis?

12 A. Yes.

13 Q. At the same time, as I understand your
14 testimony, the stand-alone, PacifiCorp as a stand-alone
15 entity is required to report on a stand-alone basis to
16 the IRS as well?

17 A. Yes. In other words, in a consolidated
18 return, you're not somehow ignoring the individual
19 entities that make up a consolidated return, you're
20 really pulling them together. So there are what are
21 known as consolidation schedules that are included in
22 the return that list out literally every entity and all
23 their items of income and expense and coming down to
24 taxable income for every entity in the return, so that's
25 how you report their stand-alone piece.

1052

1 Q. I would like to make another Bench request,
2 and that is to provide the most recent federal income
3 tax return for PHI that includes the PacifiCorp federal
4 tax return. That would be for the year I would think
5 2004, Mr. Martin, the actual filing?

6 A. Yeah, it would be, well, the most recent
7 would be fiscal year, what we would call fiscal year
8 '04.

9 Q. Okay.

10 A. Ending March 31, '05.

11 Q. Okay.

12 MR. WOOD: Your Honor, I would ask, happy to
13 provide that, but ask that that be provided as a
14 confidential exhibit, because normally the tax returns
15 of utilities are protected under federal and other law
16 from disclosure.

17 COMMISSIONER JONES: Sure.

18 JUDGE RENDAHL: All right, so that would be a
19 response to Bench Request Number 27, and the company can
20 file that under the protective order as confidential in
21 this case, so that's the most recent federal tax return
22 for PHI for --

23 COMMISSIONER JONES: Correct.

24 JUDGE RENDAHL: -- fiscal year '04 --

25 COMMISSIONER JONES: For fiscal year '04.

1053

1 JUDGE RENDAHL: -- '04 ending March of '05.

2 THE WITNESS: Yes.

3 COMMISSIONER JONES: The fiscal year for
4 PacifiCorp ends in March, does it not?

5 THE WITNESS: Yes.

6 COMMISSIONER JONES: And the name that will
7 be on it will be PHI and subsidiaries.

8 JUDGE RENDAHL: All right, thank you.

9 BY COMMISSIONER JONES:

10 Q. In one part of your testimony, I can't find
11 it exactly, oh, here it is, could you turn to page 14,
12 please, and this is a description of the risks, what you
13 quote as the risks of Mr. Selecky's proposal. And I
14 apologize today because we don't have the benefit of
15 hearing Mr. Selecky first, which is usual in proceedings
16 like this, to hear his proposal in full, which we
17 haven't, so I'm relying on your description of
18 Mr. Selecky's proposal. But as I understand it, part of
19 the -- most of the or a lot of the controversy around
20 this issue of consolidated federal taxes revolves around
21 the intercompany loan between PHI and Scottish Power,
22 does it not?

23 A. Yes.

24 Q. And when the purchase -- when the purchase
25 was entered into, one of the ways in which Scottish

1054

1 Power funded the acquisition of PacifiCorp was through
2 of course the injection of capital into PHI and the
3 creation of PHI, but it was funded largely through this
4 intercompany loan, was it not?

5 A. I would -- yes and no, I would say yes in
6 part I guess is the way it is.

7 Q. In part?

8 A. In other words, it is a big dollar figure,
9 but in the context of the overall acquisition, there was
10 also a lot of equity, if you will, a lot of stock that
11 was done as well.

12 Q. And the original amount at the time of the
13 acquisition was roughly \$4 Billion U.S. or approximately
14 \$4 Billion U.S.?

15 A. For the actual total acquisition?

16 Q. No.

17 A. Or the debt?

18 Q. Just the debt.

19 A. Oh, yes, the debt.

20 Q. And that has been paid down, as you note in
21 your testimony response in describing Mr. Selecky's
22 proposal, down to \$2.375 Billion, which is as you say
23 about one half of the prior amount.

24 A. Yes.

25 Q. Is that correct?

1055

1 A. Yes. I would make one edit to that,
2 Commissioner, is that rather than say pay down is they
3 chose to convert it to equity.

4 Q. So it was a conversion to equity?

5 A. Conversion to equity, yes.

6 Q. And whose decision, looking at this at a
7 higher level, who were the decision makers in deciding
8 how to finance the structure in terms of debt and
9 equity, who made the decision as to how much debt and
10 how much equity to structure?

11 A. I don't know the individual persons, but it's
12 a Scottish Power decision, because they -- ultimately
13 they were the acquiring company.

14 Q. And is it safe to say that these decisions
15 are made more at the Scottish Power level --

16 A. Yes.

17 Q. -- than at the PacifiCorp level?

18 A. Yeah, that's exactly -- that's what I mean by
19 that.

20 Q. Okay. And I think I understand your
21 testimony after that, and you believe that careful
22 maintenance of ring fencing, both the establishment of
23 ring fencing and the maintenance of ring fencing from a
24 non-reg and from the regulated operations protects the
25 risks that PacifiCorp has?

1 A. Yes, exactly. And, you know, ring fencing
2 can be looked as a protection in it's really a two-way
3 street. In the case that we're talking about here is
4 protecting them from outside claims, but it also, if you
5 will, the ring fencing provides for protection for
6 instance when rate payers buy assets that are put into
7 generation, et cetera, there are accelerated tax
8 benefits for depreciation on those. We don't share
9 those outside to the other members of the affiliated
10 group, those remain with PacifiCorp, and it's entirely
11 stand-alone. So it really goes both directions, if you
12 will, it protects the company on both sides.

13 Q. If you could turn to page 9 of your testimony
14 where you start this description of the benefits burdens
15 test. Is this one of the -- this is obviously, as you
16 state here the concept of benefit burdens on line 20,
17 concept of the benefits burden test is similar to cost
18 causation, so this is obviously something that you would
19 urge the Commission to look at as we consider this issue
20 of consolidation of federal taxes?

21 A. Absolutely. In my view coming from my
22 professional standpoint, taxes are computed as a
23 percentage of some other number, and whether it's a
24 revenue figure or an expense figure, and we happen to
25 be, you know, primarily looking at expense figures as

1057

1 you pointed out, and that to obtain a tax benefit, you
2 necessarily need to take the expense that goes along
3 with it. And what we're -- what I'm pointing out in my
4 testimony is that rate payers have not born in their
5 cost of service the interest deduction that's creating
6 this tax benefit and, as you pointed out, the debt used
7 in the acquisition, nor has the acquisition premium been
8 placed into rate base. So in no fashion have rate
9 payers born the burden of that debt at the parent
10 company, and it's -- and so in my view it would be
11 unfair and inappropriate for rate payers to then
12 singularly grab the tax benefit that's determined off of
13 that.

14 Q. So your point is, as you just stated, is
15 primarily that the Washington state rate payers or any
16 state rate payers have not born the burden of the loan
17 or any other burden at the parent company level, and
18 therefore it's unfair to take a benefit associated with
19 interest tax deduction on an intercompany loan to the
20 parent and just take that out without a consideration of
21 the burden?

22 A. Exactly.

23 Q. I'm a little confused on I think one part of
24 your testimony you talk about a "contribution" that a
25 subsidiary company makes, a contribution -- in normal

1058

1 years a contribution of income is made to the parent
2 company, but in some years as well isn't a net operating
3 loss incurred at the subsidiary level?

4 A. Yes, depending on the subsidiary, you know,
5 subsidiaries can go from one year providing, if you
6 will, or maybe contributing isn't the best word but
7 providing income to a group, or they can be providing a
8 loss to the group. You know, it's just if you look at
9 the entire group, they're all pooled together and
10 amalgamated and, you know, just depending on their
11 particular operations in business they may have a loss
12 or they may have income. Does that answer your
13 question?

14 Q. Yes.

15 And under federal tax law, how far forward in
16 terms of an NOL carry forward, how long is that
17 permitted to be carried forward under federal tax?

18 A. The easy answer is up to 20 years, but I say
19 it that way because there's all kinds of different NOL's
20 when you start getting into the technicalities, there's
21 regular tax, alternative minimum tax, NOL's, et cetera.

22 Q. Well, we don't want to get into all those.

23 JUDGE RENDAHL: And when you refer to NOL,
24 that's net operating loss for the record.

25 THE WITNESS: Yes.

1059

1 COMMISSIONER JONES: Thank you.

2 BY COMMISSIONER JONES:

3 Q. There's been a lot of discussion of this
4 issue in the state of Oregon, hasn't there?

5 A. Yes, there has.

6 Q. Both before the commission and through the
7 legislative process, correct?

8 A. Yes.

9 Q. Are there any other exhibits that you would
10 like to submit or that you think would be relevant to
11 this Commission that we should refer to as we consider
12 this issue? Such as I understand there's a white paper
13 done by the Oregon Commission, there's a recent opinion
14 of the attorney general on this case

15 A. I think the simple answer is no, I don't
16 think they need to be submitted as additional exhibits.
17 And I base that upon I think at this point in time it's
18 still preliminary even in the state of Oregon. There
19 has been a lot of discussion, there's been decisions,
20 but even in their own process they're recognizing for
21 instance that just now we're just working through
22 temporary rules on filing, we're just beginning the
23 process to develop permanent rules. And the issues list
24 for that process, well, is coming together, I'm trying
25 to think of the, I'm sorry, I'm forgetting the date that

1060

1 we're supposed to go over the issues list, but it's
2 pages long of things that need to be decided to try and
3 figure it out.

4 So I guess I would be hesitant to put undue
5 weight on things that have been coming out of Oregon
6 until they start settling down. And at that point, then
7 there would be probably some justification in doing so.
8 And there's a lot of, for instance, you know, one issue
9 that's been discussed about in the first workshop is
10 that, you know, after we go through this entire process
11 of developing permanent rules, then we have to put those
12 rules to the IRS to make sure that whatever we have come
13 up with does not violate what's known as normalization
14 in the internal revenue code. So even after all that
15 process, it still needs to go through some higher
16 review, if you will.

17 Q. Mm-hm.

18 A. So I think it's -- it would be speculative at
19 best right now to try and decide based upon what's in
20 Oregon as to where the outcome is going to be, you know,
21 where it's going to come out.

22 Q. Finally, could you turn to page 7 of your
23 testimony.

24 A. Yes.

25 Q. And there on lines 6 through 10 where you

1061

1 talk about in previous Washington state rate cases
2 before this Commission whether or not what you're
3 proposing or what ICNU is proposing is consistent or
4 inconsistent, but this is true to the best of your
5 knowledge that in every other rate case that PacifiCorp
6 has calculated and reported to this Commission that it
7 has always been done on a stand-alone basis?

8 A. Absolutely.

9 Q. Never on a consolidated basis?

10 A. That is correct. On all the years I have
11 reviewed, several prior years, that is true.

12 Q. What is the, in your view before you step
13 down from the stand, at least I'm curious as to why in
14 your view this issue is becoming a hot or a current
15 issue at this time. What do you think is sparking the
16 interest on the part of stakeholders or regulatory
17 commissions in this interest? It's a very complicated
18 issue, it has a lot of subtle precedences, I see it, but
19 it is a controversial and somewhat contentious issue
20 now, what has caused this to become such a contentious
21 issue now?

22 A. Well, maybe the catalyst I would say would be
23 most likely the PG&E-Enron issue. And when you combine
24 that with a rate payer population that, as you pointed
25 out this is a complex issue, even my friends that I talk

1062

1 to casually, they don't understand corporate taxation.
2 See, individuals, virtually every individual I have ever
3 met is on a cash basis, what you pay, you know, what you
4 pay, that is your tax into the government. Corporations
5 are accrual basis, which means primarily we have to
6 recognize taxes as an expense to our operations before
7 and sometimes long before we have to pay them in to the
8 government. That's a hard concept for people to get
9 their heads around. And so, you know, coming from a
10 cash basis individual taxpayer, it's pretty natural to
11 say, well, what you pay in, that should be your tax.
12 And so I think that there's that.

13 I think there's also budgetary pressures. I
14 know as part of the PG&E-Enron, you know, part of the
15 issue is, well, these taxes are going to Enron, but they
16 never got to the state treasurer or tax collector, so I
17 think there's a host of issues. But I would say that
18 that was probably, the PG&E-Enron situation was probably
19 the catalyst.

20 And then I think some of it is just by virtue
21 of the complexity, that people don't understand why it
22 wouldn't be on a cash basis. And I think that's where
23 the challenge comes to those of us who do know to try
24 and in my view bring reason to it, that if you're only
25 recovering off the cash portion of the taxes, you're

1063

1 leaving the company, the utility in this case, at a
2 significant disadvantage, you're not recovering all of
3 their costs, and those costs will have to be paid.
4 They're not fictitious in any way, those are real costs,
5 they're, you know, those are audited costs, costs that,
6 you know, the SEC requires in their, you know, to be in
7 the financial statements and so on. So hopefully that
8 gives you some insight.

9 COMMISSIONER JONES: Thank you, that's all I
10 have.

11 JUDGE RENDAHL: Are there any other questions
12 for Mr. Martin from the Bench?

13 All right, well, thank you very much for
14 coming up this morning, Mr. Martin.

15 THE WITNESS: My pleasure.

16 JUDGE RENDAHL: You may be excused, and we'll
17 be off the record for a moment while we change
18 witnesses.

19 (Discussion off the record.)

20 JUDGE RENDAHL: Mr. Cavanagh, could you raise
21 your right hand, please.

22 (Witness RALPH CAVANAGH was sworn.)

23 JUDGE RENDAHL: Okay, thank you.

24 Mr. Wood, are you sponsoring Mr. Cavanagh?

25 THE WITNESS: I asked Simon.

1064

1 JUDGE RENDAHL: Okay, well, whoever wishes to
2 sponsor Mr. Cavanagh.

3 MR. WOOD: I have offered to handle the
4 normal questioning. Obviously Mr. Cavanagh represents
5 NRDC and is not a PacifiCorp witness, but I have offered
6 to handle the formalities here.

7 JUDGE RENDAHL: Okay.

8

9 Whereupon,

10 RALPH CAVANAGH,
11 having been first duly sworn, was called as a witness
12 herein and was examined and testified as follows:

13

14 D I R E C T E X A M I N A T I O N

15 BY MR. WOOD:

16 Q. Mr. Cavanagh is sponsoring Exhibit 671-T,
17 which is his exhibit which is also identified as RCC-1T,
18 and Exhibit 672 which is identified as RCC-2.

19 Mr. Cavanagh, were these exhibits prepared by you or
20 under your supervision and direction?

21 A. Yes.

22 Q. Do you have any changes to make to the
23 exhibits?

24 A. No.

25 Q. Are the exhibits true and correct to the best

1065

1 of your knowledge?

2 A. Yes.

3 MR. WOOD: Your Honor, I would offer the
4 identified exhibits.

5 JUDGE RENDAHL: All right, so you're offering
6 Exhibits 671-T and 672 and 681-T at this time, or are we
7 waiting on that?

8 MR. WOOD: That's the joint testimony?

9 JUDGE RENDAHL: Yes.

10 MR. WOOD: I thought I would wait until
11 Ms. Omohundro joined us.

12 JUDGE RENDAHL: All right.

13 Any objections to admitting 671-T and 672?

14 MR. FFITCH: No objections, Your Honor.

15 JUDGE RENDAHL: All right, hearing no
16 objection, those exhibits will be admitted.

17 And is the witness available for
18 cross-examination?

19 He's available for cross-examination.

20 JUDGE RENDAHL: All right.

21 Mr. ffitch.

22 MR. FFITCH: Thank you, Your Honor.

23

24

25

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

2 BY MR. FFITCH:

3 Q. Good morning, Mr. Cavanagh.

4 A. Good morning.

5 Q. I would like to start by clarifying a few
6 points about your proposal. As I understand it, first
7 of all, you have asked the company to divide PacifiCorp,
8 excuse me, Pacific Power & Light Company's total revenue
9 requirement into fixed and variable costs, have you not?

10 A. Yes.

11 Q. And could I ask you to turn, please, to your
12 own testimony, which has been marked as Exhibit 671, and
13 go to page 3, please. Do you have that?

14 A. Sure.

15 Q. And I'm looking at testimony starting at line
16 27, and there you state that:

17 My testimony shows based on the
18 company's response to NRDC's discovery
19 request that more than 60% of the
20 company's proposed revenue requirement
21 from the five major rate classes
22 represents fixed costs of distribution,
23 transmission, and generation, \$154.8
24 Million out of \$257.4 Million.

25 Is that correct?

1067

1 A. Yes, the numbers are in Exhibit 672.

2 Q. Thank you, that was going to be my next
3 question. And those numbers were again provided by the
4 company in response to your data request?

5 A. Yes.

6 Q. Now your thesis in your testimony is that
7 these fixed costs should be recovered by the company
8 independent of its sales volumes; do I understand that
9 correctly?

10 A. The authorized fixed costs, so whatever the
11 Commission determines in this case as an appropriate
12 authorized revenue requirement associated with fixed
13 costs should in my judgment be recovered independently
14 of sales volumes, yes.

15 Q. All right. Now can I please direct you to
16 the joint testimony, which has been marked as Exhibit
17 681, and that's your joint testimony with Ms. Omohundro.

18 A. Yes.

19 Q. PacifiCorp. Now I'm going to direct you to
20 page 1 of that testimony; do you have that?

21 A. Yes.

22 Q. And at line 9 there is an item 2 which
23 states:

24 For the purposes of applying the
25 mechanism, the company would calculate

1068

1 fixed cost revenues per customer,
2 correct?

3 A. Yes.

4 Q. Have you performed that calculation in this
5 case so that we can see how it would work anywhere in
6 your testimony or exhibits?

7 A. I have not performed it myself, because I
8 don't know what revenue requirement the Commission will
9 authorize.

10 Q. All right. And you haven't performed it
11 based on any of the proposed revenue requirements in the
12 case?

13 A. No.

14 Q. All right. So we don't really have an
15 example in the record of how this revenue per customer
16 would work?

17 A. Well, what we have in the record is a
18 reference to an earlier version of this mechanism that
19 was in force for Puget for between 1991 and 1995, which
20 was also a revenue per customer decoupling mechanism, so
21 there certainly is precedence in this state and it's
22 cited in my testimony.

23 Q. And can you direct us to the details of that
24 mechanism in your exhibits?

25 A. The Commission orders establishing the

1069

1 mechanism and then reviving and finally suspending it
2 are cited in my testimony, and you will find them at
3 pages 9 to 10.

4 Q. All right. So it's just the citations to
5 those orders?

6 A. Yes.

7 Q. And again, you haven't provided an example or
8 a calculation of this revenue per customer mechanism for
9 purposes of this case in your testimony; is that right?

10 A. That's right.

11 Q. Suppose that you set a distribution revenue
12 per customer based on test year fixed costs and test
13 year number of customers, you would get a revenue per
14 customer that if divided by test year average use per
15 customer would produce the test year average rate, would
16 you not?

17 A. That sounds right.

18 Q. I'm going to ask you a couple of hypothetical
19 questions here. First, the assumption is if you would
20 assume for purposes of these questions that new homes
21 use less electricity than average due to better building
22 codes and better appliance efficiency standards; is that
23 an assumption that, well, first of all, can you accept
24 that assumption for hypothetical purposes?

25 A. Certainly for hypothetical purposes. I'm not

1070

1 sure it's right but -- because there are countervailing
2 issues of house size, the kinds of appliances and
3 equipment that are going in. I think as Mr. Lazar
4 acknowledged in his testimony, he hasn't done the
5 calculation, he hasn't looked at specific load data, and
6 I haven't either, so I don't know.

7 Q. All right. So you're not sure if it's
8 plausible that new homes are more energy efficient than
9 older homes?

10 A. They're more energy efficient in the shell,
11 but then there are issues of relative size. Homes are
12 getting larger on average, and the question of installed
13 equipment in terms of what kinds of devices people have
14 and whether new home owners are going to be more
15 affluent, have more energy using devices. So it's a
16 complicated question, it's not obvious what the answer
17 is, and it's not obvious what the answer is going to be
18 over time.

19 Q. All right. And you don't know the situation
20 specifically on --

21 A. No.

22 Q. -- on that issue?

23 A. No.

24 Q. Well, let's stick with the hypothetical at
25 least, and the hypothetical assumption, do you have that

1071

1 in mind?

2 A. Yes.

3 Q. If you apply the current rates to these
4 customers usages in the new homes, you would get less
5 than the average revenue per customer, would you not,
6 simply because their usage is less?

7 A. So if we stayed with the status quo and they
8 did use less electricity than the average, then you are
9 correct, you would get less recovery.

10 Q. And under your mechanism, the difference in
11 revenue per customer would get trued up, would it not?

12 A. Under my proposal, you would assign a dollar
13 value per customer on average, and then if the customer
14 count went up or down, that would affect the total fixed
15 cost recovery. That's as distinct from the status quo
16 where what determines the total fixed cost recovery are
17 changes in retail sales. My proposal would recouple the
18 fixed cost revenue requirement to changes in the
19 customer count rather than changes in retail sales.

20 Q. But there would be a true-up, would there
21 not?

22 A. Oh, yes, every year.

23 Q. And all customers would pay a higher rate
24 later to make up the difference?

25 A. Or a lower rate. A crucial point to make

1072

1 about the true-up mechanism is that it goes both ways.
2 It's not an automatic rate increase. My expectation is
3 that there would be years of increase and years of
4 decrease capped at 2% so that the volatility introduced
5 by the proposal is known and limited in advance.

6 Q. All right, but if you would stay within the
7 parameters of the hypothetical here.

8 A. Sure.

9 Q. The hypothetical assumption is that the newer
10 homes are using less energy, and so you have agreed that
11 if you apply the current rates to those new home
12 customers, you get less than the average revenue per
13 customer?

14 A. Under the status quo, yes.

15 Q. Under the hypothetical. So in this situation
16 in the hypothetical, the true-up would result in all
17 customers paying a higher rate later to make up the
18 difference, correct?

19 A. If and only if total system use were going
20 down. If total system use were going up,
21 notwithstanding the fact that new customers use less
22 than existing customers under your hypothetical,
23 everybody's rates would go down. The adjustments in
24 rates aren't driven by how much new customers are using,
25 they're driven by total consumption on the system and

1073

1 whether it is overrecovering or underrecovering the
2 authorized fixed cost revenue requirement that the
3 Commission has determined.

4 Q. Well, if, in fact, the true-up occurs and
5 customers pay a higher rate later to make up the
6 difference for the reduced revenues, the reduced average
7 revenues, that provides the company with more revenue
8 than the current rate making system, doesn't it, under
9 the assumption that the typical new customer uses less
10 electricity than the current average customer?

11 A. The reason I'm resisting just saying yes is
12 that again the true-up isn't driven by how much new
13 customers use, it's driven by whether the total fixed
14 cost revenue or the fixed cost amount per customer
15 that's authorized by the Commission is either over or
16 underrecovered based on total retail sales. And so if
17 total retail sales were to go down because of a very
18 aggressive conservation effort and that wasn't
19 compensated by increases in consumption elsewhere on the
20 system, then it's possible that all customers would see
21 a modest rate increase. And if new customers are using
22 less than existing customers, then yes, that modest rate
23 increase would affect them somewhat less.

24 I think it's important to emphasize that if
25 PacifiCorp's rate proposal, if this proposal was

1074

1 accepted in full, the average residential bill would be
2 about \$80 a month, and the maximum increase associated
3 with the true-up proposal is on the order of about a
4 nickle a day. 2% would be the maximum increase that
5 could be experienced in a year under the proposal.

6 JUDGE RENDAHL: Mr. Cavanagh, if you can slow
7 down in your responses, it will be easier for --

8 THE WITNESS: My apologies, Your Honor.

9 JUDGE RENDAHL: -- the court reporter, thank
10 you.

11 BY MR. FFITCH:

12 Q. Are you familiar with the decoupling
13 mechanism used by the Pacific Gas & Electric Company in
14 California?

15 A. Yes.

16 Q. And in California the utility is allowed to
17 defer and amortize balances on certain accounts
18 associated with distribution costs in what is known as
19 the Distribution Revenue Adjustment Mechanism or DRAM,
20 correct?

21 A. The utility is authorized to file every
22 September 1st for a true-up to be effective on January
23 1, and it's up to the utility how much to request,
24 whether to amortize, the utility has some flexibility in
25 that. California doesn't have a limit on rate impact of

1075

1 the true-up mechanism comparable to what I'm proposing
2 here.

3 Q. Well, let me ask the question again, perhaps
4 what you were doing is giving the explanation without
5 the yes or no answer, but this involves a, this
6 California mechanism involves a deferral and
7 amortization of balances on certain accounts associated
8 with distribution costs, does it not?

9 A. It can, but the utility has the option of
10 requesting the full recovery every year of the amount of
11 the balancing account, so there's no automatic
12 amortization or deferral.

13 Q. All right. But if it goes this route, the
14 mechanism that's used is known as the D-R-A-M, the DRAM,
15 the Distribution Revenue Adjustment Mechanism; is that
16 right?

17 A. Well, that's 1 of 4, because it's California
18 and everything is therefore more complicated than it
19 needs to be, there are no less than 17 balancing
20 accounts, and there are 4 accounts specifically
21 associated with the decoupling, their true-up process,
22 and the DRAM, the distribution mechanism, is 1 of the 4.

23 Q. All right. But would you generally describe
24 the mechanism that you are proposing as a full
25 decoupling mechanism like that in California?

1076

1 A. Vastly simpler with rate constraints and with
2 weather risk staying with the company. With those very
3 important differences, yes, this is a full decoupling
4 mechanism that I am proposing comparable to California.

5 Q. All right.

6 Can I have you turn, please, to one of your
7 cross-examination exhibits, this is Exhibit 687, it's
8 the response to Public Counsel Data Request 182.

9 A. Sure.

10 Q. Do you have that?

11 A. Yes.

12 Q. Now first of all, it's the case, is it not,
13 Mr. Cavanagh, that Public Counsel asked, in data
14 requests, asked you the same question that we have here
15 as well as the same questions in the other two exhibits,
16 686 and 688, those were directed both to you and
17 PacifiCorp, correct?

18 A. Yes.

19 Q. And it's true, isn't it, that you responded
20 to us that you would allow PacifiCorp to provide the
21 formal response in this matter, so these responses that
22 we have here are in effect your joint responses with the
23 company --

24 A. Yes.

25 Q. -- to these requests; is that right?

1077

1 A. Yes.

2 Q. Thank you. And in this data request, we
3 asked you to provide the current accounting and filing
4 procedures used for implementing the decoupling
5 adjustment for at least one of the utilities you're
6 familiar with, and we provided some options there that
7 would be acceptable, and you selected Pacific Gas &
8 Electric, correct?

9 A. Yes.

10 Q. And could we please turn to page 2 of the
11 exhibit, and there we see a preliminary statement and a
12 general description of the Distribution Revenue
13 Adjustment Mechanism, correct?

14 A. Yes.

15 Q. And if we look in the first paragraph there
16 under the heading purpose, we see that the statement in
17 the second sentence:

18 The DRAM will ensure dollar for dollar
19 recovery of these commission authorized
20 distribution amounts.

21 Is that right?

22 A. Yes.

23 Q. So this is the basic mechanism used by
24 Pacific Gas & Electric for decoupling?

25 A. Well, it's one of the four. You will -- the

1078

1 other big one is on page 4 of the exhibit, the utility
2 generation balancing account.

3 Q. All right.

4 A. This one deals with fixed cost of
5 distribution, that one deals with generation.

6 Q. And through these mechanisms, the company
7 with the approval of the California PUC modifies rates
8 about once a year, correct?

9 A. Yes.

10 Q. So you're directing us to page 4 of the
11 exhibit for the generation balancing account as the
12 other component of this?

13 A. The other main component.

14 Q. All right. And there are other components
15 that are not shown in this exhibit?

16 A. They are described in the first exhibit.
17 There's also a true-up for the system benefits funds
18 that deal with efficiency, renewables, and low income
19 services, and one for nuclear decommission.

20 Q. All right. Would you agree that the fixed
21 costs that you sponsor as calculated by company witness
22 Taylor include more than distribution fixed costs?

23 A. Yes.

24 Q. In fact, the calculation by Mr. Taylor
25 includes production and transmission fixed costs,

1079

1 administrative and general costs, and a whole host of
2 other costs besides just distribution costs, correct?

3 A. And it also includes generation fixed costs.

4 Q. All right.

5 A. That's I think as I recall the breakdown in
6 my first exhibits, it's about 45% distribution, 45%
7 generation, 10% transmission.

8 Q. Let's move on to how the adjustment actually
9 gets reflected in rates, and you should have there a
10 copy of Cross-Exhibit 686, that's Data Request 181.

11 A. Yes.

12 Q. And there we asked that you provide the
13 current residential rate schedules of general
14 application --

15 A. Yes.

16 Q. -- for each electric utility you were
17 familiar with which has a currently effective decoupling
18 mechanism in place, and again you have used the Pacific
19 Gas & Electric mechanism as your example and provided
20 that information to us, correct?

21 A. Yes.

22 Q. So let's go to page 2 of the exhibit.

23 A. Although if I might just to clarify, Simon,
24 it probably is also useful to have open in front of you
25 page 5 of Exhibit 688, which shows you the actual

1080

1 application for a true-up by PG&E and gives you the
2 actual dollar amounts requested for the latest true-up.

3 Q. Well, we'll get there.

4 A. Okay.

5 Q. Let's take it a step at a time starting with
6 page 2 of this exhibit, and let me just ask you a couple
7 of questions about this rate design. On the first page
8 of the schedule, which is page 2 of the exhibit, it
9 shows five residential rate blocks in the lower third of
10 the page under the heading total rates, correct?

11 A. Right.

12 Q. And these range in price from 11.4%, excuse
13 me, 11.4 cents per kilowatt hour for baseline usage up
14 to 33 cents per kilowatt hour, correct?

15 A. That's correct.

16 Q. Would you agree that these rates are two to
17 five times as high as the rates charged by Pacific Power
18 in Washington?

19 A. I would.

20 Q. You would?

21 A. I would.

22 Q. Okay. Would you agree that PG&E's marginal
23 variable power costs are generally lower than these rate
24 levels?

25 A. Yes.

1081

1 Q. So if PG&E were to have lower retail rates,
2 its wholesale revenue, excuse me, retail sales, its
3 wholesale revenues would not go up enough to offset the
4 lost revenue, correct?

5 A. Nowhere close.

6 Q. Would you agree that the wholesale power
7 market is generally lower than these rates?

8 A. Yes.

9 Q. And so if PG&E were to have lower sales, its
10 wholesale revenues would not go up enough to offset the
11 lost revenue?

12 A. That's correct.

13 Q. Does PG&E have a monthly customer charge, or
14 is it just the minimum charge rate shown on this tariff?

15 A. There is no monthly customer charge for PG&E.

16 Q. Is it your understanding that PacifiCorp --

17 A. For residential customers.

18 Q. Right, and we are looking at the residential
19 service --

20 A. Right.

21 Q. -- schedule here. Does Pacific Gas &
22 Electric, excuse me, does Pacific Power, PacifiCorp in
23 this case, have a monthly customer charge rate of \$4.75
24 per month?

25 A. I honestly don't -- I know there is one, I

1082

1 honestly don't know what it is.

2 Q. All right.

3 A. I know that it -- I know that it recovers
4 less than 10% of the fixed charges identified in my
5 testimony.

6 Q. And are you aware that PacifiCorp has a two
7 block inverted rate?

8 A. Yes, for residential customers.

9 Q. All right. And in that two block inversion
10 rate, the first 600 kilowatt hours is about 4.3 cents
11 per kilowatt hour, and the second block is about 6.8
12 cents per kilowatt hour; is that correct?

13 A. Those are the numbers I recall from
14 Mr. Lazar's testimony, yes.

15 Q. So would you agree that it's more likely on
16 average over the next couple of years that the wholesale
17 market will exceed the Pacific Power initial block of
18 4.3 cents, it's more likely that it will exceed the PG&E
19 first block of 11.4 cents per kilowatt hour?

20 A. It is more likely, but it would be my
21 expectation that the wholesale markets going forward
22 would be below retail rates for both companies.
23 Certainly the disparity will be greater for PG&E.

24 Q. Would you agree that it's more likely on
25 average over the next couple of years that the wholesale

1083

1 market will exceed the Pacific Power tail block rate of
2 6.8 cents per kilowatt hour than that it will exceed the
3 Pacific Gas & Electric tail block of 33 cents per
4 kilowatt hour?

5 A. I think that's a safe bet.

6 Q. Okay. Are you proposing that PacifiCorp
7 eliminate its monthly customer charge and move to a five
8 block residential rate with a tail block of 33 cents per
9 kilowatt hour in your testimony?

10 A. No. Going out on a limb here.

11 Q. Would you agree that if rates for PacifiCorp
12 were set at the levels charged by PG&E, there would be
13 some significantly stronger incentives for PacifiCorp
14 customers to reduce their usage?

15 A. There certainly would be a strong behavioral
16 signal, but it's important for me to emphasize, as my
17 testimony does, that, in fact, price signals do a very
18 lousy job of influencing long-term investments in energy
19 efficiency. And whether it's 33 cents or 6 cents, there
20 will be very significant cost effective efficiency
21 opportunities unexploited without an aggressive utility
22 role in my opinion, and that is probably why,
23 notwithstanding those California rates, California has
24 recently launched a very significant expansion of its
25 utility sector energy efficient investments.

1084

1 Q. Now let's turn to the next page of this
2 exhibit, this is page 3 of the exhibit, and we're still
3 in 686, and that sets forth all of the components of the
4 summarized rate design that we just saw on page 2,
5 correct?

6 A. Yes.

7 Q. Can you tell me which of these rate elements
8 is the subject of the decoupling mechanism that PG&E
9 uses in California? And before you get to that, just
10 some background questions here. We obviously see the
11 five rate blocks reflected in the breakdown underneath
12 generation, under distribution, and then below that we
13 see additional rate elements broken out, do we not, for
14 transmission, transmission rate adjustments, et cetera?

15 A. Yes.

16 Q. This is all under the general heading of
17 unbundling of total rates?

18 A. It is.

19 Q. So again, my question is, which of these rate
20 elements is the subject of the decoupling mechanism that
21 PG&E uses?

22 A. The PG&E true-up mechanism specifically
23 addresses, as I mentioned earlier, nuclear
24 decommissioning and public purpose, which are relatively
25 small portions of the bill. It also addresses those

1085

1 portions of distribution and generation which are deemed
2 by the company to be fixed charges, deemed by the
3 Commission to be fixed costs of the system, and I am
4 assuming virtually all of distribution would fall in
5 that category, as would a substantial fraction of
6 generation. The two biggest elements of the PG&E
7 mechanism, as I mentioned, the dominant elements are
8 generation and distribution, as they would be in the
9 proposed mechanism for PacifiCorp that I have described
10 in my testimony.

11 Q. Now the DRAM decoupling adjustment is not
12 shown as a separate rate element here, is it?

13 A. No.

14 Q. So your testimony just a moment ago was that
15 it sort of shows up in various places in these other --

16 A. The adjustment is made annually, and
17 historically it has been very modest. It wouldn't -- if
18 you -- if you did cull it out, it would have been on
19 average over the lifetime of the California mechanism
20 about one quarter of 1% of the bill. And if you look at
21 the decoupling adjustment in the most recent filing on
22 page 4 of the final exhibit, you will see it's in the
23 same range.

24 Q. Do you think that customers can easily look
25 at this rate schedule and determine the impact that the

1086

1 decoupling adjustment is having on their electric bill?

2 A. No, but I would also note that the decoupling
3 adjustment has, in fact, historically and currently had
4 a minimal impact on their electric bill of less than
5 half of 1%. I wouldn't be in the slightest -- I
6 wouldn't mind in the slightest having it culled out, the
7 Commission hasn't chosen to do that.

8 Q. All right. Now let's go to Exhibit 688, I
9 think perhaps this is where you were wanting to point to
10 a little bit earlier, and this is the response to Data
11 Request 183; do you have that?

12 A. Yes.

13 Q. And in this request, we ask you to provide
14 copies of the filing and associated work papers for one
15 decoupling adjustment for one of the utilities you're
16 familiar with which has a currently effective decoupling
17 mechanism in place, and you provided this information?

18 A. Yes.

19 Q. Or through the company at least. So if we
20 could turn, please, to page 5 of the exhibit, which is
21 actually page 4 of the document on the document
22 pagination, this is a listing of the balancing accounts
23 authorized that are covered in this true-up filing,
24 correct?

25 A. Yes.

1087

1 Q. And there's a whole series of adjustments
2 here that PG&E is proposing for its annual true-up,
3 right?

4 A. Yes.

5 Q. And the first of these is labeled the
6 Distribution Revenue Adjustment Mechanism, the DRAM, and
7 again that's the decoupling adjustment, correct?

8 A. Right.

9 Q. The amount shown as the forecast balance for
10 December 31st, 2005, is a negative \$63,016,090, right?

11 A. Right.

12 Q. Now can you tell me if that means that
13 customer rates would go up or down as a result of this
14 application?

15 A. Well, you have to look up obviously all of
16 the different accounts, and what they sum to, as you can
17 see, is a negative number, and that represents a very
18 modest reduction. There's \$9 Billion of jurisdictional
19 electric revenues for PG&E. The scales of the
20 enterprise are different, somewhat different, and in
21 this case gratifyingly there's a negative balance, which
22 is I would -- I would take to be a refund to customers.

23 Q. All right. And that's based on these 17
24 different accounts?

25 A. That's right.

1088

1 Q. And how many of these 17 accounts are
2 decoupling adjustments?

3 A. I would characterize the first 4 as the
4 decoupling adjustments.

5 Q. Well, just looking at those on a sort of an
6 eyeballing basis, it looks like the sum of those is --

7 A. Modestly positive.

8 Q. -- modestly positive.

9 A. I realize that \$20 Million is not modest in
10 the PacifiCorp system, but for a \$9 Billion
11 jurisdictional revenue requirement, well, you can do the
12 math.

13 Q. All right.

14 A. About a quarter of 1%.

15 Q. Now can you direct me to exactly where in
16 this exhibit the adjustment to customer rates is shown
17 and calculated so that we can understand how these four
18 accounts you have pointed to translate into rates for
19 the typical residential customer?

20 A. Well, I think what I can say, page 5 is the
21 summary of the total impact of all the balancing
22 accounts. I don't know what the resulting adjustment is
23 for individual residential customers. I can tell you
24 that the average electric bill for the PG&E system is
25 about \$75 and that a one quarter of 1% adjustment, and I

1089

1 know of no reason why it would be disproportionate,
2 would be difficult to detect, about 20 cents a month.

3 Q. All right. So there's nowhere in this
4 exhibit though that shows the specific calculation --

5 A. Of the 20 cents a month, no.

6 Q. -- of that even though this exhibit contains
7 rate summaries, illustrative rates, and other things of
8 that nature?

9 A. This is everything we have from the filing.

10 Q. All right.

11 MR. FFITCH: May I have a moment, Your Honor.

12 JUDGE RENDAHL: Yes, go ahead.

13 MR. FFITCH: No further questions for

14 Mr. Cavanagh, thank you, Your Honor.

15 JUDGE RENDAHL: All right, for Staff,

16 Mr. Trotter, do you have any questions for Mr. Cavanagh?

17 MR. TROTTER: I do not.

18 JUDGE RENDAHL: Is there any redirect for
19 this witness?

20 MR. WOOD: No redirect, Your Honor.

21 JUDGE RENDAHL: Are there any questions from
22 the Bench for the witness?

23 Commissioner Oshie.

24

25

1090

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

2 BY COMMISSIONER OSHIE:

3 Q. Mr. Cavanagh, I think I drew the short straw
4 here. I need to better understand what you're proposing
5 for PacifiCorp. I think when, and maybe it goes back to
6 a question I asked Ms. Omohundro I believe when she was
7 here earlier and testifying, and I asked her whether or
8 not the adjustments made as a result of decoupling would
9 be on a per customer basis or as a class, and I thought
10 I recall her testifying that the adjustments that were
11 being proposed by PacifiCorp at least would be, for
12 decoupling, would be on a class basis. But after, you
13 know, reading your testimony and hearing your testimony
14 this morning, you seem to be advocating an adjustment
15 that would be made per customer on an annual basis.

16 A. So, Commissioner, there's, in this area at
17 least, no distance between us and PacifiCorp. So the
18 proposal is, and I think I have just created the
19 confusion that I will now try to dispel, the purpose of
20 the per customer element of this is to be able to
21 calculate a fixed cost revenue requirement for the
22 company between rate cases. Between rate cases, and
23 sometimes as we all know many years pass, sometimes only
24 a few, but there are changes in the company's costs.
25 Current rate making allows the company to increase its

1091

1 fixed cost recoveries as its retail sales increase. Our
2 proposal would allow increases in the fixed cost revenue
3 requirement tracking changes in the customer count. You
4 would use changes in the customer count to calculate
5 changes in the authorized fixed cost revenue
6 requirement, but then it is a calculation based on the
7 revenue for the whole class, and any rate adjustment
8 would be across the whole class, it wouldn't be targeted
9 to individual customers in any kind of discriminatory or
10 different light.

11 Q. Now so any true-up then, I mean just to make
12 sure I, I do understand of course what you just said,
13 but that on an individual basis, I mean the true-ups
14 would be on a class basis?

15 A. Yes.

16 Q. Okay. And you calculate, at least you
17 estimate perhaps would be a better use of the term, that
18 there would be perhaps a 1% swing, and that's based on
19 your understanding and perhaps your knowledge of what,
20 of the circumstances of PG&E?

21 A. No, it's my understanding of the
22 circumstances of PacifiCorp, and so what I did --

23 Q. Oh, PacifiCorp.

24 A. What I did to make -- I looked at actual
25 PacifiCorp retail sales in Washington over the past ten

1092

1 years and asked the question, in a worst case scenario
2 in which you had the biggest reduction in sales recorded
3 over that time and you added on the relatively
4 aggressive conservation program impacts that I'm
5 describing, what would the rate impact of the true-up
6 be. In the worst case for the Washington system, my
7 calculation was that it would be 2.2% and that it would
8 go up and down if we looked at the past and assumed that
9 the present or the future were similar. And therefore,
10 I felt very comfortable suggesting that you collar the
11 annual rate impact of 2%. So that's not an estimate,
12 that's a proposed hard constraint on the mechanism.

13 Q. Let me inquire briefly, and this is, you
14 know, having read Ms. Steward's testimony, you know, one
15 of the propositions that she makes is that the company
16 is performing all of the cost effective energy
17 efficiency measures that are called for in its IRP and
18 are receiving compensation for that through their
19 systems benefits charge, so do you agree with that or
20 not agree with that?

21 A. I don't, I don't agree with either -- well, I
22 certainly agree that the company is now doing the
23 conservation that it has told the Commission it would
24 do. I think that the IRP has played a useful role in
25 helping to shape the programs. I'm not here to attack

1093

1 what the company is doing. And I'm sure if you ask
2 Ms. Omohundro or anyone at PacifiCorp, they will rightly
3 say conservation is a high priority, we're doing our
4 best. What I'm here to predict is that they could do
5 better. And, Commissioner Oshie, the best evidence I
6 have for that is Chuck Eberdt's Testimony for the Energy
7 Project in this case identifying all of the remaining,
8 untapped opportunities in low income residential.

9 And I will just tell you that I am confident
10 that we could make a similar showing for every major
11 sector, and all I want to do is unleash the full
12 entrepreneurial capacities of this company, which I know
13 to be substantial, with a better set of incentives,
14 because I don't think they're being, you asked if I
15 thought they were being fully compensated is the
16 question, they're recovering their costs, the direct
17 outlays associated with the conservation programs, but
18 every unsold kilowatt hour means a reduction in fixed
19 cost recovery, as explained in my testimony, they're not
20 being compensated for that. And, of course, they have
21 no earnings opportunities associated with these
22 programs. So if you take this and you outline it and
23 you lay it against everything else the Commission is
24 looking at as competition for scarce talent and capital
25 within the company, I don't think this is a particularly

1094

1 appealing prospect, I would like to make it more
2 appealing.

3 Q. But if the company is already acquiring the
4 cost effective energy efficiency resources, how are you
5 suggesting that it could do better? I mean you maybe
6 state generally that they can do more, but, you know, if
7 I have to, you know, if I rely on Ms. Steward's
8 testimony, they're doing everything that they can,
9 they're doing everything that they said, all the
10 measures that are cost effective and called for in the
11 IRP they're already performing, so what's left on --

12 A. What's left --

13 Q. -- the table other than perhaps what
14 Mr. Eberdt is talking about, which is better performance
15 of the company for low income programs, weatherization,
16 perhaps contributions to the monthly bills of those
17 customers, so what else can the company do that's --

18 A. Let me try --

19 Q. Maybe you can be specific.

20 A. Yeah, let me try another way of being
21 specific. Ms. Steward's testimony indicates that in
22 2004 the company acquired roughly 3.2 average megawatts
23 in energy efficiency. That is about one, that's about
24 two thirds of 1% of systemwide electric use,
25 Commissioner Oshie. And I am betting that neither you

1095

1 nor I think for a moment that two thirds of 1% exhausts
2 the cost effective efficiency possibilities on the
3 PacifiCorp system.

4 I note in my testimony that the California
5 targets on a system that Mr. ffitch rightly recognizes
6 has far higher electric rates, the California targets
7 for a utility's acquisition of conservation are now well
8 over 1% of system sales per year. Or looked at in terms
9 of the, you know, the relative aggressiveness of
10 conservation effort, 50% higher than the PacifiCorp
11 demonstrated results in 2004. So I do think we can do
12 better, and I don't in any way by saying that want to
13 undermine the progress we have made already with the
14 IRP. What I'm saying, two thirds of 1% is not the best
15 we can do.

16 Q. Well, if, you know, the rates in California
17 are significantly higher, I mean we have had a lot of
18 testimony on that this morning, so doesn't that make
19 more energy efficiency measures more cost effective and
20 therefore more available to the company on a cost
21 effective basis to implement?

22 A. Commissioner, most people would say the exact
23 opposite, because of course the relative cost
24 effectiveness of conservation, if conservation is
25 compared against marginal generation in both Washington

1096

1 and California, relative cost effectiveness about the
2 same in both places. The retail rates are much higher
3 in California, which you would think would mean that a
4 lot of the low hanging fruit would have been plucked so
5 people can take advantage of the 30 cents a kilowatt
6 hour they're saving in the tail blocks. And so the fact
7 is California is being more aggressive in its utility
8 targets. When cost effectiveness is the same -- the
9 marginal generation costs the same in California as it
10 does in Washington, and the higher California rates
11 ought to mean that more of the conservation has already
12 been done. This is the Saudi Arabia of conservation,
13 not California.

14 Q. I haven't heard that one before.

15 A. Yes, you have.

16 Q. So if the company isn't recovering its fixed
17 costs as you have testified to this morning, that's a
18 risk that it assumes in performing its -- in funding and
19 implementing cost effective energy efficiency measures?

20 A. But the difficulty -- that is true under the
21 status quo, but it's not a risk that the company assumes
22 notice when it invests in generation, and this -- the
23 fundamental problem here is the asymmetry I think.
24 Generation investments associated with increasing sales
25 don't have the lost fixed cost element that the

1097

1 conversation investment has. This Commission led the
2 country in demanding that utilities treat efficiency and
3 generation the same, compare them head to head, pick the
4 best buys first, don't discriminate against
5 conversation, that has been the consistent message of
6 this Commission as long as I have been here, and I have
7 been here a long time. In this particular area you're
8 falling down because there's a fundamental asymmetry.
9 The conservation resource if successfully invested
10 reduces fixed cost recovery, the generation investment
11 increases it, which way is the company going to go if we
12 don't fix it.

13 Q. I think one final area of questioning. If
14 the -- if you're asking the rate payers to pick up on a,
15 I don't want to really use the term guarantee, but a
16 more assured basis that its fixed costs will be
17 recovered, and the company's already investing in what
18 it believes to be the cost effective energy efficiency
19 resources that might be available, what incentive does
20 it have to invest in more? And I know what your
21 testimony has been, but I don't see anything offered up
22 by either in your testimony or by the company saying
23 that, if you implement decoupling, we will put, you
24 know, \$5 Million on the table for energy efficiency
25 programs or, you know, or \$2 Million or we'll, you know,

1098

1 increase our efforts to explore other cost efficient,
2 cost effective efficiency tools, I don't see it.

3 A. Commissioner Oshie --

4 Q. It's more of, you know, build it and we will
5 come, but that's -- and I think that leaves at least if
6 you, you're talking about asymmetry, I think that's an
7 asymmetrical approach.

8 A. But, Commissioner Oshie, this is where I
9 would hope the proposal for a three year pilot test
10 might appeal to you in particular, because what I hope
11 you would say is that this is a pilot test, and for me a
12 critical question in evaluating its effectiveness will
13 be whether I can see at the close of the test period a
14 material change in the company's performance and
15 commitment on energy efficiency. No one would welcome a
16 statement like that more than me, Commissioner Oshie.
17 And the establishment of a three year pilot test puts
18 you in a position to say if you don't see that, this
19 mechanism isn't going anywhere. I think you will see
20 it, and I encourage you to put us to the test formally.

21 COMMISSIONER OSHIE: No further questions.

22 JUDGE RENDAHL: Commissioner Jones.

23

24

25

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

2 BY COMMISSIONER JONES:

3 Q. Following up on Commissioner Oshie's
4 questions, on page 7 of your testimony, Mr. Cavanagh,
5 you talk about sustainability of energy efficiency
6 programs, and you cite the CPUC order. Just so I
7 understand the CPUC order in your recommendation here,
8 are you proposing here that the Commission adopt a
9 statewide target for energy efficiency in investments,
10 or are you just incorporating this by reference?

11 A. No, what I'm -- I use this in the testimony
12 to try to give you a sense of the potential rate impact
13 of an aggressive program. My basic recommendation is
14 unleash the company, see what it can do, have the kind
15 of skeptical orientation Commissioner Oshie has of show
16 me, and let's see what -- I -- they could do better than
17 this, and I would be delighted, but I'm putting this out
18 as a benchmark for a relatively aggressive program and
19 then exploring its rate impact.

20 Q. So you're not proposing, seems to me if you
21 talk about a symmetrical proposal you should include the
22 disincentive as well as the goal, if you will, the
23 target for which a company should be striving. I think
24 that's what Commissioner Oshie partly was driving at.
25 What is, if we have the system benefits charge, if we

1100

1 have an IRP, and we acknowledge the IRP of the company,
2 and we introduce a entirely new mechanism that has
3 impact perhaps on the PCAM on the division of costs on
4 an interjurisdictional basis, this is a fairly
5 substantial step for the company for the Commission to
6 take one could argue. Why not include more substance,
7 if you will, on the targeting side on what can be
8 achieved and directing, guiding the company to do
9 certain things to achieve the objective, especially in
10 light of what Commissioner Oshie cited on the existing
11 IRP and the existing system benefits charge?

12 A. So I repeat, I have absolutely no problem
13 with the Commission if it approves a pilot test making
14 clear that a crucial criterion in evaluating the test
15 will be the extent to which the company can improve on
16 its current performance on energy efficiency. We're on
17 record as recommending, Commissioner, in your most
18 recent rulemaking on least cost planning, that you
19 actually direct the company to do a sector by sector
20 assessment of cost effective efficiency opportunities.
21 In your wisdom, you chose not to accept that
22 recommendation. We're on record as making it, and if
23 you want to change your mind here, I'm more than
24 delighted. But assuming that's still your policy, I
25 think the right way forward here is to send a clear

1101

1 signal in approving the pilot that this is a crucial
2 element of your judgment as to its success or failure.

3 Q. Are you proposing that all classes, including
4 the industrial sector, on pages 7 and 8 of your
5 testimony you quote the Power Council's recent estimate
6 of cost effective and achievable energy efficiency in
7 the region, and of course we give great weight, at least
8 this Commissioner does, to the Power Council's
9 estimates, but the Power Council does exclude the
10 industrial sector, correct?

11 A. Yes, largely. There is an estimate for the
12 industrial sector, everyone acknowledges it's a
13 placeholder.

14 Q. So it's largely residential and commercial?

15 A. And the other sectors, there's street
16 lighting, there are some others that are not --
17 irrigation, but industrial is not very well covered.

18 Q. Okay. So in your proposal, you're not making
19 any recommendation other than I think in your authorized
20 revenue requirement on a per customer basis, this is on
21 page 16 of your testimony, you're recommending that we
22 separate the categories into residential, one,
23 residential --

24 A. Right.

25 Q. -- and two, all other excluding industrial

1102

1 customers served under Schedule 48-T?

2 A. Right.

3 Q. Two other questions that relate to the
4 company's proposal in this case. Do you have any
5 specific recommendation on the PCAM and how your
6 proposal would affect or would not affect the Power Cost
7 Adjustment Mechanism?

8 A. I take no position on the PCAM, and I think
9 that the proposed pilot test will work whether you have
10 it or not. The one respect in which the PCAM is I think
11 material in your evaluation of the pilot test is that it
12 would affect the potential availability of wholesale
13 revenues to offset lost retail sales, the issue that
14 Mr. Lazar raises in his testimony. My view is as, for
15 the reasons explained in both my testimony and the joint
16 testimony with Ms. Omohundro, that the pilot test could
17 be run either way. And so I -- the PCAM really would
18 not affect my recommendation as to how you should
19 execute the pilot test, because it doesn't affect the
20 revenues that are associated with my proposal.

21 Q. I understand.

22 The other significant proposal by the company
23 in this rate case is the interjurisdictional cost
24 allocation system, are you taking any position on the
25 Revised Protocol and how this might affect your proposal

1103

1 on decoupling, specifically as it relates to the
2 interjurisdictional allocation of generation plant and
3 distribution plant?

4 A. No, Commissioner, our proposal, my proposal,
5 our joint proposal will work with whatever decision you
6 make as to what the fixed costs should be and how they
7 should be allocated. That is clearly your decision, the
8 mechanism would take your decision and apply it.

9 Q. You stated earlier that California tends to
10 do things in a very complex manner, correct?

11 A. I did.

12 Q. Including the 17 accounts listed in Exhibit,
13 what is it, 688. Are you recommending an approach that
14 is perhaps more simple for the simplicities here in the
15 Pacific Northwest?

16 A. I'm recommending one account, annual
17 adjustment, 2% rate collar, weather normalized so the
18 weather risk stays with the company, and all of those
19 are I hope reassuring and decisive differences in the
20 proposal that we're making.

21 COMMISSIONER JONES: That's all I have.

22

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

24 BY CHAIRMAN SIDRAN:

25 Q. We like to think we're simple people here in

1104

1 the state of Washington, but I am a little curious about
2 California's experience and would like to ask for some
3 clarification. I believe you testified to that price
4 signals do a poor job of prompting energy efficiency and
5 conservation on the part of consumers.

6 A. Long-term investment, Mr. Chairman.

7 Q. And then I heard you say something to the
8 effect that California had recently launched an
9 aggressive campaign to promote efficiency and
10 conservation; is that correct?

11 A. Yes.

12 Q. And is that being prompted, is that
13 aggressive campaign flowing from the utilities on their
14 own volition, or is this coming from the state?

15 A. Fair to say both I think, and it -- what I
16 can tell you is that the experience -- California
17 utilities have been working with decoupling since 1981.
18 It was briefly suspended during an interval that none of
19 us require -- none of us recall fondly, the great
20 California restructuring experiment. It's back now. I
21 can tell you that the California utilities are
22 enthusiastic leaders in this effort. I can tell you
23 that they're also getting very strong support and
24 leadership from the commission and that any of them
25 would tell you that the existing of the decoupling

1105

1 mechanism is a material part of why they can sustain
2 that enthusiasm.

3 Q. So it sounds like there's 20 some years of
4 experience in California, and in your testimony you cite
5 some other states --

6 A. Yes.

7 Q. -- including Oregon and Wisconsin that are
8 embarking on --

9 A. And Idaho.

10 Q. And Idaho on decoupling efforts. Is there
11 somewhere where there has been a collection, if you
12 will, of the results of these efforts that provide some
13 ability to evaluate? I mean we're talking here, as I
14 understand it, about a proposal for a three year pilot
15 so we can see how it works.

16 A. Right.

17 Q. I would be interested in looking at seeing
18 how it has worked in those states that have made efforts
19 to implement this, because presumably there's something
20 to be learned from those experiences, and we would be
21 able to perhaps evaluate some of the pro's and con's or
22 what worked and didn't work in those other states.

23 A. And so, Mr. Chairman, I have tried to give
24 you some of that. The Oregon mechanism, for example, I
25 have given you the rate impact and annual experience at

1106

1 pages 12 to 13 of my testimony.

2 Q. To be clear, I read your testimony and I saw
3 it and it was helpful, thank you, to see the rate
4 impact, what I didn't see in your testimony was any
5 indicia of energy efficiency savings or conservation.
6 So I appreciate your testimony in terms of rate impact,
7 and that's important. What I don't really know much
8 about is the impact on energy efficiency and
9 conservation. I do note in your testimony there's one
10 sentence where you say California has seen significant
11 gains in that regard, I'm just wondering if there's
12 anything that you can point us to that would help us
13 evaluate the efficiency and conservation consequences.

14 A. And there at page 10 of my testimony, the one
15 perhaps most persuasive single thing I can show you is
16 the words of this Commission in 1993 when after the
17 initial adoption of a very similar decoupling mechanism
18 for Puget, the Commission accepted the parties'
19 representations that the revenue per customer cap had
20 achieved its primary goal, the removal of disincentives
21 for conservation adjustment, and concluded that Puget
22 has developed a distinguished reputation because of its
23 conservation programs and is now considered a national
24 leader in this area. And there's a good deal more in
25 the Commission record there in terms of the -- the test

1107

1 of the prop -- does this make a material difference in
2 terms of the motivation and performance of a utility,
3 the best illustration I know of in the country,
4 Mr. Chairman, is Puget in the mid '90's.

5 Q. Some would say that Puget maintains that
6 distinction at least in this jurisdiction without a
7 decoupling mechanism.

8 A. And there my concern is the roller coaster
9 pattern. Today I feel relatively good about how Puget
10 is doing and PacifiCorp. I think they could do better,
11 but we're on an upturn. The difficulty is I started in
12 '79, many in this room did too, and I know if you look
13 at the Power Council's charts, the regional conservation
14 achievement, Mr. Chairman, since '79, roller coaster is
15 the right description. We're on the upswing, but we
16 don't want to plummet again. The principal basis for --
17 it's not that we can't do well in episodic spurts
18 without the mechanism, it's just that in my judgment for
19 the reasons described in the testimony, I think if you
20 want to sustain it, if you want to become a durable part
21 of the corporate culture that lasts changes over --
22 through changes in management and changes in wholesale
23 rates which are constantly volatile, if you want this to
24 become a core part of the business, we've got to do more
25 on the incentive side.

1108

1 Q. You mentioned, well, I guess just to go back
2 to my prior question, so is there -- has someone pulled
3 together the research and evaluation that would allow us
4 to look at the results from California and other states
5 on the efficiency and conservation side?

6 A. And so, Mr. Chairman, the one thing that
7 comes to mind here is recognize almost all of the
8 historical experience, aside from the Puget case which I
9 just cited and the PacifiCorp case which I think is well
10 covered in my testimony, is California. And the
11 California experience with decoupling certainly has been
12 addressed, I have looked at it. In my review, for
13 example, I concluded that through the period of the
14 suspension, the average rate impact of decoupling was
15 about one quarter of 1%, but that you could look at the
16 California utilities' aggregate results in terms of
17 conservation investment, and here's what they were up to
18 the moment when the mechanism was suspended in the mid
19 '90's. You had developed a conservation resource in
20 California equivalent to about 5,000 megawatts from the
21 utility investment at an average cost of under 2 cents a
22 kilowatt hour. That's a phenomenal record, matched by
23 equivalent savings through efficiency standards.

24 But certainly what the California -- I think
25 I know as much about this as anybody, Mr. Chairman, so I

1109

1 think the best thing for me to do is respond directly.
2 You can not find a utility system over a sustained
3 period with a remotely comparable conservation mechanism
4 during the period that not only this mechanism was in
5 place but obviously also integrated resource planning
6 rules, strongly influenced by Washington State's I'm
7 pleased to say, which established conservation as a
8 resource on an equivalent basis with generation.

9 Now if you look where we are now, because
10 this is the other critical empirical issue, and you say
11 which utilities in the country have the most aggressive
12 program with the strongest quality controls and the
13 strongest accountability, the California savings targets
14 as a fraction of system use are the most aggressive in
15 the country. They are substantially more aggressive
16 even than those of the Power Council, and I too take the
17 Power Council targets very seriously and respect the
18 expertise of those who set them. But you've got the
19 most aggressive program in the country, you've got the
20 largest utility investment. California utilities will
21 invest \$2 Billion over the next three years to save
22 1,500 megawatts at an average cost of 3 cents a kilowatt
23 hour, and that gives you a sense of the magnitude, both
24 absolute and relative, of what is possible when you get
25 the incentives right and you have motivated utilities,

1110

1 and that is a clear indication I think that we can do
2 better.

3 Q. So if we were to take the indicia you have
4 just described as California's results --

5 A. Yes.

6 Q. -- and compare it to Puget and comparable
7 indicia, what would we find?

8 A. What you would find at -- you could find
9 years in which Puget and for that matter PacifiCorp have
10 been able to equal the performance of the California
11 utilities, but you can not find the sustained record.
12 That's my principal contention here.

13 And also what I would say is that you -- as
14 someone who -- and this is -- this is more
15 impressionistic but I think it's important. I interact
16 regularly with -- I mean my job is to work with the
17 senior managements of all of these western utilities on
18 energy efficiency. It really makes a palpable
19 difference in terms of motivation and in terms of
20 sustained commitment and performance whether you're
21 doing it because you think you have to because the
22 Commission is making you do it or whether you're doing
23 it because you think it makes good business sense, and
24 ideally you want it to be both. And we can't say what
25 -- I can say the Commission is behind it right now in

1111

1 Washington, but I can't say it makes good business
2 sense.

3 Q. You made reference to decoupling in the
4 context of helping smooth out some of these issues in
5 the context of the frequency of rate cases. If a
6 company were to file a rate case annually, for example,
7 what impact does that have on the added value of
8 decoupling in your mind?

9 A. And this is an issue addressed in
10 Ms. Steward's testimony, and this is an important point
11 of disagreement between us, so I'm glad you have asked.
12 I don't think it makes a material difference. The
13 difficulty is that all of life is lived between rate
14 cases. A new rate case does not give back the money
15 that you lost since the last one, it resets the rates
16 and you can start losing money again the next day under
17 your conservation programs. But that to me is not
18 materially helpful. The difficulty is that at every
19 moment you're between rate cases, you're losing fixed
20 cost recovery on untold base kilowatt hours, and it
21 seems to me however often the rate cases are, you want
22 to eliminate that unfortunate reality.

23 Q. How do you respond to the proposition that
24 more -- that mechanisms like decoupling and for that
25 matter more frequent rate cases reduce the risk for the

1112

1 company and that should be reflected in the rate of
2 return?

3 A. And I think this is a absolutely critical
4 point. Let's first of all note the empirical fact that
5 no commission to my knowledge adopting the decoupling
6 mechanism has ever coupled it to a reduction in
7 authorized return I think for two good reasons. First,
8 in general commissions doing it, they're trying to
9 encourage the companies to which the mechanism is
10 applied, and it isn't tremendously encouraging to have
11 your rate of return reduced. But more important, this
12 was not, I want to emphasize, Commissioner, this
13 mechanism was not PacifiCorp's idea, this was something
14 we have pushed very hard. I'm delighted they have come
15 with me.

16 This is -- there's a downside to this for
17 them, and it's not trivial. What they're giving away,
18 and this is a point that is sometimes lost in some of
19 the testimony, they're giving away an upside in addition
20 to being protected from the downside. The upside
21 they're giving away is they can't profit any more on
22 increases in sales, and for most of the electric
23 industry for most of the 20th Century, that was a great
24 wave to ride. And PacifiCorp is basically saying, we
25 won't ride it any more. The fact that relatively few

1113

1 companies are willing to do that helps explain why
2 relatively few companies are joining environmental
3 advocates to make proposals on decoupling in state
4 commissions at the moment. Most of the industry doesn't
5 want to give up the upside. So it's important to
6 recognize the mechanism's symmetry in terms of both an
7 upside and a downside.

8 And then you have to ask in the context of --
9 and they're keeping the weather risk, this is the final
10 point. I think Public Counsel seems to me made a
11 persuasive point that if you're shifting weather risk,
12 that might be a material factor in terms of the
13 company's relative overall profile. We're not doing
14 that. The company is retaining the weather risk.

15 So if you look at the actual risk, the
16 company is protected against non-weather related sales
17 fluctuations on the downside, it's giving up all of its
18 opportunities to gain from sales increases, it doesn't
19 look like a material change in risk to me, and the final
20 benefit of a three year pilot test is, if I'm wrong, if
21 the entire financial community of New York for the first
22 time rises up in jubilation at the adoption of this
23 mechanism and fundamentally changes the ratings and the
24 profit profiles of PacifiCorp, you will be able to
25 adjust. I would love it if that happened, I don't

1114

1 expect it, but maybe it's another good reason to do a
2 pilot test.

3 CHAIRMAN SIDRAN: Thank you, that's all I
4 have.

5 JUDGE RENDAHL: Thank you.

6 I just have a few, Mr. Cavanagh.

7

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

9 BY JUDGE RENDAHL:

10 Q. If you look at page, first if you look at
11 your joint testimony.

12 A. Sure.

13 Q. Exhibit 681, part of the proposal as I
14 understand it is to have an independent assessment.

15 It's first mentioned on line 7 on the first page.

16 A. Yes.

17 Q. But there's no explanation as to who would
18 provide this independent assessment or how it would be
19 performed. Do you have any thoughts on that?

20 A. I would suggest that the Commission ask the
21 parties for a joint recommendation, and I'm confident --
22 there are a number of excellent -- happily -- most of
23 the firms that are good at this are Northwest firms, and
24 we will have no difficulty finding a good one.

25 Q. So the independent assessment is independent

1115

1 of the company?

2 A. Yes.

3 Q. All right. And not intended to be Staff?

4 A. Yes, that's right, I think we should hire
5 someone.

6 Q. Okay, that's my simple clarification.

7 A. And I think the company has volunteered to do
8 that.

9 Q. I will check with Ms. Omohundro as well.

10 The other question I have, if you can refer
11 to your direct testimony, Exhibit 671, on page 11.

12 A. Right.

13 Q. The first full paragraph talks about changes
14 in loads, the different things that affect retail sales.

15 A. Yes.

16 Q. And so the first thing I want to know is how
17 familiar are you with the PCAM that's proposed by the
18 company in this proceeding?

19 A. Not very familiar, and I take no position on
20 it.

21 Q. Are you familiar with the fact that they have
22 included a retail revenue adjustment as a part of the
23 PCAM that would reflect changes in load growth?

24 A. No.

25 Q. If that is a part of the PCAM, if the

1116

1 Commission approves the PCAM with that aspect to it, do
2 you see any possible in a sense double recovery between
3 any aspect of the decoupling mechanism as proposed and
4 that retail revenue adjustment that would adjust for
5 retail load changes?

6 A. I don't. It's a reasonable question
7 obviously for the company. My proposal is to track
8 actual recovery of fixed costs per customer and true-up
9 accordingly. If, obviously if there were some other
10 source of fixed cost recovery independent of the
11 existing system, it would affect the true-ups. But
12 again, the fundamental idea here is that you're truing
13 up to make sure that the authorized fixed cost revenue
14 requirement per customer is what the company recovers in
15 its retail rates, no more, no less.

16 Q. And so do you see a way to distinguish and
17 track the changes in retail load and in a sense the
18 customer count and changes in behavior for efficiency
19 and how you would track that --

20 A. Okay.

21 Q. -- to make sure there's no double recovery?

22 And --

23 A. Yeah, the glory --

24 Q. -- maybe I'm not getting it.

25 A. The glory of this mechanism -- no, I think

1117

1 you are getting it and you're making an important point.
2 It would have been possible -- if we had designed this
3 mechanism to try to separate out what was causing
4 fluctuations and to account separately for each and
5 struggle with how many kilowatt hours each program in
6 fact saves, all of these programs, all of these issues
7 become relevant and difficult. We didn't do that. The
8 true-up here is simply all you're doing is you're
9 looking at retail, actual retail revenues, actual
10 changes in customer count, and you are making a true-up
11 based on the difference, if any, between what's
12 authorized and what was actually recovered, that's all
13 you're doing.

14 So you're not trying to parse questions of
15 causation, they're irrelevant. You're just making the
16 recovery of the fixed cost revenue requirement
17 independent of retail sales. And obviously, my
18 argument, that's exactly what you should be doing, but
19 you're not trying to figure out what the different
20 causes of changes in residential use or commercial use
21 might be and alter the rate treatment accordingly.
22 That's what makes it a breathtakingly simple mechanism
23 and I think also philosophically right because we're
24 saying fixed cost recovery ought to be independent of
25 retail sales.

1118

1 JUDGE RENDAHL: Okay, I have nothing further.
2 Judge Mace.

3

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

5 BY JUDGE MACE:

6 Q. I just wanted to ask when you responded to
7 Mr. ffitich about more of the detail of the fixed cost
8 accounts that would be included in the calculation of
9 the revenue requirement per customer --

10 A. Yeah.

11 Q. -- you referred him to the Puget mechanism,
12 and I'm wondering if it's your testimony that this
13 proposal, this decoupling proposal in this case is
14 modeled directly on the Puget mechanism and if it would
15 be the same fixed cost accounts that would be included?

16 A. Well, there -- no, I think that's -- that's
17 an important distinction. The -- I think the
18 fundamental philosophy is the same, but the original
19 Puget mechanism had a lot of bells and whistles attached
20 to it. It had many features completely independent of
21 decoupling. It dealt with hydro power risk, for
22 example. It parsed a lot of very hard questions in
23 terms of different kinds of -- there were a lot of
24 difficult cost accounting issues that mattered in the
25 design and application of that mechanism. I am not

1119

1 proposing to relieve the detail. What I would prefer
2 here and recommend is a much simpler mechanism. The
3 Puget mechanism of 1991, the one thing I think one could
4 say equivocally is that it rivalled California in some
5 respects it terms of the details of its administration,
6 and I'm trying to learn from all of that and become I
7 hope much more constructively simpler in both design and
8 execution.

9 Q. But the Commission wouldn't know what costs
10 would be included in that calculation then until the
11 company made its compliance filing?

12 A. Well, the company -- the Commission will make
13 the -- will make its findings on authorized revenue
14 requirements for the company in this case, and then our
15 proposal is a compliance filing to specify what the
16 fixed cost revenue requirement per customer would be for
17 the two classes. And yes, at that moment it would be
18 transparent exactly how it will work.

19 Q. One last question, is there any other state
20 in which PacifiCorp operates where a commission has
21 authorized decoupling for PacifiCorp?

22 A. Yes, Oregon from 1998 to 2001.

23 Q. But there's nothing currently in effect for
24 PacifiCorp?

25 A. The mechanism lapsed there, and there is no

1120

1 current mechanism. The Oregon Commission, like this
2 one, is taking a hard look at decoupling, they chose to
3 move first with the gas industry, and those orders are
4 cited in my testimony.

5 JUDGE RENDAHL: Thank you.

6

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

8 BY CHAIRMAN SIDRAN:

9 Q. I just wanted to follow up on that last
10 comment, why did it lapse in Oregon?

11 A. It lapsed in Oregon because this, and similar
12 problem with California, it was the moment at which
13 Oregon was entering its restructuring phase, and you all
14 recall there was major legislative changes in the
15 structure of the system and significant doubt, at least
16 for a while, about whether utilities would retain a
17 substantial role in either resource acquisition or
18 energy efficiency. Oregon has chosen to put much of the
19 energy efficiency implementation responsibility in an
20 independent body called the Oregon Energy Trust, an
21 approach not taken in Washington, and that has also
22 influenced where people are. I can tell you,
23 Mr. Chairman, that we are determined to try to get it
24 reinstated, we still think it's important in Oregon, and
25 we will be carrying that issue back to the commission.

1121

1 But because of the Oregon Trust's special
2 role there, the commission put a higher priority on the
3 gas industry mechanisms. And I do think the gas
4 industry experience is also helpful and relevant in
5 Oregon, and I have cited the relevant -- there's an
6 independent audit that you will want to look at there.
7 Actually I should have mentioned that when you asked to
8 look at how these mechanisms work. The independent
9 audit in Oregon is interesting both in terms of what it
10 says about the Oregon mechanism for the gas company, its
11 influence on the motivation of the company, and finally
12 its implications more broadly for the industry.

13 CHAIRMAN SIDRAN: Thank you.

14

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

16 BY COMMISSIONER OSHIE:

17 Q. Mr. Cavanagh, I guess I started your
18 cross-examination and, well, other than Mr. ffitch of
19 course, for the Bench, and perhaps I will end it. In
20 response to questions that were asked by Judge Rendahl,
21 I just want to get a little more clarification on how
22 this would actually work.

23 So make the assumption that we initiate the
24 decoupling program that you're proposing, and let's say
25 hypothetically the company doesn't invest any more in

1122

1 energy efficiency programs, doesn't implement any other
2 energy efficiency measures than would already be called
3 for in its IRP and what it's being essentially paid to
4 do through the recovery of its systems benefits charge,
5 so no new investments in energy efficiency, a true-up
6 period would have to be dealt with, and from your
7 testimony I'm assuming that if the company did nothing
8 to improve its energy efficiency over that one year
9 period, there would be, at least theoretically, there
10 would be no -- there would be nothing to true-up,
11 nothing is changed. Now is that how it would work, or
12 would there be some consideration of the cost of the
13 energy efficiency measures that are already in place
14 that have not been somehow considered in the weather
15 normalization methodology that would be used by this
16 Commission?

17 A. And so, Commissioner, I am suggesting a
18 mechanism that doesn't require you to do any of that,
19 you're just comparing actual fixed cost revenue recovery
20 with authorized, and you're truing up. In your
21 hypothetical, if nothing changes in terms of sales,
22 conservation, business cycle, weather --

23 Q. Excuse me, I'm not saying really, I'm not
24 saying nothing changes.

25 A. Right.

1123

1 Q. What I'm saying is that the company has not
2 invested in energy efficiency any more than it had
3 already invested, and so during the true-up period --
4 let's maybe let's let me change the hypothetical, maybe
5 it would help your answer.

6 A. Okay.

7 Q. The company doesn't spend anything from its
8 system benefits charge account.

9 A. Right.

10 Q. So it doesn't do any more for energy
11 efficiency during the true-up period.

12 A. Drops the ball.

13 Q. Doesn't do it.

14 A. Yeah.

15 Q. And perhaps there's nothing to do
16 hypothetically.

17 A. And sales go up.

18 Q. Well, I'm just, I'm not sure whether sales
19 would go up or down, but what would be the purpose of
20 the true-up?

21 A. Well, if, and this is I think salutary,
22 Commissioner, if the company drops the ball and sales
23 increase, the company will have to give some money back.

24 Q. I'm not saying sales would increase, I'm just
25 saying that there's been nothing done, nothing done that

1124

1 hasn't already been done.

2 A. And so if --

3 Q. So the cost, so the energy efficiency, not to
4 speak over you but just to make clear that there are
5 energy efficiency mechanisms already in place.

6 A. And so if nothing changes, the likeliest
7 outcome is virtually no impact of the mechanism, not a
8 result I will rejoice in, but it's not -- the main thing
9 I think to emphasize is that this is a proposal that
10 insulates customers against any significant adverse
11 risk. It does that by collaring the rate impact, and it
12 does that by establishing a relatively limited period
13 over which the thing operates.

14 But there is one other element of the
15 company's performance that I think you're missing that's
16 important here. This is also designed to free up the
17 company to be an aggressive proponent of energy
18 efficiency, not just in the investments in its own
19 conservation programs, but at state and federal levels
20 where issues surrounding efficiency standards or
21 national policy are at issue. Right now PacifiCorp has
22 absolutely no business reason and some adverse business
23 reasons to be an effective advocate at the state and
24 federal level for efficiency policy.

25 And I will -- all of you commissioners know

1125

1 this, but efficiency policy at the state and federal
2 level vitally depends upon an energized utility base.
3 If we don't have it, we do a lot worse than if we do. I
4 think one of the benefits from a mechanism like this
5 from getting the incentives right and you should
6 anticipate, don't just look at the conservation programs
7 on the ground, do what the Oregon auditors did and look
8 at Northwest -- they looked at Northwest Natural Gas's
9 performance as an advocate for energy efficiency at the
10 state and federal level and found it to be exemplary,
11 found them to have emerged as a national leader.

12 I think you're entitled to ask at the close
13 of this period not just how well PacifiCorp has done as
14 an investor in energy efficiency, but how well
15 PacifiCorp has done as an advocate for energy efficiency
16 at state and federal levels and you -- and I hope you
17 will ask to see some convincing evidence that they have
18 stepped up there as well.

19 JUDGE RENDAHL: Is there anything more for
20 Mr. Cavanagh this morning?

21 MR. FFITCH: Your Honor, I just have one or
22 two follow ups, if I may.

23 JUDGE RENDAHL: Okay, please go ahead.

24 MR. FFITCH: Briefly, thank you.

25

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

2 BY MR. FFITCH:

3 Q. Mr. Cavanagh, is it correct that the
4 California mechanism that we were discussing, the
5 Pacific Gas & Electric, is operated in conjunction with
6 a Power Cost Adjustment Mechanism?

7 A. Yes.

8 Q. You indicated in some of your answers that
9 the proposal that you are making here for a decoupling
10 mechanism is weather adjusted, correct?

11 A. Yes.

12 Q. Can you show me or point me to where in your
13 testimony the weather adjustment is described or
14 contained?

15 A. Yes, I proposed a weather adjustment at page
16 16 of my testimony. I have proposed that annual retail
17 sales should be adjusted for weather driven fluctuations
18 before the true-ups are calculated.

19 Q. All right. And the specific mechanism for
20 doing that, that's the extent of the discussion of the
21 issue?

22 A. Well, there and in the attachment to my
23 testimony I give PacifiCorp -- PacifiCorp weather
24 adjusts its sales reports now, and I have given you both
25 the weather normalized report and the actual report, and

1127

1 I have done my calculations to rate impact based on the
2 weather normalized numbers.

3 Q. Suppose that PacifiCorp does a large amount
4 of conservation and it's a warm year and retail sales go
5 down 5% and your decoupling proposal is in effect, how
6 do we separate in analyzing the effectiveness of the
7 program the different causes of the changes between
8 conservation, between weather, other factors?

9 A. My recommendation would simply be to use the
10 existing weather normalization methodology, not try to
11 game it, not try to redesign it. It's a three year
12 pilot, there are going to be no material problems if you
13 just -- and obviously the existing weather normalization
14 methodology was not devised with any particular
15 decoupling system in mind.

16 MR. FFITCH: I'm sorry, one moment, please.

17 No further questions, thank you.

18 JUDGE RENDAHL: All right.

19 MR. FFITCH: Thank you, Mr. Cavanagh.

20 JUDGE RENDAHL: Is there anything further for
21 this witness?

22 MR. WOOD: Your Honor, since we have not yet
23 introduced the Joint Exhibit 681-T Ms. Omohundro is
24 being called back to respond to, should they both remain
25 up here since it's a joint exhibit?

1128

1 JUDGE RENDAHL: I don't see a need for
2 Mr. Cavanagh to remain at the stand, but if we need to
3 bring him back for questioning --

4 THE WITNESS: I will be here.

5 JUDGE RENDAHL: -- if you can be here, that
6 would be helpful.

7 MR. WOOD: I should ask then either if the
8 parties would stipulate the admission of Exhibit 681-T
9 or I should ask Mr. Cavanagh the normal qualifying
10 questions.

11 MR. TROTTER: I thought he already did, but
12 we will stipulate.

13 MR. FFITCH: Public Counsel will stipulate.

14 JUDGE RENDAHL: All right, well, with that,
15 why don't we admit Exhibit 681-T.

16 And, Mr. Cavanagh, you're excused.

17 And what I would like to do is take a ten
18 minute break at this point, we will come back at 11:00,
19 but I do want to let the parties know that if we go past
20 the noon hour, we need to just go through and finish up,
21 and if we need to take until 12:30 we will,
22 understanding Commissioner Jones will have to leave at
23 noon. So with that, let's take our ten minute break and
24 we will be back.

25 (Recess taken.)

1129

1 JUDGE RENDAHL: We're back on the record
2 after our morning break, and Ms. Omohundro is back on
3 the stand, but before we do that, I think, Commissioner
4 Jones, you had wanted to one more Bench request.

5 COMMISSIONER JONES: Yes, that is an
6 additional Bench request that follows up on my
7 questioning of Mr. Martin. As we know, ICNU has
8 proposed an adjustment for the consolidated tax income
9 issue, and this issue addresses the issue of PHI being
10 capitalized by Scottish Power by an intercompany
11 acquisition related loan, so I would like all parties to
12 address the following three questions.

13 The first is more for the company, if they
14 could provide for the record a structure of the
15 financing package or the structure of the financing in
16 1998, 1999 of the acquisition of Pacific Power, i.e.,
17 how they structured it between equity and debt,
18 including the intercompany loan at that time.

19 Second question, how did PHI invest the
20 proceeds from this loan, specifically the intercompany
21 loan.

22 And then the third question would be provide
23 your analysis of this financing structure, specifically
24 the intercompany loan and its impact on the regulated
25 company, PacifiCorp.

1130

1 JUDGE RENDAHL: All right, well, that will be
2 Bench Request 28, the first part of that to the company
3 identifying the structure of financing in 1998 and 1999
4 of equity and debt for the loan; is that what you had
5 identified?

6 COMMISSIONER JONES: Yes.

7 JUDGE RENDAHL: Okay. The second part of it
8 is how did PHI invest the proceeds from the loan, and
9 the third part is provide your analysis of the financing
10 structure of the loan and the impact on the regulated
11 company, PacifiCorp. Did I capture that?

12 COMMISSIONER JONES: Yeah, the third question
13 is provide your analysis of the financing structure,
14 specifically the intercompany loan on the regulated
15 company. I would like all parties to address the issue
16 of the capital structure proposed in the financing, but
17 I would really like them to focus specifically on the
18 intercompany loan.

19 JUDGE RENDAHL: Okay, well, that will be
20 Bench Request 28.

21 Okay, and with that --

22 MR. FFITCH: Your Honor, I'm sorry, Your
23 Honor, I'm just trying to get into the position to offer
24 the cross-exhibits for Mr. Cavanagh, Exhibits 686
25 through 688 for Public Counsel.

1131

1 JUDGE RENDAHL: Yes.

2 MR. FFITCH: And withdraw Exhibits 682
3 through 685.

4 JUDGE RENDAHL: All right. Is there any
5 objection to admitting what have been marked as Exhibits
6 686 through 688?

7 MR. WOOD: No objection.

8 JUDGE RENDAHL: All right, and I will note
9 that the exhibits marked as 682 through 685 are
10 withdrawn.

11 MR. FFITCH: Your Honor, thank you, I had a
12 question about the last Bench request. It appears to me
13 that the first two questions are, that the company is in
14 the best position to answer those. We might, just
15 speaking for Public Counsel, we might be able to go back
16 into our own file of that case and reconstruct, but
17 obviously the company is in a better position to just
18 provide that factual information. And then the analysis
19 part of it it would seem would be easier to do for other
20 parties besides the company after that part of the Bench
21 request has been answered. That in effect reminds us or
22 provides us with the factual framework of what actually
23 happened. So from our perspective, when I heard the
24 Bench request, I thought, well, we'll see what
25 information we get about the financing package, and then

1132

1 we will be able to provide some analytical information,
2 so there's a staggering there that seems to make sense.

3 JUDGE RENDAHL: So you would prefer the
4 company to respond to the first two parts of if and then
5 have all parties respond to the third?

6 MR. FFITCH: If we could do that within some
7 sort of reasonable time frame, that would be helpful,
8 Your Honor.

9 MR. WOOD: Your Honor, my concern, and I am
10 trying to think of how to respond to this request, is
11 we're happy to respond to it, we have some concern if we
12 provide this information and then we get somebody's
13 expert providing 10 pages of testimony that we don't get
14 to cross-examine or talk with you or otherwise test, and
15 I'm not exactly sure of the scope of question three, and
16 I'm concerned about that aspect of it.

17 MR. FFITCH: I have an idea that has just
18 occurred to me, Your Honor, is that we wouldn't expect
19 to provide additional expert testimony, but perhaps we
20 could simply have this be an issue that we address in
21 the briefs, the third part of it, after having the
22 factual Bench Request, part one and part two in the
23 record, then we could address the analysis, if any, that
24 we wanted to make in the brief.

25 JUDGE RENDAHL: Commissioner Jones, would

1133

1 that work for you?

2 COMMISSIONER JONES: I think it's a fairly
3 straightforward -- I agree I don't want the scope of
4 this to go beyond -- I don't want it to exceed very much
5 beyond the scope of Mr. Martin's testimony and what's in
6 Mr. Selecky's proposal. Obviously there's a lot of
7 discussion of this in the state of Oregon and others, I
8 don't want to get into those issues obviously. But what
9 Mr. ffitch proposes I think is reasonable, I think we
10 need to have -- go back into the history and get the cap
11 structure proposed in that acquisition on the record and
12 how the proceeds were invested, and briefly perhaps in
13 brief all parties' analysis of that information.

14 JUDGE RENDAHL: All right, so with that,
15 Bench Request 28, the first two parts of it would be
16 addressed to the company, and then the third part of it
17 we'll reserve for discussion in brief.

18 Okay, with that I think we're ready now to go
19 back to Ms. Omohundro, and you remain under oath from
20 your prior testimony last week I believe, or was it this
21 week.

22 THE WITNESS: Last Friday.

23 JUDGE RENDAHL: Last Friday, time flies.

24 And so, Mr. Wood, are there additional
25 exhibits that we need to address for this witness?

1134

1 MR. WOOD: We have introduced all of this --
2 we have already had received all of this witness's
3 exhibits. I would note that I had asked myself whether
4 I should direct to this witness the question about the
5 relationship of the PCAM and the, or the PCA and the
6 decoupling, the question you asked. I think it may well
7 come up from the Bench anyway, but if it doesn't, I may
8 try to clarify that at the end to make sure the record
9 is clear in answer to your question.

10 JUDGE RENDAHL: Okay, well, with that, should
11 we then turn Ms. Omohundro over for cross-examination?

12 MR. WOOD: She's available.

13 JUDGE RENDAHL: All right.

14 Mr. Trotter.

15 MR. TROTTER: Thank you, Your Honor.

16

17 Whereupon,

18 CHRISTY OMOHUNDRO,
19 having been previously duly sworn, was called as a
20 witness herein and was examined and testified as
21 follows:

22

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

24 BY MR. TROTTER:

25 Q. Good morning, Ms. Omohundro.

1135

1 A. Good morning.

2 Q. At this point in time we're addressing your
3 decoupling testimony; is that right?

4 A. Yes.

5 Q. The company has never had a decoupling
6 mechanism in this state, has it?

7 A. It has not.

8 Q. The company in its IRP's which it files with
9 this Commission identifies its DSM or demand side
10 management needs and prospects, does it not?

11 A. Yes.

12 Q. The company has not identified or quantified
13 any financial disincentives or net costs to PacifiCorp
14 due to acquiring DSM measures absent a decoupling
15 mechanism, has it?

16 A. It has not, but that is what I address in my
17 testimony, the risk of the underrecovery of fixed costs.

18 Q. And when the company identifies the need for
19 DSM measures in its IRP, it then once it decides on a
20 specific resource amount, it goes to the public through
21 the competitive bidding process to have interested
22 members of the public bid those projects at market
23 prices; is that right?

24 A. Generally I understand that to be true.

25 Q. In the record there are portions of the

1136

1 company's IRP's, Mr. Buckley sponsored some of those as
2 exhibits, and I'm going to ask you to accept a quote
3 from the company's 2004 IRP, which is Exhibit 545, page
4 2, this is of course a document prepared by PacifiCorp:

5 Demand side management continues to be
6 an important and cost effective resource
7 for PacifiCorp. DSM additions resulted
8 in new generating resources being
9 delayed. The first two east side
10 resources are delayed one year each, and
11 a west side resource is delayed two
12 years - pushing it beyond the ten-year
13 portfolio planning window.

14 Can you accept that as an accurate reading?

15 A. I can accept that subject to check.

16 Q. Okay. And am I correct that resources, new
17 generating resources being delayed is a benefit to the
18 company?

19 A. It's a benefit to customers.

20 Q. And to the company?

21 A. To the extent that there's regulatory lag in
22 getting those resources into rates, it would be a
23 benefit to the company.

24 Q. From your answer, do I take it that the
25 company has no preference whether its rates go up or

1137

1 down as long as it recovers its costs?

2 A. No, I mean we certainly have a preference
3 that our rates are recovering costs but are reasonable
4 as they have been in the past.

5 Q. And are as low as possible; is that right?

6 A. Subject to being able to recover our costs,
7 yes.

8 Q. Sure. But if you, just to state this maybe
9 in more stark circumstances than reality, but if you
10 didn't have to build new resources for a number of years
11 versus building many resources right away, you would
12 prefer the former scenario, would you not?

13 A. Yes.

14 Q. Now does that quote, and I just wanted to ask
15 that the statements about delaying the projects, that
16 was a positive statement, not a negative statement,
17 right?

18 A. I can accept that subject to check. I would
19 have to look at the context of the discussion in the
20 IRP.

21 Q. Okay. With that quoted material I quoted
22 you, would that be an example of using DSM as a matter
23 of good business sense, that DSM made good business
24 sense in that context?

25 A. It did, it made sense for customers and for

1138

1 the company. But what it didn't do is -- what was not
2 addressed was the underrecovery of fixed costs related
3 to that DSM.

4 Q. And the IRP didn't address that, did it?

5 A. I don't think it did.

6 Q. Now before you filed your joint testimony,
7 681-T, you had the proposal contained in Mr. Cavanagh's
8 direct testimony; is that right?

9 A. Yes.

10 Q. And did you know what Mr. Cavanagh was going
11 to propose before he filed that testimony; did he brief
12 you on it beforehand?

13 A. Yes.

14 Q. And so the company had time to consider his
15 proposal before filing Exhibit 681-T?

16 A. We had a chance to review it. We certainly
17 hadn't reached agreement on all the details.

18 Q. But you knew what the details were?

19 A. Roughly, yes.

20 Q. PacifiCorp has made no commitment as to how
21 much additional energy efficiency resources it could or
22 will acquire if NRDC's recommendation is accepted, has
23 it?

24 A. It has not made such a commitment in this
25 docket, no.

1139

1 MR. TROTTER: I believe those are all my
2 questions, thank you.

3 JUDGE RENDAHL: Thank you, Mr. Trotter.

4 Mr. ffitich, before you start your
5 cross-examination, I wanted to just check on another
6 cross-examination exhibit, and that's marked as 384,
7 were you intending to offer that as well?

8 MR. FFITCH: Yes, Your Honor.

9 JUDGE RENDAHL: Mr. Wood, do you have any
10 objection to admitting Exhibit 384, which was a
11 cross-exhibit to Ms. Omohundro's first set of prefiled
12 testimony?

13 MR. WOOD: No, I do not.

14 JUDGE RENDAHL: Okay.

15 And, Mr. Sanger, are you on the line?

16 MR. SANGER: Yes, Your Honor, I am.

17 JUDGE RENDAHL: All right. And I had noted
18 that we had not addressed your Exhibits 385 or 386, were
19 those intended to address the decoupling aspect?

20 MR. SANGER: No, those were regarding
21 Ms. Omohundro's testimony regarding the PCAM.

22 JUDGE RENDAHL: Okay, and had you intended to
23 offer those?

24 MR. SANGER: Yes, I believe so.

25 JUDGE RENDAHL: All right.

1140

1 Mr. Wood, is there any objection to admitting
2 what's been marked as Exhibits 385 through 386?

3 MR. WOOD: No objection, Your Honor.

4 JUDGE RENDAHL: Okay.

5 Thank you for coming back on line to address
6 that, Mr. Sanger.

7 MR. SANGER: No problem.

8 JUDGE RENDAHL: Okay, thank you very much.

9 Go ahead, Mr. ffitch.

10 MR. FFITCH: Thank you, Your Honor.

11

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

13 BY MR. FFITCH:

14 Q. Good morning, welcome back, Ms. Omohundro.

15 A. Good morning.

16 Q. It's deja vu all over again in football
17 season.

18 I just have a few questions on the decoupling
19 proposal for you.

20 A. All right.

21 Q. Are you generally familiar with the
22 California DRAM, the Distribution Revenue Adjustment
23 Mechanism?

24 A. I'm generally familiar, I'm certainly not as
25 familiar as Mr. Cavanagh is with the specifics of the

1141

1 mechanism.

2 Q. I'm going to have to go, if we keep talking
3 about DRAM's much longer, look for a single malt at the
4 end of the day.

5 Is it your understanding that the proposal
6 for Mr. Cavanagh is a California style decoupling
7 mechanism similar to Pacific Gas & Electric?

8 A. Similar in the sense of what it is attempting
9 to do. It's not similar in the sense of how the details
10 are administered in the program. I mean the California
11 mechanism is much more complicated with the 17 balancing
12 accounts. Ours is -- the proposal here by Mr. Cavanagh
13 to which we have agreed is a much simpler mechanism
14 designed to achieve the same intent, achieve the same
15 objective.

16 Q. And is the proposal compatible with the
17 company's PCAM mechanism as you have proposed it?

18 A. Yes, it is.

19 Q. Can I ask you to turn to Exhibit 682, which
20 is one of Mr. Cavanagh's cross-exhibits, this is the
21 response to 182.

22 JUDGE RENDAHL: I'm sorry, 682 or 686?

23 MR. FFITCH: I apologize, 687.

24 BY MR. FFITCH:

25 Q. And if you look at page 2 of that exhibit, do

1142

1 you have that?

2 A. Yes, it's the first page of the tariff; is
3 that right?

4 Q. Correct. I'm sorry, let me make sure I'm
5 looking at the right exhibit myself. I apologize, I
6 meant to direct you to 686, page 2 of 686; do you have
7 that?

8 A. Yes.

9 Q. And we were discussing this with
10 Mr. Cavanagh, you see that this shows the five block
11 inverted rate design for Pacific Gas & Electric?

12 A. Yes.

13 Q. And the tail block of that is 33 cents per
14 kilowatt hour, right?

15 A. Right.

16 Q. And PacifiCorp is not proposing a five block
17 inverted rate in this case, right?

18 A. We are not.

19 Q. If the company's full rebuttal case were
20 granted, can you accept subject to check that under the
21 rate design stipulation, the end block rate in the
22 residential class would be about 6.7 cents per kilowatt
23 hour, this is after -- this is based on Mr. Griffith's
24 rebuttal exhibit.

25 A. And is that before or after residential

1143

1 exchange?

2 Q. This is after the application of the
3 residential exchange credit.

4 A. I can accept that subject to check.

5 Q. All right. And is it your understanding that
6 PG&E has no customer charge, just a minimum usage
7 charge?

8 A. I understand that from Mr. Cavanagh's
9 testimony this morning.

10 Q. And PacifiCorp currently has a monthly
11 customer charge, does it not?

12 A. Yes, we do.

13 Q. Would you agree that Pacific's current and
14 proposed rate design, which includes the customer charge
15 and also a less steeply inverted rate inversion,
16 provides more revenue stability under varying weather
17 conditions and in response to customer conservation than
18 does the Pacific Gas & Electric rate design?

19 A. I don't know, I'm not familiar enough with
20 all the elements of PG&E's rate design to be able to
21 answer that question. I would add that if the PG&E
22 mechanism removes a weather risk from the company,
23 that's a big difference than our risk. The big piece of
24 our risk is weather related.

25 Q. If the decoupling proposal were adopted,

1144

1 would the company propose to implement a residential
2 rate design similar to Pacific Gas & Electric's?

3 A. Not to my knowledge.

4 Q. Are you familiar with the term deferred
5 accounting in the utility industry?

6 A. Yes.

7 Q. Would the PCAM be an example of deferred
8 accounting, or would it involve deferred accounting?

9 A. It utilizes a balancing account, so yes, it
10 does utilize deferred accounting.

11 Q. And does the PCAM proposal set forth the
12 specific FERC accounts that would be subject to deferred
13 accounting in this case?

14 A. It's a question for Mr. Widmer, but I believe
15 it does.

16 Q. And does it describe the specific mechanism
17 that would be used to implement that deferral?

18 A. Yes.

19 Q. So it's your understanding that your
20 decoupling or that the proposed decoupling mechanism, I
21 can call it your proposed decoupling mechanism, would
22 require some form of deferred accounting in this case?

23 A. Yes.

24 Q. Is it your testimony that the company has
25 presented a specific proposal for what FERC accounts

1145

1 would be included in the decoupling mechanism or how it
2 would be implemented if there were to be a three year
3 pilot?

4 A. Well, if you look at, and I've got the
5 response to NRDC Data Request Number 1 which I believe
6 is the exhibit to Mr. Cavanagh's testimony where the
7 fixed costs are identified, those could be tracked back
8 to specific FERC accounts. So I don't think there's any
9 question about which fixed costs would be included.

10 And what was the second part of your
11 question?

12 Q. Whether there was a specific mechanism that
13 would be used to implement that?

14 A. Yes, and it's basically as Mr. Cavanagh
15 described, a fixed cost per customer number to be used
16 for the annual true-up process going forward.

17 Q. What is that amount?

18 A. We have not calculated that amount. We will
19 be able to calculate that amount as soon as the
20 Commission ultimately determines which fixed costs will
21 be allowed in rates in this case.

22 Q. Has the company prepared any analysis of the
23 impact the proposed mechanism would have had if it had
24 been in effect in the past?

25 A. We have not, and really that is why we are

1146

1 proposing to test the mechanism over a three year
2 period.

3 MR. FFITCH: Your Honor, I have no further
4 questions.

5 Thank you, Ms. Omohundro.

6 JUDGE RENDAHL: Thank you, Mr. ffitich.

7 Is there any redirect for the witness?

8 MR. WOOD: No redirect.

9 JUDGE RENDAHL: Any questions from the Bench
10 for Ms. Omohundro?

11

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

13 BY CHAIRMAN SIDRAN:

14 Q. Just one question, and I should say that, to
15 reassure you, I do not view California style, to quote
16 Mr. ffitich, as a pejorative. I did hear you say I
17 believe that, in response to Mr. Trotter's question,
18 that there's no commitment in this docket on the part of
19 the company to any particular investment, additional
20 investment in the size of demand side management in the
21 event that decoupling were adopted, correct?

22 A. Correct.

23 Q. If we were to adopt this joint proposal in
24 some form going forward, how would the company view as a
25 condition some type of additional investment

1147

1 requirement?

2 A. We would certainly look at it, and I think we
3 would be interested in it. I think the issue would be,
4 you know, can we achieve all the conservation, the
5 target, and is it cost effective, and I think that would
6 be the issue. But I think with the decoupling
7 mechanism, that does remove the company's own
8 disincentive if the Commission wants to set targets like
9 that.

10 CHAIRMAN SIDRAN: Thank you.

11 JUDGE RENDAHL: Commissioner Jones.

12

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

14 BY COMMISSIONER JONES:

15 Q. Just one final question, has the company
16 looked at the incentive structure in the organization as
17 it affects this decoupling mechanism? Mr. Cavanagh
18 talked about the change in corporate culture that is
19 required to if this is adopted to go from a paradigm of
20 increasing revenues to perhaps decreasing revenues or a
21 combination of resource acquisitions to meet the
22 resource portfolio in the IRP. We have, not in this
23 record, but have listened to Mark Dodson of Northwest
24 Natural Gas talk about the biggest impact for his
25 company, Northwest Natural Gas, was the culture of the

1148

1 senior management organization, i.e., how they are
2 incented to achieve these objectives. If you have done
3 any such analysis or want to offer any comments for the
4 record, I would appreciate hearing those, because I
5 think it's an important aspect of this program if
6 adopted.

7 A. It's a good question. I have not actually
8 looked at the incentive structures, but I think it's an
9 excellent idea, and I think that if the company were to
10 adopt decoupling, we would have every reason to pursue
11 all the DSM's subject to cost effectiveness test that we
12 could, and I would recommend that the incentive
13 structures of the company reflect that.

14 COMMISSIONER JONES: Thank you.

15

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

17 BY JUDGE RENDAHL:

18 Q. Okay, Ms. Omohundro, I have one question,
19 actually two, the same I asked to Mr. Cavanagh, and is
20 it your understanding similar to Mr. Cavanagh's that the
21 company would hire a consultant or some independent
22 assessor of the program?

23 A. That would be fine with the company, yes.

24 Q. And was that the intent in the testimony with
25 the statement of an independent assessment?

1149

1 A. Yes.

2 Q. And would the company take input from Staff
3 in the selection of that independent assessor?

4 A. We would welcome it, yes.

5 Q. All right.

6 And then the question that Mr. Wood said he
7 would ask if I didn't, you're familiar with the PCAM the
8 company proposes and the revenue adjustment aspect of
9 that?

10 A. Yes.

11 Q. And what is your assessment, can you give any
12 assurance that changes in demand would not cause any
13 sort of double recovery if the Commission were to
14 approve both the PCAM and the decoupler?

15 A. Yes, the decoupling mechanism addresses the
16 fixed costs of the company. The Power Cost Adjustment
17 Mechanism addresses the power cost component. And the
18 retail revenue adjustment is really intended to make
19 sure more that the company does not overrecover its
20 power costs. And so it's in Mr. Widmer's testimony when
21 he talks about the calculation there, would be to
22 multiply the portion of the retail rate related to
23 reduction in revenue requirement, that would change
24 retail load, and you would net that against power costs.
25 So you don't -- it's trying to avoid the overrecovery of

1150

1 net power cost because you have additional contribution
2 from additional loads when you sell additional power.

3 JUDGE RENDAHL: Okay, thank you.

4

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

6 BY JUDGE MACE:

7 Q. Just a practicality, you're proposing if the
8 Commission approves decoupling to make a compliance
9 filing within 30 days?

10 A. Yes.

11 Q. Ms. Steward suggests that this be filed as a
12 tariff, and I'm noting that the PG&E DRAM and other
13 proposals appear to be part of a tariff. Do you oppose
14 putting this in a tariff filing as opposed to a
15 compliance filing?

16 A. No, not at all.

17 Q. And do you intend to consult with the
18 stakeholders before you come up with the filing that you
19 do make?

20 A. Yes, we do.

21 JUDGE RENDAHL: Okay, with that, is there
22 anything further for Ms. Omohundro this morning?

23 Thank you very much for coming back up to
24 Washington to talk about decoupling.

25 And now let's be off the record while we

1151

1 bring Ms. Steward up.

2 (Discussion off the record.)

3 JUDGE RENDAHL: Good morning, Ms. Steward.

4 THE WITNESS: Good morning.

5 (Witness JOELLE STEWARD was sworn.)

6 JUDGE RENDAHL: Mr. Trotter.

7 MR. TROTTER: Thank you, Your Honor. Just
8 for the record, Your Honor, Ms. Steward filed rate
9 design and rate spread testimony also, and her
10 qualifications are in Exhibit 712.

11 JUDGE RENDAHL: Okay, thank you for that.

12

13 Whereupon,

14 JOELLE STEWARD,

15 having been first duly sworn, was called as a witness
16 herein and was examined and testified as follows:

17

18 D I R E C T E X A M I N A T I O N

19 BY MR. TROTTER:

20 Q. Would you please state your name.

21 A. Joelle Steward.

22 Q. And your employer?

23 A. The Utilities and Transportation Commission.

24 Q. What is your position at the Commission?

25 A. Regulatory analyst.

1152

1 Q. In the course of your duties as a regulatory
2 analyst, did you prepare testimony relating to I guess
3 it's called cross answer testimony regarding the
4 decoupling proposal?

5 A. Yes, I did.

6 Q. And is that Exhibit 701-T?

7 A. Yes.

8 Q. Do you have any corrections to make to that
9 testimony?

10 A. I have one minor correction, and it's on page
11 9, line 16, change the word decoupling to energy
12 efficiency, and that's all.

13 Q. With that change, if I asked you the
14 questions in Exhibit 701-T, would you give the answers
15 there?

16 A. Yes.

17 MR. TROTTER: I would move the admission of
18 Exhibit 701-T.

19 JUDGE RENDAHL: Are there any objections to
20 admitting what's been marked as Exhibit 701-T into the
21 record?

22 MR. WOOD: No objections.

23 MR. FFITCH: No objections.

24 MR. TROTTER: The witness is available for
25 cross.

1153

1 JUDGE RENDAHL: Exhibit 701-T is admitted,
2 and, Mr. Wood.

3 MR. WOOD: No questions, Your Honor.

4 JUDGE RENDAHL: Mr. ffitch.

5

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

7 BY MR. FFITCH:

8 Q. Just one question, Ms. Omohundro --

9 A. Steward.

10 Q. Ms. Steward, pardon me, could you please turn
11 to your Exhibit 701-T to page 11; do you have that?

12 A. Yes.

13 Q. And I apologize, I had it open a moment ago,
14 I don't have a line reference for you, but there you
15 state that "the mechanism proposed by Mr. Cavanagh is
16 rather generic", do you not?

17 A. Yes, on line 17.

18 Q. By the use of the term generic, do you mean
19 vague, or do you mean applicable to any utility, not
20 just PacifiCorp, excuse me, not just Pacific Power &
21 Light Company?

22 A. I actually mean both. I think it would -- I
23 think his testimony could easily be change the names and
24 a few numbers and you could apply it to another utility.
25 But I also mean that it's rather vague. I think there

1154

1 are many details we would need to work out, and that's
2 why I would propose a tariff filing if the Commission
3 were to go forward with a mechanism.

4 MR. FFITCH: Thank you, I don't have any
5 other questions.

6 Thank you, Ms. Steward.

7 JUDGE RENDAHL: Okay.

8 Are there any questions for Ms. Steward from
9 the Bench?

10 COMMISSIONER OSHIE: I have a couple
11 questions.

12

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

14 BY COMMISSIONER OSHIE:

15 Q. Ms. Steward, I think you heard Ms. Omohundro
16 testify that the company may be willing to commit
17 additional funds for energy efficiency, but she was also
18 very careful in her words and stated, at least I heard,
19 that it would consider other cost effective energy
20 efficiency measures or that they would fund them or
21 consider increasing funding so long as they could
22 identify, perhaps is a better way to say it, so long as
23 they could identify cost effective energy efficiency
24 measures other than what they were already implementing.

25 A. Yes.

1155

1 Q. And Mr. Cavanagh also testified that,
2 although in very general terms, that he believed that
3 there were other measures, cost effective energy
4 efficiency measures that the company could implement.
5 And going back to your testimony, from my reading of
6 your testimony I understood you to be saying and
7 testifying that the company was at this point in time
8 implementing to the extent it has identified cost
9 effective energy efficiency programs or measures, they
10 are funding them, and they are I guess my take away was
11 that there's not a lot of cost effective energy
12 efficiency measures still left on the table for the
13 company to do that have not already been identified.

14 A. I wouldn't say that there probably -- I
15 wouldn't make a broad statement that there probably
16 aren't measures that they could do that are cost
17 effective. There probably are. I'm sure they could
18 sell or provide rebates for more compact florescent
19 light bulbs, I'm sure there are things that they can do.
20 But they have been doing what they have identified in
21 their resource planning for DSM. I, listening to
22 Mr. Cavanagh, I would highly encourage them to get
23 involved in the least cost plan process, they're just
24 beginning their next cycle this year, and have them
25 include additional efforts if he thinks there are

1156

1 additional efforts that could be done in that process so
2 we could see the complete balance between supply side
3 and demand side.

4 Q. Okay.

5 A. And I would also note that the company is
6 capturing the cost effective DSM targets that were
7 identified by the Northwest Power Plan in the Fifth
8 Power Plan as well as their own IRP.

9 COMMISSIONER OSHIE: I don't think I have any
10 further questions, thank you.

11 JUDGE RENDAHL: Commissioner Jones.

12

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

14 BY COMMISSIONER JONES:

15 Q. Just briefly, Ms. Steward, on page 3 of your
16 testimony in your fourth recommendation, can you get to
17 that?

18 A. Page 3?

19 Q. Page 3.

20 A. Uh-huh.

21 Q. Number 4, you say:

22 Revenue recovery in the mechanism should
23 be limited to distribution in the retail
24 cost.

25 Could you define what you mean by

1157

1 distribution and especially retail cost. I am having a
2 problem finding that identified in any of the breakout
3 of fixed cost in the exhibits provided.

4 A. Yes, actually in a footnote in my testimony
5 on page --

6 MR. TROTTER: 13.

7 A. -- 13, I identify what those costs are or a
8 sort of general description for distribution costs which
9 are lines, poles, meters, transformers, and substations,
10 and their retail costs are meter reading expenses, and
11 then those are actually identified in Mr. Cavanagh's
12 Exhibit 672.

13 Q. Just let me get to that, which column is that
14 included in?

15 A. It's the distribution retail miscellaneous
16 fixed costs, it's the second column.

17 Q. For residential 37,083, general service 18,
18 that column?

19 A. Yes.

20 Q. So you're proposing that the decoupling
21 mechanism include fixed costs in that column and which
22 other column?

23 A. Just that column.

24 Q. Just that column. So what's the total of
25 that column roughly?

1158

1 A. Oy.

2 Q. Do your math on the spot, please.

3 MR. CAVANAGH: \$67 Million.

4 Q. It looks like about \$62 Million.

5 Would you accept, Ms. Steward, subject to
6 check that it's approximately \$67 Million, you can check
7 it?

8 A. Oh, yes.

9 Q. My other question is, do you agree with
10 Mr. Cavanagh on the issue of the independent assessment
11 that there are sufficient people who can make this
12 assessment, and this assessment should be done outside
13 of the Staff and any stakeholder involved and the
14 company?

15 A. Yes, actually I have no qualms about the fact
16 that I'm sure we could all work together to agree on an
17 evaluator and an evaluation plan.

18 COMMISSIONER JONES: That's all I have,
19 thanks.

20

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

22 BY JUDGE RENDAHL:

23 Q. Ms. Steward, I think just to make sure I get
24 the perspective, the full perspective on my question,
25 are you familiar with the PCAM that the company has

1159

1 filed in this case?

2 A. Vaguely.

3 Q. Are you aware that they include the retail
4 adjustments similar to Avista's?

5 A. Not to that level of detail, no.

6 Q. Okay. If there is an adjustment in the PCAM
7 that adjusts the net power costs for changes in retail
8 loads in the PCAM, do you see any double recovery effect
9 of the proposed decoupling mechanism in addressing the
10 changes in customer count, or do you, similar to
11 Ms. Omohundro, see that they affect different aspects of
12 revenue?

13 A. I am not familiar enough with the power cost
14 adjustment mechanism to answer that.

15 Q. That's fine.

16 A. Okay.

17 JUDGE RENDAHL: I just wanted to know if you
18 knew and I could inquire into that, that's all I have.

19 Okay, is there anything further for
20 Ms. Steward this morning?

21 MR. TROTTER: No, Your Honor.

22 JUDGE RENDAHL: With that, thank you very
23 much for being here this morning.

24 THE WITNESS: Thank you.

25 JUDGE RENDAHL: Here rather than your desk,

1160

1 and you may be excused.

2 Okay, let's be off the record for a moment.

3 (Discussion off the record.)

4 JUDGE RENDAHL: While we were off the record,
5 we determined that there were no questions from the
6 Bench for Mr. Lazar, and so there was a stipulation off
7 the record to admitting Mr. Lazar's Exhibit 691-T
8 through 694, and those will be admitted.

9 With that, I think we're done with the
10 testimony portion of the hearing this morning, and I
11 think there are some scheduling issues we need to
12 address.

13 Is there anything from the Commissioners
14 before we go off the record?

15 Okay, with that we will be off the record.

16 (Discussion off the record.)

17 (Hearing adjourned at 12:00 p.m.)

18

19

20

21

22

23

24

25