

00308

1 BEFORE THE WASHINGTON UTILITIES AND
2 TRANSPORTATION COMMISSION

3

4 WASHINGTON UTILITIES AND) Docket No. UE-991832
5 TRANSPORTATION COMMISSION) Volume IV
6 v.) Pages 308-447

7 PACIFICORP d/b/a PACIFIC LIGHT)
8 AND POWER)
9 _____)

9

10 A hearing in the above matter was
11 held on April 26, 2000, at 1:37 p.m., at 1300
12 Evergreen Park Drive Southwest, Olympia, Washington,
13 before Administrative Law Judge DENNIS J. MOSS,
14 Chairwoman MARILYN SHOWALTER, Commissioner RICHARD
15 HEMSTAD, and Commissioner WILLIAM R. GILLIS.

16

17 The parties were present as
18 follows:

19 PACIFICORP, by James M. Van
20 Nostrand, Attorney at Law, Stoel Rives, 600
21 University Street, Suite 3600, Seattle, Washington
22 98101-3197 and Stephen C. Hall, Attorney at Law,
23 Stoel Rives, 900 S.W. Fifth Avenue, Suite 2300,
24 Portland, Oregon, 97204-1268.

25 ICNU, by Melinda Davison, Attorney
26 at Law, Duncan, Weinberg, Genzer & Pembroke, 1300
27 S.W. Fifth Avenue, Suite 2915, Portland, Oregon
28 97201.

29 BARBARA L. NELSON, CSR

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1 THE COMMISSION, by Robert
2 Cedarbaum and Ann Rendahl, Assistant Attorneys
3 General, P.O. Box 40128, Olympia, Washington
4 98504-0128.

5 PUBLIC COUNSEL, by Robert
6 Cromwell, Jr. Assistant Attorney General, 900 Fourth
7 Avenue, #2000, Seattle, Washington 98164.

8 NORTHWEST ENERGY COALITION, by
9 Daniell Dixon, 219 First Avenue South, #100, Seattle,
10 Washington, 98104.

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1 the cover sheet to the company's response.

2 JUDGE MOSS: Right. The balance of the
3 exhibit is confidential. So it's 174-C, and this is
4 just a cover sheet, the question and the response.
5 Again, I assume that there's no objection to the
6 exhibit being supplemented in that way, is there, Mr.
7 Van Nostrand?

8 MR. HALL: I'm not sure we have that in
9 front of us.

10 JUDGE MOSS: They do have it.

11 MR. VAN NOSTRAND: 316?

12 JUDGE MOSS: Yeah, it's 316. This is the
13 nonconfidential portion of the company's response.

14 MR. VAN NOSTRAND: That's fine.

15 JUDGE MOSS: Okay. So we'll supplement
16 that exhibit in that fashion. And then we also
17 apparently have had a meeting of the minds with
18 respect to the contents of 56-C that we had some
19 discussion about yesterday. And instead of getting
20 the entire confidential response, we have, as I
21 understand it, a portion of that that satisfies
22 Staff's needs, and the company does not wish to
23 supplement?

24 MR. CEDARBAUM: That's right, Your Honor.
25 What you have is a three-page document. The cover

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1 page indicates that it's a finance committee
2 presentation to the company's board of directors, and
3 there's a date on it, which I don't recall.

4 JUDGE MOSS: Okay.

5 MR. CEDARBAUM: But then the substantive
6 document's the last document in the stack.

7 JUDGE MOSS: The date is March 16th, 2000.
8 Okay. Then I believe we're ready for our next
9 witness, who is Mr. Widmer; is that right?

10 MR. VAN NOSTRAND: That's correct, Your
11 Honor.

12 JUDGE MOSS: Okay. If Mr. Widmer can
13 approach the stand, and we'll get him sworn and
14 proceed accordingly.
15 Whereupon,

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

19 JUDGE MOSS: Thank you. Please be seated.

20

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

22 BY MR. VAN NOSTRAND:

23 Q. Could you state your name and spell it for
24 the record, please?

25 A. My name is Mark Widmer. That's

00316

1 W-i-d-m-e-r.

2 Q. And you're employed by PacifiCorp?

3 A. I am.

4 Q. And what's your position with PacifiCorp?

5 A. I'm a senior system planner.

6 Q. And do you have before you what's been
7 marked for identification as Exhibit 160-T?

8 A. I do.

9 Q. Do you recognize that as your direct
10 testimony in this proceeding?

11 A. It is.

12 Q. Do you have any additions or corrections to
13 make to that exhibit at this time?

14 A. I have a few.

15 Q. Could you identify them, please?

16 A. Yes. On page four, in the table up at the
17 top, I'd like to add a resource that I inadvertently
18 excluded, James River, and it's 52 megawatts. Same
19 page, line nine, I'd like to change 1928 to say 1929.
20 And on page 11, line 15, after the word "states," I
21 would like to insert "with the exception of the last
22 Utah rate case." And that's it.

23 JUDGE MOSS: Give us a minute on that last
24 one.

25 CHAIRWOMAN SHOWALTER: Which line was that?

00317

1 JUDGE MOSS: That's line 15, after the word
2 "states," with the exception of the Utah --

3 THE WITNESS: Last Utah rate case.

4 Q. Does that complete your corrections?

5 A. Yes, it does.

6 Q. As corrected, if I asked you the questions
7 set forth herein, would your answers be the same as
8 set forth in Exhibit 160-T?

9 A. They would.

10 Q. Do you also have before you what's been
11 marked for identification as Exhibit 161?

12 A. I do.

13 Q. Do you recognize that as the exhibit which
14 accompanied your prefiled direct testimony?

15 A. Yes.

16 Q. Is it true and correct, to the best of your
17 knowledge?

18 A. It is.

19 MR. VAN NOSTRAND: Your Honor, I move the
20 admission of Exhibit 160-T and 161.

21 JUDGE MOSS: Hearing no objection, those
22 will be admitted as marked.

23 MR. VAN NOSTRAND: Mr. Widmer is available
24 for cross-examination.

25 JUDGE MOSS: Thank you. We'll proceed in

00318

1 the same order as yesterday. Mr. Cedarbaum.

2 MR. CEDARBAUM: Thank you.

3

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

5 BY MR. CEDARBAUM:

6 Q. Good afternoon, Mr. Widmer.

7 A. Good afternoon.

8 Q. Yesterday, when I was asking questions of
9 Mr. Dalley, he indicated that you're the witness to
10 ask questions beyond general questions concerning
11 power supply issues, including prudence issues
12 related to new power resources. Do you recall that
13 testimony?

14 A. I do.

15 Q. Turning to page four of your testimony,
16 160-T, at the top of the page, the chart that you
17 were referencing in your introductory comments, can
18 you either identify individually or just by drawing a
19 line in this list identify which of these resources
20 were acquired after the company's last rate
21 proceeding in Washington?

22 A. Certainly. The resources acquired after
23 the last rate proceeding in Washington would include
24 Cholla Unit Four, Craig Units One and Two, Hayden
25 Units One and Two, Hermiston, and James River.

00319

1 Q. And you've got the peak capability listed
2 in the right-hand column. Can you just briefly go
3 down that same list of new resources and just
4 describe what type of units these are, whether
5 they're thermal or whatever?

6 A. Sure. The Cholla Unit Four is a baseload
7 coal thermal resource, as are Craig Units One and Two
8 and Hayden Units One and Two. Hermiston is a
9 combined cycle CT gas turbine, and James River is a
10 combined cycle gas turbine, also, I believe.

11 Q. In preparing your testimony -- well, let me
12 ask it this way. Do you know what the impact on the
13 company's revenue requirement is of those resources
14 that you listed that the company's acquired since the
15 last rate proceeding?

16 A. I don't. I haven't specifically calculated
17 that.

18 Q. So you prepared your testimony without
19 regard to that information?

20 A. Yes.

21 Q. Did you --

22 A. The revenue requirement is included,
23 calculated by Mr. Jeff Larsen. In my capacity for
24 this rate case, my responsibility just is associated
25 with net power costs, not the complete revenue

00320

1 requirement.

2 Q. You were offered as the witness to ask
3 questions on prudence issues, and as I understand
4 your testimony, that in preparation of your prefiled
5 testimony, you didn't consider the revenue
6 requirement impact of those new resources?

7 A. We did not.

8 Q. If you look at page one of your testimony,
9 beginning at line 13, you indicate that your
10 responsibility with the company is to coordinate and
11 prepare net power cost and related analyses used in
12 retail price filings. And then you later on describe
13 the purpose of your prefiled testimony, which was to
14 provide information on how input data is normalized
15 in the company's production cost model, and then to
16 present the results of that model. Do you see that?

17 A. I do.

18 Q. On page two of your testimony, you start by
19 explaining that you calculated net power costs using
20 the company's production cost model, the PD/Mac
21 production cost model. Do you see that?

22 A. I do.

23 Q. Then you divide the description of the
24 power cost model into three categories, which were
25 listed beginning on line 18, the inputs into the

00321

1 model, the process for normalizing the model inputs,
2 and the output provided by the model; is that right?

3 A. That's correct.

4 Q. And taking those three items in order,
5 beginning at the top of page three, you list the
6 general categories of inputs into the model; is that
7 right?

8 A. That's correct.

9 Q. And then you briefly describe each of those
10 inputs, beginning with the retail load on page three,
11 and then go through other input data through to page
12 six?

13 A. That's correct.

14 Q. So for example, on page three, line ten,
15 you describe the thermal plant data that is input
16 into the model; is that right?

17 A. Yes.

18 Q. And that consists generally of information
19 on energy availability and unit cost; is that right?

20 A. Yes. In addition to that, we look at the
21 operating equivalent availability of the thermal
22 units to determine how much the units are available
23 to run on a normalized basis. We look at the
24 maintenance of the facilities, we look at the burn
25 rate of the facilities in order to determine how many

00322

1 tons of coal need to be burned to meet the megawatt
2 hour requirements, and we also look at the thermal
3 capacity of those units and the normalized fuel
4 prices of the units.

5 Q. Thank you. And then, on page four, staying
6 with the input data, you begin to describe, after the
7 chart, the hydro generation input data; is that
8 right?

9 A. Yes.

10 Q. And then, if we skip over to page seven,
11 that's where you begin your discussion of the
12 normalization process; correct?

13 A. That's correct.

14 Q. And is it correct to say that your
15 definition of the normalization process includes more
16 than adjusting loads for normal weather or for
17 averaging water conditions over time?

18 A. Yes, we also normalize for known and
19 measurable changes.

20 Q. And then, on pages seven through nine of
21 your testimony, you describe how all of these items
22 are normalized?

23 A. Yes.

24 Q. And then, beginning on page nine through
25 the remainder of your testimony, you described the

00323

1 last aspect of your prefiled testimony, the outputs
2 from the model?

3 A. That's right.

4 Q. If you could please turn to Exhibit 162 for
5 identification. Do you recognize this document as
6 the company's response to Staff Data Request Number
7 144?

8 A. I do.

9 MR. CEDARBAUM: Your Honor, I would offer
10 Exhibit 162.

11 JUDGE MOSS: Is there any objection?

12 MR. VAN NOSTRAND: We have no objection
13 subject to I guess it being complete to the extent
14 the other responses referred to in that request are
15 going to be ultimately included, as well, which I'm
16 not sure that they are.

17 MR. CEDARBAUM: Your Honor, I think as the
18 -- that's exactly what we intend on doing.

19 MR. VAN NOSTRAND: Okay.

20 MR. CEDARBAUM: We're going to go through
21 -- all of the exhibits that we premarked last Friday
22 are all of the specific references that are included
23 in Exhibit 162, so I think we'll actually get there.

24 MR. VAN NOSTRAND: Okay. We have no
25 objection to 162, then, Your Honor.

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1 JUDGE MOSS: Well, it sounds to me like
2 there might not be any objection to any of them. The
3 balance of your exhibits, are these identified in
4 response to 144?

5 MR. CEDARBAUM: Let me just check. I
6 believe that would be through Exhibit 174, but there
7 are others that are not.

8 JUDGE MOSS: I'm sorry, I don't understand
9 you. What are the others? Are you saying that there
10 are others identified in response to 144 that are not
11 part of your exhibits or that you have other exhibits
12 that are not included here?

13 MR. CEDARBAUM: I have other exhibits that
14 have been premarked that are not listed as the
15 documents that are contained -- that are not listed
16 in Exhibit 162.

17 JUDGE MOSS: Gotcha.

18 MR. CEDARBAUM: You had asked me if I had a
19 group of things triggering off of 162, what those
20 were.

21 JUDGE MOSS: Right. I'm just trying to
22 understand. Mr. Van Nostrand, as I understand your
23 comments, it would be your preference to have all of
24 those be exhibits. We're going to have 162. So can
25 we just do these as a group and save ten minutes, 15

00325

1 minutes of going through them one by one? That would
2 be through 174.

3 MR. VAN NOSTRAND: Some of them are not
4 complete, and I guess some of them we would like to
5 have a complete response included in order to have an
6 accurate and complete record. I'm not sure that all
7 of these documents --

8 JUDGE MOSS: How about if I admit them
9 subject to your opportunity to supplement them with
10 complete responses where they are not complete.

11 MR. VAN NOSTRAND: That would be fine.

12 JUDGE MOSS: Agreeable to you?

13 MR. CEDARBAUM: Generally, yes. I don't
14 know what other information Mr. Van Nostrand had in
15 mind. In general, yes, I just don't know what
16 specific documents he's referring to there.

17 JUDGE MOSS: Well, he's referring to
18 anything that was provided in response to these data
19 requests that you did not include as part of your
20 exhibits.

21 MR. CEDARBAUM: Well, for example, Your
22 Honor, again, I don't think this is -- I have an
23 objection to it, but for example, on Exhibit 164,
24 there's reference to Attachments 145 A through H. We
25 didn't include those because they're very large

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1 documents, and they also include the company's least
2 cost plans dating back from 1989, which, at least in
3 the Commission's prudence review for Puget, found to
4 be not relevant to the issue of prudence.

5 So we didn't include them primarily because
6 it's just a ton of information we didn't think you
7 needed to have. So I don't know if Mr. Van Nostrand
8 is, as an example, if that's what he intends on doing
9 or not.

10 JUDGE MOSS: Okay. Here's what we'll do.
11 We'll admit these exhibits. Mr. Van Nostrand, on
12 behalf of his client, will have the opportunity to
13 offer supplemental material as he deems appropriate.
14 Perhaps the two of you can sit down and work through
15 that. We can take it up again as a housekeeping
16 matter at the end. In the meantime, it will save us
17 substantial time if we do those as a group, so I will
18 admit those as marked, and that will carry us through
19 174-C.

20 MR. CEDARBAUM: Thank you.

21 Q. Mr. Widmer, if you look at Exhibit 162, in
22 the response, there's a reference to page 5.2 of Mr.
23 Larsen's JKL-2. Do you see that?

24 A. I do.

25 Q. When the company referenced page 5.2,

00327

1 looking at least at Mr. Larsen's current exhibit,
2 which, again, that might be changed, there are
3 additional pages behind 5.2. It's 5.2.1 and onward.
4 Do you recall that?

5 A. I do.

6 Q. The reference to 5.2 would include all of
7 those additional pages, as well?

8 A. Yes.

9 Q. If you could look at Exhibit 163, this is
10 the -- this exhibit contains the pages from the
11 company's 1998 FERC Form 1, all of pages 402 and 403
12 that are referenced in Exhibit 162; is that right?

13 A. That's correct.

14 Q. And this essentially contains information
15 or data concerning each of the company's large
16 thermal operating plants? For example, the first
17 one, page one of Exhibit 163, refers to the Gadsby
18 plant?

19 A. Yeah, that's correct.

20 Q. Looking at Exhibit 164 for identification,
21 is it correct that what is listed in the document as
22 Attachments 145 A through F are the company's least
23 cost plans filed since 1989?

24 A. That's not totally correct. Ramp Six,
25 which is identified as 145 F, is currently in

00328

1 process. However, I believe all of the other ramp
2 documents have been filed with the Washington
3 Commission.

4 Q. I was hoping that's what you would say.
5 Thank you. What's shown as attachments 145 G and H,
6 145 G was a study performed by RMI for the Utah,
7 Oregon, and Wyoming Commissions; is that right?

8 A. Yes, that's correct. It was a study that
9 evaluated the prudence of the company's acquisition
10 of the Cholla and Colorado-Ute resources. The
11 Colorado-Ute resources would include Craig Units One
12 and Two and Hayden Units One and Two.

13 Q. Is it correct that the study was performed
14 in 1993?

15 A. I don't have the study in front of me, but
16 subject to check, I would agree that that's the
17 approximate time frame that they prepared the study
18 that evaluated the actions that the company took at
19 the time it made the decision to purchase those
20 facilities.

21 Q. And the purchases themselves occurred in
22 1990; is that right?

23 A. No. Cholla Unit One, excuse me, Cholla
24 Unit Four was acquired in 1991, and the Craig and
25 Hayden units were acquired in 1992.

00329

1 Q. And I guess by definition, the study that's
2 referenced as 145 G was not available to PacifiCorp's
3 management or board of directors at the time the
4 decision was made to enter into that acquisition?

5 A. Oh, of course it wasn't. The study was
6 commissioned by a group of regulators after the fact
7 to evaluate the decision-making process and analysis
8 that the company utilized to buy those resources and
9 the result of it, which was that the company acted
10 prudently in its acquisitions.

11 Q. With respect to 145 H, is it correct that
12 this was also a study performed by RMI in 1997 with
13 respect to a project that began commercial operation
14 in July of 1996?

15 A. That's correct.

16 Q. If you could look at Exhibit 166, and this
17 is just a clarification for the record as to what is
18 in this document. The exhibit contains a number of
19 data request responses in the Oregon proceeding; is
20 that right?

21 A. I believe so. I might add that I'm not
22 really the witness responsible for these data
23 responses. They should be referred to Mr. Jeff
24 Larsen.

25 Q. Let me -- they've been admitted through

00330

1 you, and I'll just ask you the questions. If you
2 can't answer them, you can just say so.

3 A. All right.

4 Q. I'm not trying to go into any detail, but I
5 want to tie it in actually, quite frankly, with
6 Exhibit 167. Part of 168 includes the company's
7 response to the Oregon Staff Data Request Number 158?

8 A. You mean, Exhibit 166?

9 Q. Yes, I'm sorry, I misspoke. I meant 166.

10 A. Yes, it does.

11 Q. And the response within Exhibit 166 to the
12 Oregon Staff Data Request 158 included three
13 attachments, is that right, Attachments A, B and C?

14 A. That's correct.

15 Q. And what is included in Exhibit 166 are
16 Attachments A and C, and what's included in Exhibit
17 167 on a confidential basis is Attachment B?

18 A. That's correct.

19 Q. If you could turn to Exhibit 174 for
20 identification. Do you recognize this document as
21 the company's response to Staff Data Request 316,
22 that being a confidential attachment?

23 A. I do.

24 Q. And essentially, this document was a part
25 of the presentation to the company's board of

00331

1 directors regarding the company's purchase of its
2 interest in the Hermiston cogen facility; is that
3 right?

4 A. It was a document that was presented to the
5 PacifiCorp board in I believe March 1995 to evaluate
6 the company's option to physically acquire one-half
7 of the Hermiston generating facility. Prior to that,
8 in October 1993, the company had already committed to
9 purchase one hundred percent of the output of the
10 Hermiston facility. This was just an opportunity for
11 the company to evaluate whether or not it wanted to
12 exercise that option.

13 MR. CEDARBAUM: Move the admission of 174.

14 JUDGE MOSS: Already been admitted.

15 MR. CEDARBAUM: Oh, I'm sorry.

16 Q. Referring you to Exhibit 175 for
17 identification, do you recognize this as the
18 company's response to Staff Data Request 360 in this
19 proceeding?

20 A. I do.

21 MR. CEDARBAUM: I would offer Exhibit 175.

22 MR. VAN NOSTRAND: No objection.

23 JUDGE MOSS: It will be admitted.

24 Q. Referring you to Exhibit 176 for
25 identification, do you recognize this as the

00332

1 company's response to Staff Data Request 177?

2 A. I do.

3 MR. CEDARBAUM: Offer Exhibit 176.

4 MR. VAN NOSTRAND: No objection.

5 JUDGE MOSS: I just wanted to inquire at
6 this point, Mr. Cedarbaum. I notice that 176, 177
7 and 178, the only response that's included here is,
8 The requested information is voluminous and will be
9 made available for your review at the company's
10 headquarters in Portland, Oregon, with reasonable
11 notice. I'm wondering how these exhibits contribute
12 anything to our record?

13 MR. CEDARBAUM: Your Honor, it's our
14 position that the company has an affirmative duty to
15 present evidence of the prudence of these new power
16 supply resources following on to the -- and
17 consistent with the Commission's decision in the
18 prudence proceeding for Puget, and that it is
19 relevant to know that the company has not presented
20 information to the Commission in its case, has only
21 referred to voluminous information that would be made
22 available in Portland, Oregon.

23 JUDGE MOSS: My point is, there's nothing
24 of substance to this, and that's what we're
25 interested in in our record. If you have a discovery

00333

1 dispute, that's something to be brought up as a
2 preliminary matter.

3 MR. CEDARBAUM: No, it's not a discovery
4 dispute, Your Honor. The point is is that there is
5 nothing of substance.

6 CHAIRWOMAN SHOWALTER: So you're admitting
7 it to show that point?

8 MR. CEDARBAUM: Yes.

9 JUDGE MOSS: Well, let's deal with all
10 three of them at once.

11 MR. CEDARBAUM: I'll offer exhibits one --
12 well, let me just ask the foundation question, then.

13 Q. On 176, Exhibit 176 refers to the Hermiston
14 facility; is that right?

15 A. It does.

16 Q. Exhibit 177 refers to James River; is that
17 right?

18 A. Yes, it does.

19 Q. And that's also the company's response to
20 Staff Data Request 180?

21 A. Yes.

22 Q. And Exhibit 178 refers to the Wyoming Wind
23 Plant, Hood Creek Wind Project, do you see that?

24 A. I do.

25 Q. And this is the company's response to Staff

00334

1 Data Request 201?

2 A. Yes, it is.

3 Q. When I discussed with you the resources
4 that were acquired by the company after the last rate
5 case, neither on your list as it existed or in your
6 description, I think, was this facility listed, or am
7 I wrong about that?

8 A. If that's the case, it was merely an
9 oversight on my part. It should be listed as a new
10 resource.

11 MR. CEDARBAUM: Your Honor, I'd offer
12 Exhibits 176, 177 and 178.

13 MR. VAN NOSTRAND: No objection.

14 JUDGE MOSS: All right. They'll be
15 admitted.

16 Q. Referring you, Mr. Widmer, to Exhibit 179
17 for identification, do you recognize this as the
18 company's response to Staff Data Request 202?

19 A. It is.

20 MR. CEDARBAUM: I would move the admission
21 of Exhibit 179.

22 MR. VAN NOSTRAND: No objection.

23 JUDGE MOSS: It will be admitted.

24 Q. I just have a couple of other short areas
25 for you. Then I'll be finished, Mr. Widmer. Do you

00335

1 know whether or not, with respect to any of these new
2 resources that we've been discussing, that any of the
3 coal price contracts, the coal contracts for those
4 facilities have been renegotiated?

5 A. I don't. As I mentioned earlier, some of
6 this information should be directed to Mr. Jeff
7 Larsen. This is one of those items. Mr. Larsen is
8 responsible for preparing the normalized coal prices
9 that are input into my model. I'm not specifically
10 familiar with what went into that calculation.

11 Q. Perhaps -- let me just state a record
12 requisition, then, for the record, and if it turns
13 out that Mr. Larsen answers it, that's fine, but I
14 would ask you to provide any new -- any renegotiated
15 coal contracts that the company's entered into since
16 -- with respect to these new resources that we've
17 been discussing today.

18 A. Okay.

19 JUDGE MOSS: All right. So this is Records
20 Requisition Request Number Three.

21 MR. VAN NOSTRAND: Just the contracts
22 themselves, Mr. Cedarbaum?

23 MR. CEDARBAUM: Sorry, what was the
24 question?

25 MR. VAN NOSTRAND: Is this the contracts

00336

1 themselves?

2 MR. CEDARBAUM: Yes, we'd like the
3 contracts, and I guess it wouldn't -- I should
4 broaden the request. Not just to the new resources,
5 but to all resources.

6 MR. VAN NOSTRAND: Coal-fired resources?

7 MR. CEDARBAUM: That's right.

8 Q. Finally, Mr. Widmer, yesterday I had some
9 discussion with Mr. Dalley about the prudence order
10 concerning Puget from 1994. Are you familiar with
11 that order?

12 A. I've glanced at it. Mr. Buckley was kind
13 enough to provide me a copy on his February 10th,
14 2000 visit.

15 Q. So you weren't aware of that document when
16 -- at the time the company filed its case in this
17 proceeding?

18 A. I personally was not.

19 Q. Do you know if anybody in the company was?

20 A. I don't know.

21 Q. Do you know if anyone at the company,
22 including -- I guess you would not have been aware at
23 the time if any new resources were acquired after
24 that order was issued, but do you know of anyone at
25 the company that was aware of that?

00337

1 A. At the time the resources were acquired?

2 Q. Yes.

3 A. I can't answer that question.

4 MR. CEDARBAUM: Thank you. Those are all
5 my questions.

6 JUDGE MOSS: Okay. Ms. Davison.

7 MS. DAVISON: Thank you, Your Honor. Your
8 Honor, may I approach the witness? It might expedite
9 things if I can just give him all the exhibits at one
10 time. Try to move things along.

11 JUDGE MOSS: He may already have a set of
12 exhibits. Has the witness been provided with a set
13 of the proposed cross-examination exhibits?

14 MR. VAN NOSTRAND: Yes, Your Honor.

15 JUDGE MOSS: He already has them.

16 MS. DAVISON: All right, thank you.

17

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

19 BY MS. DAVISON:

20 Q. Good afternoon, Mr. Widmer.

21 A. Good afternoon, Melinda.

22 Q. I believe we met for the first time at the
23 Utah rate case hearing. I don't believe we've met
24 prior to that.

25 A. That's right.

00338

1 Q. And I'd like to start off with kind of a
2 big picture here, and perhaps I overlooked it, but I
3 was wondering if you could tell me what's the total
4 revenue requirement associated with total power costs
5 in this case?

6 CHAIRWOMAN SHOWALTER: Do you mean in
7 Washington or multi-state?

8 MS. DAVISON: Actually, that's a good
9 clarification, because it is a point of confusion for
10 me throughout this case.

11 Q. Actually, if you could give us both, Mr.
12 Widmer?

13 A. Actually, I just have the Washington
14 revenue requirement.

15 Q. Okay.

16 A. And the reason -- it's different than other
17 states, and the reason is that because different
18 states have different adjustments they've previously
19 adopted in the past that we don't reflect in all
20 jurisdictions. But the total company, I don't have
21 the allocated number, is 486,758,000. And that just
22 includes the expense side of the equation. It
23 doesn't include capital and non-fuel operating costs
24 associated with generation facilities.

25 Q. So this is a major component of the rate

00339

1 case, I assume?

2 A. Yes, it is.

3 Q. Okay. And of the \$25.8 million that the
4 company is asking for in this case, how much of that
5 is associated with total power costs?

6 A. We haven't done a specific calculation to
7 identify the changes in components from the
8 previously authorized rates to what we're seeking
9 today. We only know the number in aggregate. I
10 would hazard to say, though, that the revenue
11 requirement associated with net power cost is most
12 likely very similar to maybe slightly higher than it
13 was at the time of the merger.

14 At the time of the merger, the company's
15 net power costs, on a dollar per megawatt hour basis,
16 were \$8.72 for total company retail customers. The
17 number we're seeking today in the rate case is \$9.68
18 a megawatt hour. That's approximately an 11 percent
19 increase from 1990. In addition to that, I might
20 point out that if you compared that increase to the
21 level of inflation that the company has experienced
22 since then, it's much higher.

23 Q. All right. I'm not sure -- we'll be here
24 all afternoon if I just ask for a specific number and
25 you rattle off all your statistics since the last

00340

1 rate case. But I think the answer to my question is
2 that you don't know how much of the 25.8 million is
3 associated with total power cost; is that correct?

4 A. I don't, no.

5 Q. Okay. Can you tell me who the witness is
6 in this case for fuel supply?

7 A. It would be Jeff Larsen.

8 Q. Is he responsible for the actual
9 acquisition of fuel?

10 A. No, he's not. Jeff is the director of
11 revenue requirements for the company and he is in
12 charge of analyzing the costs of acquiring those --
13 acquiring the coal and determining what the
14 normalized price should be.

15 Q. Okay. Mr. Widmer, do you have in front of
16 you what has been marked as Exhibit 197? I handed
17 that out yesterday.

18 A. I do.

19 Q. We certainly heard a lot yesterday about
20 the Utah rate case, and I thought, rather than
21 reinventing the wheel here, perhaps we could talk
22 just briefly about the adjustments related to the
23 power supply component that the company agreed to in
24 Utah, and perhaps find out whether or not they're
25 included in your filing here, and that is part of

00341

1 what this Exhibit 197 is intended to show. Have you
2 seen this exhibit prior to yesterday?

3 A. Yeah, I think I saw it during the Utah rate
4 case.

5 Q. Or I should clarify. A version of this
6 exhibit was provided in the Utah rate case; correct?

7 A. That's correct.

8 Q. Thank you. If we start at the second item,
9 it's listed as case number two, it says Adjusted
10 Hermiston Modeling. And if you carry that on
11 through, it indicates that that adjustment was
12 accepted by the company in Utah; is that correct?

13 A. We agreed to that adjustment, yes.

14 Q. And is that adjustment reflected in your
15 Washington filing?

16 A. No, it's not. The Washington filing was
17 prepared and submitted many months prior to the
18 agreement of this adjustment in the Utah rate case.
19 This adjustment was only agreed to about a month ago.

20 Q. Okay. Is this adjustment reflected in the
21 infamous list of 19 adjustments?

22 A. I don't know. I might add that it's
23 probably not, but this item would not be considered
24 to be a correction per se. It was merely an
25 agreement that there were alternative methods of

00342

1 modeling the Hermiston generating facility. And we
2 agreed, kind of in a somewhat collaborative process,
3 that the proposed adjustment by Mr. Falkenberg had
4 some merit and maybe -- and that the company was
5 willing to go along with it for purposes of the Utah
6 rate case.

7 Q. Well, would you agree, subject to check,
8 that this adjustment is not contained on the list of
9 19 adjustments that the company provided to the
10 parties last week?

11 A. I would agree to that, subject to check.

12 Q. Thank you. Moving on to the next item,
13 it's adjusted secondary sales and purchase prices,
14 that appears to be an adjustment that was proposed
15 that the company did not agree to; is that correct?

16 A. That's correct.

17 Q. So that remains an outstanding item for the
18 Utah Commission to decide; is that correct?

19 A. Yes, it is.

20 Q. Okay. Moving on to Item Number Four, we
21 have actual adjusted STF sales and purchases. That
22 also appears to be an item that the company did not
23 agree to in Utah; is that correct?

24 A. That's correct.

25 Q. And like the previous adjustment, that is

00343

1 something that's outstanding for the Commission to
2 decide; is that correct?

3 A. Yes, it's pending right now.

4 Q. Okay. Moving on to number five, adjusted
5 Cholla capacity, that appears to be an item that the
6 company agreed to at least in part; is that correct,
7 in Utah?

8 A. That is correct. It's part of a stipulated
9 agreement the company worked out with the committee
10 and the Division of Public Utilities in the 1997 rate
11 case. It's one of those items that's the product of
12 a give and take process where the parties agree to an
13 overall level of price change.

14 Q. So that particular adjustment is not
15 reflected in your Washington filing, either?

16 A. Absolutely not.

17 Q. Okay. Item number six, adjusted capacity
18 ratings, that also indicates that the company agreed
19 to that adjustment in Utah; is that correct?

20 A. We did.

21 Q. And is that adjustment reflected in the
22 Washington filing?

23 A. It is.

24 MS. DAVISON: Okay, all right. That's all
25 I have for this exhibit. Your Honor, I'd like to

00344

1 move the admission of Exhibit 197.

2 MR. VAN NOSTRAND: No objection.

3 JUDGE MOSS: It will be admitted as marked.

4 Q. Mr. Widmer, could you turn to what has been
5 Marked as Exhibit 181, please. You're there, okay.

6 A. Mm-hmm.

7 Q. Are you familiar with this exhibit?

8 A. I am.

9 Q. Could you tell us what it is?

10 A. This exhibit shows the company's actual net
11 power cost in normalized net power cost on a dollar
12 basis. Those items are reflected by the lines near
13 the top of the graph. It starts at about \$400
14 million and go to the right of the graph. The bars
15 at the bottom of the page represent the company's
16 retail load requirements.

17 There's also some additional symbols that
18 are on this graph that were products of one of the
19 intervenor consultants that was a participant in the
20 rate case. As you can see from the numerous symbols,
21 his proposed net power cost varied substantially from
22 week to week, month to month.

23 Q. Now, what is the time period that is
24 covered by this chart?

25 A. It's 1990 through 1999.

00345

1 Q. And could you tell me what data you relied
2 upon to create the bar graph indication that is
3 marked as December 31st, 1999?

4 A. That information came from the company's
5 books and records.

6 Q. Could you be more specific, please?

7 A. Well, we have various computer programs and
8 so forth that are able to access various data, such
9 as load data, and that's where we got this
10 information.

11 Q. Do you have work papers that support this
12 chart?

13 A. We do. I don't have them with me today.

14 MS. DAVISON: Your Honor, I would like to
15 make a records requisition request for the work
16 papers that support Exhibit 181.

17 JUDGE MOSS: All right. That will be
18 Number Four.

19 MR. VAN NOSTRAND: Is that supporting all
20 years or just 1999?

21 Q. I don't want to put an undue burden on the
22 witness. If the data is voluminous, I would like you
23 to just focus on 1998 and 1999.

24 A. Okay.

25 Q. Thank you.

00346

1 JUDGE MOSS: All right. Let's be clear,
2 did you say '98 or '99?

3 MS. DAVISON: And '99.

4 JUDGE MOSS: And, all right.

5 MS. DAVISON: Your Honor, I'd like to move
6 the admission of Exhibit 181, please.

7 MR. VAN NOSTRAND: No objection.

8 JUDGE MOSS: It will be admitted.

9 Q. Mr. Widmer, do you have Exhibit 182 in
10 front of you?

11 A. I do.

12 Q. And can you tell us what this exhibit is?

13 A. This is a report that was prepared by a
14 consultant to the DPU and CCS in the company's 1997
15 Utah rate case. It's an overall report on their
16 findings and their evaluation of the company's net
17 power cost model and its method of normalizing net
18 power costs.

19 Q. Have you reviewed this document previously?

20 A. I've glanced through it briefly. I haven't
21 reviewed it extensively, no.

22 Q. This document has a date of August 1998;
23 correct?

24 A. It does.

25 Q. Are you aware that this document recommends

00347

1 a number of adjustments to be made to the PD/Mac
2 model?

3 A. I am not aware of that. I might also add
4 that those recommendations did not come out in the
5 rate case recommendations for that case.

6 Q. Just so this Commission's clear, you're
7 referring to the 1997 Utah rate case; is that
8 correct?

9 A. That's correct.

10 Q. Okay. So I think it's safe to say, then,
11 since you've merely glanced at this document, that
12 these particular recommendations have not been
13 incorporated into your work for the Washington rate
14 case?

15 A. No, they haven't. But I might add that
16 through my glancing at this report, one of the things
17 that I was able to glean from this was a statement by
18 the consultants that the company's net power cost
19 model, PD/Mac, is considered by them to be the
20 appropriate model to use to calculate the company's
21 net power cost.

22 Q. Mr. Widmer, I didn't ask you to give me a
23 summary of the document. I just merely asked you a
24 very pointed question. I'm sorry, I don't mean to
25 interrupt you, but I would just point out to you, I'm

00348

1 sure your lawyer has, but this is a very different
2 process from Utah, where long speeches and narratives
3 and opening statements are encouraged. So if we
4 could just move along, I'd appreciate it. Your
5 Honor, I'd move the admission of Exhibit 182.

6 MR. VAN NOSTRAND: No objection.

7 JUDGE MOSS: There being no objection, it
8 will be admitted as marked.

9 Q. Mr. Widmer, could you turn to Exhibit 183,
10 please?

11 A. I have that.

12 Q. Now, could you identify this exhibit,
13 please?

14 A. Yes, this is the stipulation that I
15 referred to earlier that came out of the Utah 1997
16 rate case on net power cost.

17 Q. And I think it's safe to assume that since
18 this is a stipulation in Utah, that all of the
19 various adjustments related to power cost have been
20 incorporated in the company's current Utah rate case;
21 is that correct?

22 A. That's correct.

23 Q. Have all the various items and adjustments
24 that are contained within the stipulation been
25 incorporated in the company's filing of its

00349

1 Washington rate case?

2 A. No, they haven't. As I mentioned earlier,
3 these items were the result of a give and take
4 process through various negotiations and so forth
5 that resulted in overall bottom line settlement for
6 net power cost in the 1997 rate case. As such, they
7 don't represent items that we would necessarily agree
8 are appropriate to make in any rate case.

9 Q. Isn't it correct that the company has
10 entered into this stipulation, so apparently the
11 company was willing to agree to these changes in
12 Utah; correct?

13 A. We agreed to a bottom line number that was
14 calculated with these items.

15 Q. So if I understand your answer correctly,
16 what you're saying is that you have made different
17 assumptions and you essentially have put into your
18 rate case different power cost numbers in Utah versus
19 your Washington rate case?

20 A. That would be correct.

21 MS. DAVISON: Okay, thank you. Your Honor,
22 I'd like to move the admission of Exhibit 183.

23 MR. VAN NOSTRAND: No objection.

24 JUDGE MOSS: It will be admitted as marked.

25 MS. DAVISON: Your Honor, I'd like to move

00350

1 the admission of Exhibit 184, which is 1994 FERC Form
2 1 for the company. I don't have any particular
3 questions about this exhibit. I'm assuming it's
4 non-controversial.

5 MR. VAN NOSTRAND: No objection.

6 JUDGE MOSS: It will be admitted as marked.

7 CHAIRWOMAN SHOWALTER: We're just going to
8 click off the microphone for a minute, so that
9 someone can get in on the conference bridge. Less
10 than a minute.

11 (Recess taken.)

12 JUDGE MOSS: I think we can go ahead, then.

13 MS. DAVISON: Thank you, Your Honor.

14 Q. Mr. Widmer, I'd like to move on to Exhibit
15 185. Can you identify this exhibit, please?

16 A. Yes, this is a response to a data request
17 in the company's Oregon rate case that's currently on
18 file.

19 Q. Did you prepare this response or was it
20 prepared under your direction?

21 A. Actually, I was out of town when this
22 response was prepared. I might add that I have a
23 correction I'd like to note for this response, if
24 it's okay with you.

25 Q. Sure.

00351

1 A. If you turn to page three of this response,
2 the last line under Item F says, Generally, paper
3 only. The "generally" should be stricken. It's
4 paper only.

5 Q. Okay, thank you. If you turn to page two
6 of Exhibit 185, and then to Paragraph C -- actually,
7 before I get to that, do you know what market
8 position trading is?

9 A. I do.

10 Q. Could you explain that for us, please?

11 A. Market position trading is merely a
12 category of wholesale sales. There are short-term
13 firm transactions, and there are two types of market
14 position trading. There are financial arbitrage
15 transactions, which are paper only transactions that
16 were booked to Accounts 456, other revenues, and
17 Account 557, other purchase expenses. Those items
18 have been adjusted out of the rate case by Mr. Larsen
19 because of a board decision in late 1998 to
20 discontinue those type of activities.

21 The other type of market position
22 transactions are physical transactions, whereby the
23 company owned power at a specific market hub, such as
24 Palo Verde or Mid-C, and we had also sold some energy
25 to a third party at that same market hub in lieu of

00352

1 taking receipt of the energy and scheduling the
2 energy through the company's system. The company
3 merely did a transaction they call book-outs, whereby
4 the third party takes possession of that energy at
5 the market hub. And the reason we do that is to cut
6 costs, but by doing it this way, it allows the
7 company to avoid a FERC fee for selling energy that's
8 scheduled through your own control area.

9 Q. Thank you. Referring to paragraph C on the
10 second page, the first sentence -- well, actually,
11 the first and second sentence, that refers to
12 wholesale trading in addition to transactions
13 necessary to balance system requirements. Is this
14 the same as market position trading?

15 A. It would be the same as the physical market
16 position trading, and wouldn't be -- wouldn't include
17 the financial book-outs.

18 Q. Okay. Does PD/Mac include wholesale
19 transactions that are not necessary to balance system
20 requirements?

21 A. Absolutely. Well, I shouldn't say that.
22 That's not true. The model includes transactions
23 above and beyond the company's retail load
24 requirements in the form of wholesale sales, and it
25 includes transactions to balance the complement of

00353

1 both retail and wholesale transactions.

2 Q. And why did you not remove those from your
3 PD/Mac model?

4 A. Well, we treat those transactions as a
5 revenue credit for the purpose of keeping retail
6 rates as low as possible.

7 Q. So do customers bear the risk of any
8 wholesale trading transaction that's not necessary to
9 balance system requirements?

10 A. No, they don't. Because of the way the
11 company normalizes its net power cost, we lock in a
12 margin on all of our wholesale transactions. Mainly,
13 I'm referring to our non-firm transactions and our
14 short-term firm transactions.

15 Q. And what is that margin that you have
16 assumed for purposes of this rate case?

17 A. We assume a margin of one-half of one mill.

18 Q. And isn't it true that in coming up with
19 that half a mill margin, that you simply determined
20 that based on conversations with traders?

21 A. It was based upon the company's significant
22 knowledge and experience of trading energy within the
23 WSCC, yes.

24 Q. Well, my question to you, Mr. Widmer, is
25 that isn't it correct that you determined the

00354

1 half-mill margin simply based on conversations with
2 traders in the company?

3 A. I wouldn't agree with that. I think the
4 half-mill margin was developed based upon the
5 experience of the company's participation. We just
6 merely got the number from them. We didn't develop
7 it from a conversation.

8 Q. Do you recall cross-examination of this
9 point in Utah?

10 A. I know we talked about it some, yes.

11 Q. Are you changing your answer today from
12 what you provided to the Utah Commission?

13 MR. VAN NOSTRAND: Your Honor, I'm going to
14 object to this line of questioning. If we're going
15 to start debating what the Utah transcript states,
16 then let's have the document in front of us. I'm not
17 going to have this witness' testimony and other
18 statements characterized this way.

19 JUDGE MOSS: Well, I think she's embarking
20 on the foundation questions for impeachment, so I
21 assume that, judging by the fact she's flipping
22 through a six-inch thick pile of documents there,
23 we're probably going to have that momentarily.

24 MS. DAVISON: That's correct, Your Honor.
25 But perhaps -- and I'm happy to pull out the

00355

1 transcript from Utah and read back the question and
2 answer, but perhaps one other way we could get at
3 this is we could clarify the record, just so it's
4 very clear in Washington.

5 Q. You do not have any documents or any
6 analyses that support the company's decision to use a
7 half-mill margin for its profit, assumption of profit
8 for wholesale sales; is that correct?

9 A. That's correct.

10 MS. DAVISON: Your Honor, I'd like to move
11 the admission of Exhibit 185.

12 MR. VAN NOSTRAND: No objection.

13 JUDGE MOSS: It will be admitted.

14 Q. Moving on to Exhibit 186, Mr. Widmer, could
15 you identify this exhibit, please?

16 A. It's a attachment to an Oregon data request
17 in regard to Request 122-B.

18 Q. Okay, thank you. Could you turn to the
19 second page past the cover -- it's the first
20 substantive page past the cover page. If you look
21 down on that page, there is an item listed as 456.85,
22 entitled Market Position. Do you see that?

23 A. I do.

24 Q. And do you see that the number
25 corresponding to that is roughly \$1.3 billion?

00356

1 A. Yeah, I do.

2 Q. Is it your testimony that this entire \$1.3
3 billion that represents market position trading was
4 removed from this rate case?

5 A. Yes, it is.

6 Q. And are you aware of whether there are any
7 corresponding dramatic increases in A&G costs during
8 this same period of time?

9 A. That's not my area of responsibility. I
10 couldn't answer that.

11 Q. Perhaps, do you know if the A&G associated
12 with market position trading was removed from the
13 PD/Mac model?

14 A. I am not familiar with the A&G for market
15 position trading.

16 MS. DAVISON: Your Honor, I'd like to move
17 the admission of Exhibit 186, please.

18 MR. VAN NOSTRAND: No objection.

19 JUDGE MOSS: It will be admitted as marked.

20 Q. Moving on to Exhibit 187, Mr. Widmer, could
21 you identify this exhibit, please?

22 A. Yes, this is another response to an Oregon
23 data request, Item 141.

24 Q. And the second page of this exhibit has the
25 title, Expiring Long-term Firm Sales Contracts; is

00357

1 that correct?

2 A. That's correct.

3 Q. Were these contracts included in your
4 PD/Mac model?

5 A. They were, with the exception of any item
6 that had expired prior to the pro forma period that
7 the company's included for this case, which is 12
8 months ended June of 2001 for power costs.

9 Q. Do you know which of these were excluded?

10 A. Yeah, hang on a minute. Those items would
11 include the Sierra Pacific sale, the Nevada Base
12 sale, the Nevada Peaking sale, the Glenbrook sale,
13 the Plains Electric G&T sale, and the Clark SEHA
14 sale.

15 Q. What is the document that you're referring
16 to for purposes of your answer?

17 A. I'm just looking at a net power cost study
18 output file.

19 Q. Do any of these transactions represent
20 market position trading?

21 A. They do not. They're all long-term firm
22 sales transactions.

23 Q. Do you know which contracts in Exhibit 187
24 are necessary to balance system requirements?

25 A. I'm not sure I could really answer that

00358

1 question. It's a very vague, open-ended question.
2 You know, the company's loads and resources is a
3 dynamic process that changes from minute-to-minute,
4 hour-to-hour. The power cost study that we use in
5 this case balances loads and resources, but I can't
6 specifically say which of these sales is used to
7 balance loads and resources.

8 MS. DAVISON: Thank you. Your Honor, I'd
9 like to move the admission of Exhibit 187, please.

10 MR. VAN NOSTRAND: No objection.

11 JUDGE MOSS: It will be admitted as marked.

12 MS. DAVISON: Your Honor, I'd like to move
13 the admission of Exhibit 188. I don't have any
14 questions on that exhibit.

15 MR. VAN NOSTRAND: Can you establish
16 whether the witness can lay a foundation for this
17 document?

18 MS. DAVISON: All right.

19 MR. VAN NOSTRAND: It is not from a data
20 request response in this jurisdiction.

21 MS. DAVISON: It's essentially kind of a
22 continuation of the document that was previously
23 marked and admitted as Exhibit 187, but sure.

24 Q. Mr. Widmer, do you have before you Exhibit
25 188?

00359

1 A. I do.

2 Q. And can you identify this exhibit?

3 A. Yes, this also is a response to an ICNU
4 data request from the Oregon rate case, Item Number
5 1.42.

6 Q. And can you identify what is contained in
7 this exhibit on the second and third pages of the
8 exhibit?

9 A. Yeah, this exhibit shows long-term firm
10 wholesale purchase contracts with termination dates,
11 normalized expense for 1998, normalized generation,
12 dollars per megawatt hour, and also shows the
13 cumulative items or contracts that expire on a
14 year-by-year basis for the first full year that the
15 expiration is effective.

16 MS. DAVISON: Thank you. I'd like to move
17 the admission of this exhibit.

18 MR. VAN NOSTRAND: No objection.

19 JUDGE MOSS: It will be admitted as marked.

20 MS. DAVISON: Thank you.

21 Q. Mr. Widmer, turning to Exhibit 189, do you
22 have that before you?

23 A. I do.

24 Q. If you turn to the -- it's the third page
25 of the exhibit, counting the cover page, you will

00360

1 see, about two-thirds down on the page, a number
2 associated with the total special sales. Do you see
3 that?

4 A. I do.

5 Q. And that number is 33,274,000,
6 approximately; is that correct?

7 A. That is correct.

8 Q. Do these special sales include any market
9 position trading transactions?

10 A. They do. The category labeled short-term
11 firm transactions for P, which would be Pacific,
12 Intertie and U, which would be Utah, those categories
13 include market position trading and transaction.

14 Q. Are all of these sales necessary to balance
15 system requirements?

16 A. No, the purpose of these transactions is to
17 take advantage of the company's integrated generation
18 and transmission system so that the company can
19 actually bring in more money in the door to the
20 benefit of retail customers. The more margin the
21 company makes in the wholesale business, it has an
22 effect of keeping the company's retail revenue
23 requirement lower, because we utilize the revenue
24 credit method.

25 Q. But for purposes of this case, any margin

00361

1 that you make above half a mill, the company gets to
2 keep that; correct?

3 A. I'm not sure we made a margin above a half
4 a mill. We used a half-mill margin on a normalized
5 basis.

6 Q. I'm sorry, Mr. Widmer. That wasn't
7 responsive to my question. My question was if you do
8 make a margin above half a mill, since you have only
9 assumed half a mill for purposes of this rate case,
10 the company would get to keep any margin above half a
11 mill; correct?

12 A. That's correct.

13 Q. Thank you. Does the company have a
14 strategy of reducing its wholesale transactions that
15 are not necessary to balance its system requirements?

16 A. Not that I'm aware of.

17 MS. DAVISON: Your Honor, I'd like to move
18 the admission of Exhibit 189.

19 MR. VAN NOSTRAND: No objection.

20 JUDGE MOSS: It will be admitted as marked.

21 Q. Moving on to Exhibit 190, can you identify
22 this, Mr. Widmer?

23 A. Yes, this is a data response to ICNU Data
24 Request 1.70-C from the Oregon rate case.

25 Q. Is this exhibit a monthly breakdown of the

00362

1 sales for resale that was contained in Exhibit 189?

2 A. Yes, it is.

3 Q. Do any of these transactions reflect market
4 position trading?

5 A. Yes, the short-term firm transactions that
6 I just identified.

7 MS. DAVISON: Thank you. Your Honor,
8 Exhibit 191 is a document that I discovered after I
9 put my exhibits together that has been admitted
10 through Staff. I'm not sure if you want to pull this
11 from the list or go ahead and admit it.

12 JUDGE MOSS: It's 165. Let's just go ahead
13 and keep it as 165.

14 MS. DAVISON: I thought you'd want to do
15 that, but --

16 JUDGE MOSS: No point in having it in the
17 record twice.

18 MS. DAVISON: That's what I assumed. Okay.

19 JUDGE MOSS: Did you want to move the
20 admission of 190?

21 MS. DAVISON: Oh, thank you. Yes, Your
22 Honor, I'd like to move the admission of Exhibit 190.

23 MR. VAN NOSTRAND: No objection.

24 JUDGE MOSS: It will be admitted as marked.

25 MS. DAVISON: Thank you. Your Honor, I

00363

1 don't have any questions on Exhibit 192, but I would
2 like to move the admission of that document.

3 MR. VAN NOSTRAND: No objection.

4 JUDGE MOSS: It will be admitted as marked.

5 MS. DAVISON: Your Honor, I don't have any
6 questions for Exhibit 193, but I'd like to move the
7 admission of that document.

8 MR. VAN NOSTRAND: No objection.

9 JUDGE MOSS: That was 193?

10 MS. DAVISON: 193, yes, Your Honor.

11 JUDGE MOSS: That will be admitted as
12 marked. Let me back up half a step. I want to make
13 sure I'm getting the accurate exhibit here. In my
14 notebook, on 192, I've got that it's an ICNU Data
15 Request Attachment Response 1.77.

16 MS. DAVISON: That's correct, Your Honor.

17 JUDGE MOSS: That's the cover sheet, and
18 then there is a sheet of data, and then I have ICNU
19 Data Request 2.91. Is that part of the same exhibit?

20 MS. DAVISON: No. I'm sorry, Your Honor,
21 that should be separate.

22 JUDGE MOSS: 2.91 is Exhibit 193?

23 MS. DAVISON: Yes, Your Honor.

24 JUDGE MOSS: I think it's just a duplicate
25 copy. I just was momentarily confused by the

00364

1 duplication. So just to be clear, Exhibit 193
2 consists of ICNU Data Request 2.91.

3 MS. DAVISON: Yes, Your Honor.

4 JUDGE MOSS: And the response thereto.

5 Okay, thank you.

6 Q. Okay. Mr. Widmer, could you turn to
7 Exhibit 194, which is identified as ICNU Data Request
8 2.98. Do you have that?

9 A. I do.

10 Q. Does the software identified in this
11 exhibit support market position trading?

12 A. I don't know. I can't answer that
13 question. This question should really be directed to
14 Mr. Jeff Larsen.

15 MS. DAVISON: Thank you. I'd like to --
16 Your Honor, I'd like to move the admission of Exhibit
17 194, knowing that perhaps I would be asking a
18 question of Mr. Larsen. I'm assuming that this is
19 also non-controversial.

20 MR. VAN NOSTRAND: No objection, Your
21 Honor.

22 JUDGE MOSS: It will be admitted as marked.

23 MS. DAVISON: Thank you.

24 Q. All right. Mr. Widmer, do you have Exhibit
25 195 in front of you, which is ICNU Data Request

00365

1 Attachment Response 2.101?

2 A. I do.

3 Q. All right. You may see a theme in my
4 questions developing here. With regard to this
5 document, do the wholesale trading and marketing
6 costs identified on page one reflect some costs of
7 the market position trading activity?

8 A. You know, I really can't answer that.
9 That's another question that should be directed to
10 Mr. Jeff Larsen. I don't get involved in operating
11 expenses of the company, only net power cost items.

12 MS. DAVISON: Thank you. Again, I would
13 like to reserve the ability to ask Mr. Larsen this
14 question, but I think, for simplicity, I would like
15 to move the admission of this document at this time.

16 MR. VAN NOSTRAND: No objection.

17 JUDGE MOSS: It will be admitted as marked.

18 Q. Mr. Widmer, we're coming rapidly to the end
19 of my exhibits. Do you have in front of you Exhibit
20 196, which is ICNU Data Request 2.102?

21 A. I do.

22 Q. Do you know if the employees identified in
23 response to this data request were involved in market
24 position trading?

25 A. I can't answer that question. I'm not

00366

1 aware of what goes into these numbers. I think it's
2 another question for Mr. Larsen.

3 MS. DAVISON: All right, thank you. Your
4 Honor, I would like to move the admission of Exhibit
5 196.

6 MR. VAN NOSTRAND: No objection.

7 JUDGE MOSS: It will be admitted as marked.

8 MS. DAVISON: Okay. Your Honor, is it --
9 I'm not done with my cross-examination, but I would
10 like to take a break, if that's all right?

11 JUDGE MOSS: Sure, we can do that. And I
12 think the Bench has a little business to conduct, so
13 let's go ahead and plan on 15 minutes, till ten after
14 the hour, and it may run a minute or two over that.
15 Thank you. We're off the record.

16 (Recess taken.)

17 JUDGE MOSS: Let's go back on the record,
18 then. And I believe Ms. Davison has a few more
19 questions for Mr. Widmer.

20 MS. DAVISON: Thank you, Your Honor.

21 Q. Mr. Widmer, in your Utah rebuttal
22 testimony, on page 33 of that testimony, I'd like to
23 just read to you a question and answer that you
24 provided, and then ask you a couple questions about
25 that.

00367

1 The question was on page 21 of Mr.
2 Falkenberg's testimony. He states that he is not
3 aware of a single instance in which a regulator
4 expressed a preference for use of normalized market
5 prices for a historic test period when actual data
6 were available. Do you have any comments?

7 And your answer was, Yes, several
8 investor-owned utilities in the Northwest use a form
9 of hydro normalization and use normalized market
10 prices in their revenue requirement determinations.
11 Do you recall that?

12 A. I do.

13 Q. My first question is, which utilities are
14 you talking about in your answer?

15 A. Enron, Avista and Puget.

16 Q. Are there specific cases that you are
17 referring to with that answer?

18 A. No, I'm just referring to some
19 conversations I had with the parties from those
20 companies that are responsible for preparing net
21 power cost information.

22 Q. Is Washington one of the states where this
23 normalization process that you referred to is
24 adopted?

25 A. Could you repeat the question?

00368

1 Q. It wasn't a very artful question. I'll try
2 it again. Is Washington one of the states where this
3 type of normalization is done?

4 A. I believe so.

5 JUDGE MOSS: By this type, you mean the
6 hydro?

7 MS. DAVISON: Yes, yes, or the hydro
8 normalization and used normalized market prices, yes.

9 JUDGE MOSS: Okay, thanks.

10 Q. Mr. Widmer, could you turn to your direct
11 testimony in this case, page 11, line 15, where you
12 had a correction earlier this afternoon. Not to be
13 hypertechnical, but your correction was "with the
14 exception of the last Utah rate case." I think
15 you're referring to the current Utah rate case; is
16 that correct?

17 A. Yeah, that's correct.

18 Q. Okay.

19 A. Yeah.

20 Q. Or are you referring to the last one, plus
21 the current one?

22 A. I'm referring to the current one, based
23 upon a 1998 test period.

24 Q. Is there any controversy regarding your
25 production cost model in Oregon?

00369

1 A. As far as I know, there have not been any
2 formal complaints and so forth based upon concerns
3 about the model up to now. We're involved in a
4 current case, and as part of that current case, Staff
5 has indicated that they're reviewing the model and
6 that they may have some concerns, but they haven't
7 come to a final conclusion about the model, I
8 believe. That's my recollection, anyway.

9 Q. Thank you. Is it your testimony that there
10 is no controversy in the state of Washington
11 regarding the PD/Mac model?

12 A. Well, we haven't had a rate case in 14
13 years, but to my understanding, the model was
14 accepted for use in calculating net power costs in
15 the last rate case that we had in Washington.

16 Q. So the basis of your statement that there's
17 no controversy is really because there has been no
18 opportunity for there to be a controversy, since
19 there hasn't been a rate case since the late 1980s;
20 is that correct?

21 A. That would work.

22 MS. DAVISON: Thank you. I don't have any
23 further questions, Your Honor.

24 JUDGE MOSS: Okay. Go ahead, Mr. Cromwell.
25

00370

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

2 BY MR. CROMWELL:

3 Q. Good afternoon, Mr. Widmer. My name's
4 Robert Cromwell. I'm with Public Counsel. I don't
5 think we've met.

6 A. Good afternoon, Mr. Cromwell.

7 Q. Thank you. I'd ask you to take a look at
8 what's been marked as Exhibit 180. It's the
9 company's response to Public Counsel Data Request
10 101. Do you have that in front of you?

11 A. I do.

12 Q. Can you identify it for us, please?

13 A. Yes, this is an attachment response that
14 responds to Public Counsel Data Request 101.

15 Q. What's the date that that company produced
16 this data response?

17 A. It looks like April 19th, 2000.

18 Q. And does this exhibit show data for eight
19 interruptible customers, along with the actual usage
20 of those customers during the 12 hours of system peak
21 demand that were used for interstate cost allocation
22 of production and transmission costs?

23 A. I believe that's correct.

24 Q. Were you just reading the request that we
25 propounded to the company to determine what the

00371

1 attachment --

2 A. Yes, I am. I'm probably not really the
3 appropriate person to respond to this request, but I
4 was trying to be responsive.

5 Q. You don't think you're the appropriate
6 witness to identify -- or to address this exhibit?

7 A. No, I'm not.

8 Q. And who would that be?

9 A. That would probably be Mr. Larsen, or it
10 could be responded to in a form of a record
11 requisition of some sort, I believe.

12 Q. One moment, please. Mr. Widmer, are you
13 aware that your attorney identified you as the
14 appropriate witness to address this exhibit for
15 Public Counsel last week?

16 A. It doesn't mean it's right.

17 Q. I'd probably be the first to admit that the
18 lawyers at the table are probably going to be more
19 mistaken on those issues than the folks sitting in
20 the back of the room.

21 So it's your testimony that Mr. Larsen
22 would be the appropriate person to address this
23 exhibit. Are you willing to discuss it with us as it
24 appears in front of you today?

25 A. Sure.

00372

1 Q. Thank you.

2 MR. VAN NOSTRAND: Mr. Cromwell, I'm also
3 told that Dave Taylor may be a better witness than
4 Mr. Larsen to address this.

5 MR. CROMWELL: Taylor?

6 MR. VAN NOSTRAND: Yeah. He's also
7 deferred. We can certainly stipulate to its
8 admission now, if it's easier.

9 MR. CROMWELL: Move to admit, Your Honor.

10 JUDGE MOSS: Well, it's been stipulated
11 that it can be admitted, so let's do it. Let's see,
12 what number is it again, 180?

13 MR. CROMWELL: It has been premarked as
14 Exhibit 180.

15 JUDGE MOSS: All right. 180 is admitted as
16 marked.

17 MR. CROMWELL: Thank you, Your Honor.

18 Q. If you know, sir, looking at that
19 attachment and realizing, as you do, from having read
20 the question, that we're looking at interstate
21 allocation, can you tell, from just looking at that
22 sheet of paper, who those customers are?

23 A. I cannot.

24 Q. And based on your 20-some years with the
25 company, do you, in fact, know who those customers

00373

1 are?

2 A. Oh, I think I know who some of them are,
3 but I'm not sure.

4 Q. All right. Well, let's take your best
5 guess, and we'll go on from there.

6 A. I'd rather not even guess.

7 Q. Okay. And would either Mr. Taylor or Mr.
8 Larsen be the right person to figure out who these
9 are?

10 A. Yes, they could give you that answer.

11 MR. CROMWELL: Okay. Your Honor, for the
12 record, at this point, I'd like to make a records
13 request to the company, asking them to please reread
14 Public Counsel Data Request 101 and take a look at
15 the response they provided to us and identify the
16 customers by name, rather than just a number.

17 JUDGE MOSS: Well, maybe we can focus the
18 request a little bit. Is the records requisition
19 request to identify the persons or companies listed
20 in the table that's the third page of this exhibit?
21 Is that the request?

22 MR. CROMWELL: It is, Your Honor. I guess
23 what I'm wanting to know is who contestants numbers
24 one through eight are.

25 JUDGE MOSS: I'm sorry?

00374

1 MR. CROMWELL: If you look at the first
2 row, go straight across and there's a pound symbol
3 and a one, and a pound and a two, and a pound and a
4 three.

5 JUDGE MOSS: Right.

6 MR. CROMWELL: It's my assumption that
7 those are the numbers of the customers that are
8 responsive, who have an interruptible status with the
9 company.

10 JUDGE MOSS: Right, you just want the
11 identity of those?

12 MR. CROMWELL: Who are they?

13 MR. VAN NOSTRAND: Your Honor, we have a
14 problem with providing customer-specific usage
15 information to any party. That's proprietary to the
16 customer. We don't have authorization from the
17 customers to release customer-specific usage
18 information in this forum.

19 JUDGE MOSS: Well, we do have a protective
20 order in place that of course Public Counsel is a
21 part of that.

22 MR. VAN NOSTRAND: I guess if we could
23 figure out a way to get that information to Public
24 Counsel without having it become a document that
25 identifies the customer's specific usage with the

00375

1 customer, I'm not sure the protective order addresses
2 all the concerns that we have.

3 JUDGE MOSS: All right. We can take this
4 up at the conclusion, then. I will ask that the
5 respective counsel put their heads together at the
6 next opportunity and see if something can be worked
7 out so that we can avoid turning this into a very
8 time consuming matter. And if not, then we'll deal
9 with it as we need to. Okay.

10 MR. CROMWELL: Will do, Your Honor.

11 JUDGE MOSS: So in the meantime, I'll
12 simply hold that Records Requisition Number Five, and
13 we'll satisfy its specific terms after you all have
14 had a chance to chat.

15 MR. CROMWELL: Okay. Thank you, Your
16 Honor.

17 Q. Mr. Widmer, I hesitate to ask you any more
18 questions about this exhibit. Would you be more
19 comfortable if we moved on?

20 A. I think so.

21 Q. Okay. Would you please take a look at your
22 testimony that's been marked as Exhibit 161, at --

23 JUDGE MOSS: Testimony?

24 Q. I'm sorry, it's your first exhibit. It was
25 included in your direct case, which the Court has

00376

1 marked as Exhibit 161. Do you have that in front of
2 you?

3 A. I do.

4 Q. Okay. And looking now down at lines 13,
5 which shows a system total, line 14, which is termed
6 special sales, and line 15, which is termed system
7 net of special sales, do the special sales include
8 the sales to the company's special contract
9 customers, as well as wholesale for retail sales?

10 A. What are you defining as wholesale for
11 retail?

12 Q. Well, that's a good question. Your entries
13 on line 14, what do you include in those special
14 sales?

15 A. It's just the short-term firm and long-term
16 firm sales, and non-firm, also.

17 Q. So it's long-term firm, short-term firm,
18 and non-firm?

19 A. Yeah, basically, it's all the items that we
20 include in our net power cost study.

21 Q. And do those sales total up to more than a
22 third of the -- let me rephrase the question. Do
23 those amounts total up to more than a third of the
24 total sales of the company?

25 A. They do.

00377

1 Q. And realizing that I may be delving into an
2 area that you're not most familiar with, are the
3 interruptible sales that we were talking about at the
4 beginning included in the state-by-state sales
5 figures or in the special contract line?

6 A. They would be included in the system net of
7 special sales.

8 Q. Just so I'm clear, that's the row 15?

9 A. Yes.

10 Q. And lastly, on the correction you made to
11 your testimony at page 11, being one of the folks
12 who's not participating in Utah here, I was wondering
13 if you could tell us, was -- you seemed to be
14 implying that that is an issue of contention in the
15 current Utah case; is that correct?

16 A. Yeah, that's correct. One of the
17 consultants was hired by the industrial customer
18 group, I think they were referred to as the large
19 customer group in Utah. Basically, in general,
20 complained that the company's model was out-of-date,
21 didn't produce reasonable results, and didn't compare
22 well with the actual operation of the company's power
23 supply system.

24 Q. So their assertion is it's out-of-date.
25 Well, how old is the model?

00378

1 A. The genesis of the model originally took
2 place in the early '80s. There have been changes to
3 the model since then. The most recent major change
4 occurred at the time of the merger with Utah Power
5 and Light, but there have been additional changes
6 since then to the model, more of a minor nature.

7 Q. So you'll forgive me, because I wasn't
8 around back then, but was that '96?

9 A. The Utah merger?

10 Q. Yeah.

11 A. It was 1989.

12 Q. Eighty-nine, I'm sorry.

13 A. Yeah.

14 Q. Professing my ignorance. From the name
15 PD/Mac, is it fair to assume that that is a MacIntosh
16 application?

17 A. That's correct.

18 Q. And do you know what system software it's
19 operating under now?

20 A. I'm not the computer expert. I couldn't
21 tell you. But we could find out in a record
22 requisition.

23 Q. Do you use the thing?

24 A. Yes, I do.

25 Q. What type of MacIntosh computer do you use

00379

1 it on?

2 A. We have a couple different computers.
3 We've got an older -- oh, what's the name of it?

4 Q. Is it one of the little ones, where
5 everything's in -- the monitor and everything's in
6 one unit?

7 A. No, it's more current. Like a power
8 something. I can't remember. We also have a brand
9 new MacIntosh with the latest operating system, OS9,
10 and we use that, also.

11 Q. So it will run under OS9?

12 A. Yes, it will.

13 Q. Was it ported up to that operating system
14 or was it running in an emulation mode?

15 A. I can't answer that.

16 MR. CROMWELL: Okay. I don't have any
17 further questions, Your Honor.

18 JUDGE MOSS: Okay. Bring us to an
19 opportunity for the Bench to have its inquiry, if
20 any.

21 CHAIRWOMAN SHOWALTER: No thanks.

22 COMMISSIONER HEMSTAD: I don't have any.

23 COMMISSIONER GILLIS: I don't have any.

24 JUDGE MOSS: All right. I don't have any
25 questions for you, either, Mr. Widmer, but we do have

00380

1 an opportunity for redirect examination.

2 MR. VAN NOSTRAND: Thank you, Your Honor.

3 May I approach the witness?

4 JUDGE MOSS: Yes, you may.

5

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

7 BY MR. VAN NOSTRAND:

8 Q. Mr. Widmer, do you have before you what's
9 been marked as Attachment 145-G?

10 A. I do.

11 Q. And is that the RMI study that you
12 discussed previously in your cross-examination to Mr.
13 Cedarbaum?

14 A. Yes, it is.

15 Q. And can you please describe the nature of
16 that study?

17 A. Yes, basically, it's an evaluation of the
18 company's acquisition of the Cholla, Craig and Hayden
19 generating units. The study undertook an evaluation
20 of the method the company used to determine whether
21 or not they wanted to acquire the facility. It also
22 evaluated the economic analysis that the company
23 prepared to come to the conclusion to acquire the
24 facilities, and it also rendered some conclusions
25 regarding the prudence of the company's acquisitions.

00381

1 And those conclusions are that the acquisition of
2 those facilities is beneficial to retail customers.

3 MR. CEDARBAUM: Your Honor, I guess I'll
4 object. I mean, at the point before Mr. Widmer
5 starting describing conclusions, I didn't have any
6 problem, he was just describing what the study was,
7 but if we're now going to go into conclusions that
8 were drawn or what's in the study, then -- and if
9 this is information that Mr. Van Nostrand had
10 intended to attach to one of the exhibits that I had
11 been discussing with him, I think we ought to just
12 have the exhibit, so that that's the best evidence of
13 what those reports are.

14 MR. VAN NOSTRAND: That would be fine. May
15 I distribute that exhibit, Your Honor?

16 JUDGE MOSS: Sure.

17 MR. VAN NOSTRAND: Your Honor, we would
18 offer these. I don't know if you want to give them a
19 separate exhibit, but they are essentially documents
20 that are attachments to Exhibit 164, which was the
21 company's response to WUTC Data Request Number 145,
22 Attachments G and H.

23 JUDGE MOSS: Okay. This is Attachments G
24 and H to what's previously been admitted as 164?

25 MR. VAN NOSTRAND: Yes, Your Honor.

00382

1 JUDGE MOSS: Mr. Cedarbaum, can we just
2 supplement that exhibit or shall we have a new
3 exhibit number?

4 MR. CEDARBAUM: Supplementing is fine with
5 me.

6 JUDGE MOSS: All right. This will be a
7 supplement to 164.

8 Q. Mr. Widmer. do you also have before you
9 Attachment 145-H?

10 A. I do.

11 Q. Could you describe that document, please?

12 A. That is the RMI evaluation study of the
13 company's prudence of acquiring the Hermiston
14 generation.

15 Q. And did that study look at the -- examine
16 the analysis performed by the company at the time it
17 acquired that facility?

18 A. Yes, it did.

19 MR. CEDARBAUM: Your Honor, I'll object to
20 any questions that go into the detail of the studies.
21 They're in evidence now, they speak for themselves.
22 This witness -- the studies were performed not by
23 PacifiCorp, but by RMI, which is a third party
24 consulting group. This witness had nothing to do
25 with the studies, since he wasn't an employee of that

00383

1 third party. Again, I don't object to them being
2 admitted into evidence, but they are the best
3 evidence of the studies. This witness has no
4 qualification or expertise to analyze what RMI did or
5 didn't do.

6 MR. VAN NOSTRAND: Just asking a variation
7 on the very same questions Mr. Cedarbaum asked of
8 this witness during his cross-examination.

9 JUDGE MOSS: It does strike me that way,
10 too, Mr. Cedarbaum. You inquired of the witness
11 about these studies. So if he has some knowledge of
12 them, he can say so in response to the questions on
13 redirect. If he has no knowledge, I expect him to
14 say so.

15 MR. CEDARBAUM: Your Honor, the only
16 questions I asked were the date the studies were
17 prepared. I didn't ask him about the substance of
18 them whatsoever.

19 JUDGE MOSS: Well, that, nevertheless,
20 opens up the subject matter of the studies as part of
21 the record. When you touch on an area, you may not
22 want the witness to go further into the area than you
23 wish to go into it, but Counsel has the opportunity
24 to go further. So that will be allowed, so the
25 objection is overruled.

00384

1 MR. CEDARBAUM: I'd like a continuing
2 objection to the witness testifying to the substance
3 of the study he was not involved in whatsoever. I
4 think there's a big difference between testifying
5 that the study was done, when it was done, and that
6 it was referenced in a data request response, but to
7 testify to the substance of the study is much
8 different.

9 JUDGE MOSS: Okay. Your objection to this
10 line of questions is noted for the record. It's
11 overruled. Let's go ahead.

12 Q. Mr. Widmer, in Attachment 145-H, did the
13 RMI study analyze or examine the analysis performed
14 by the company at the time it acquired the Hermiston
15 generating unit?

16 A. Yes, they did. They analyzed that and also
17 the cost of alternative resources that were acquired
18 by other parties within the region and found both --
19 found the company's analysis to be appropriate and
20 prudent and reasonable, and also found that the
21 company's acquisition cost of the Hermiston facility
22 compared very favorably to other resources acquired
23 within the region.

24 Q. And did that study consider as well the
25 company's decision-making process, including

00385

1 information provided to the company's board of
2 directors?

3 A. It considered all that information.

4 JUDGE MOSS: Excuse me, Mr. Van Nostrand.
5 To be perfectly clear, I've got this very thick stack
6 of paper. Does that include both the G and the H?

7 MR. VAN NOSTRAND: Yes, it does, Your
8 Honor.

9 JUDGE MOSS: Okay, fine. Just want to be
10 clear.

11 MS. DAVISON: I have H as a separate
12 document.

13 MR. VAN NOSTRAND: Sorry, it's coming. I
14 thought we had them both in there.

15 JUDGE MOSS: Just want to make sure it's
16 coming.

17 CHAIRWOMAN SHOWALTER: Where does this go?

18 JUDGE MOSS: This is part of Exhibit 164.

19 MR. VAN NOSTRAND: Do I understand
20 correctly, Your Honor, that both of these attachments
21 are now included as part of Exhibit 164?

22 JUDGE MOSS: That was the protocol we
23 agreed upon, and that's what will be done. You're
24 going to have to start passing out binder clips with
25 these things.

00386

1 Q. Mr. Widmer, do you recall a Staff exhibit
2 -- or Exhibit 177, which was the response to Staff
3 Data Request 180 concerning the James River
4 cogeneration project?

5 A. I do.

6 Q. First of all, when Staff asked you what
7 type of facility that was, I believe you indicated it
8 was a combined cycle combustion turbine. Would you
9 like to revisit that answer?

10 A. Yeah, I'd like to amend that. The James
11 River facility is a cogeneration facility. It's a
12 steam only facility, not a combined cycle facility.
13 And the facility burns hog fuel, black liquor fuel,
14 which is a process, or a by-product of the paper
15 process, and also burns natural gas.

16 Q. Now, Exhibit 177 indicates that no
17 information was provided with respect to James River,
18 and that documents were made available in Portland.
19 Is that the way you read that response?

20 A. That's correct.

21 Q. Were there other data request responses
22 which were directed towards James River cogeneration
23 facility?

24 A. Yes, there were.

25 Q. And any data request response in

00387

1 particular?

2 A. Yes, the company's response to WUTC Request
3 182 provided a copy of testimony and exhibits that
4 were filed with the Oregon Public Utility Commission,
5 which reviewed the James River project and also
6 showed the economics of the project, which provide a
7 substantial benefit to retail customers.

8 MR. VAN NOSTRAND: Your Honor, if I may
9 approach the witness.

10 JUDGE MOSS: You may.

11 Q. Do you recognize that document as the
12 company's response to Staff Exhibit 182, or Staff
13 Data Request 182?

14 A. Yes.

15 Q. Is that the response to which you were
16 referring?

17 A. Yes, it is.

18 MR. VAN NOSTRAND: Your Honor, I would move
19 the admission of 182.

20 MR. CEDARBAUM: I haven't seen it.

21 MR. CROMWELL: Your Honor, could I have a
22 copy?

23 JUDGE MOSS: 182 was not the next exhibit
24 number, but you want this marked as an exhibit?

25 MR. VAN NOSTRAND: Marked as the next

00388

1 numbered exhibit.

2 JUDGE MOSS: All right. It will be 198 for
3 identification, and it is the response to Staff Data
4 Request 182, and it's been moved for admission. Any
5 objection?

6 MR. CEDARBAUM: No.

7 JUDGE MOSS: Being no objection, it will be
8 admitted as marked.

9 Q. Mr. Widmer, in response to questions from
10 Ms. Davison, I believe you indicated you did not know
11 whether A&G was removed from the PD/Mac. Have you
12 had an opportunity to refresh your recollection on
13 that point?

14 A. Yes, I have. And the answer should be
15 corrected to say that A&G was not removed from
16 PD/Mac. PD/Mac is strictly a net power cost model.
17 It doesn't do anything with A&G cost. A&G costs
18 would have been dealt with in Mr. Larsen's area of
19 the testimony and exhibits.

20 Q. Another document which Ms. Davison
21 discussed with you was the study prepared and
22 discussed in the Utah proceeding from the Hayet Power
23 Systems Consulting, which was a review of the PD/Mac.
24 Do you recall that?

25 A. I do.

00389

1 Q. I believe you had some additional comments
2 which you wanted to make regarding this document,
3 which you were not allowed to complete?

4 A. Yeah, a couple things that I wanted to say
5 in regard to that.

6 MS. DAVISON: Your Honor, I object to this,
7 for sort of the same reasons Mr. Cedarbaum made an
8 objection earlier. I asked a question about this
9 document. The witness said that he's glanced at the
10 document, and that was the extent of his knowledge
11 about a document that he did not prepare. I do not
12 think that it is appropriate after a break and after
13 coaching of the witness for him to come back on the
14 stand and make a speech about this report.

15 JUDGE MOSS: Well, I would hope that the
16 witness has not been coached, because, of course,
17 that is not permitted during breaks during the
18 proceedings. We'll give you an opportunity to
19 follow-up on re-cross, however, to the extent -- I
20 mean, the area's been opened by the question, so I
21 think I have to give Counsel the opportunity to
22 pursue it on redirect, and then I'll give you an
23 opportunity, if you need some follow-up, to re-cross.
24 So do you still have the question in mind, Mr.
25 Widmer?

00390

1 THE WITNESS: I do. Actually, what I was
2 saying earlier when I was cut off by Ms. Davison, was
3 that while I had glanced through the report, one of
4 the items that I did kind of notice was that the
5 consultants who prepared the report made a statement
6 that they felt the PD/Mac model, which is the model
7 we use in this rate case, is the appropriate model to
8 use to calculate regulatory net power costs for the
9 company and some of the reasons that it's appropriate
10 is because it's an easy model to use, it provides a
11 good audit trail, and produces reasonable results.

12 Q. Finally, Mr. Widmer, referring to Exhibit
13 183, which was the net power cost stipulation from
14 the Utah proceeding, do you recall Ms. Davison's
15 questions on that exhibit?

16 A. I do.

17 Q. And the suggestion was made that the
18 company was calculating net power costs differently
19 in Washington than it was in Utah, and I believe you
20 answered yes to that point?

21 A. I did.

22 Q. Is there a further explanation to your
23 answer?

24 A. Yes, there is.

25 Q. Will you please provide it?

00391

1 A. There are several reasons that net power
2 costs would be calculated different in Utah than they
3 are here in Washington. The first of which is Utah
4 has different requirements for normalization that
5 they allow for ratemaking purposes. In Utah, they
6 only allow you to make normalization adjustments that
7 are within the actual test period. They do not allow
8 you to make pro forma adjustments as they do here in
9 Washington. For example, if we had a power sale
10 contract that expired in 1999, and we had a '98 test
11 period in Utah, the company would not be allowed to
12 reflect that adjustment in its case.

13 However, here in Washington, where we allow
14 pro forma adjustments, that type of adjustment would
15 be allowed to be made for regulatory filing purposes.

16 In addition to that, I think I may have
17 confused everybody on this, we did make some of the
18 adjustments that were agreed to in the Utah
19 stipulation. As I mentioned, the overall product of
20 the stipulation was a give and take process, whereby
21 we agreed to a bottom line determination for that
22 rate case. However, after the fact, we have reviewed
23 several of the items that we agreed to, and we think
24 some of them made sense. So we made adjustments to
25 our filing to correspond to those items of the

00392

1 agreement. However, there are other items of the
2 agreement that we did not agree to, and we did not
3 make those adjustments to this case.

4 MR. VAN NOSTRAND: Thank you, Mr. Widmer.
5 I have no further questions, Your Honor.

6 JUDGE MOSS: All right. I suppose we
7 should follow the same order and see if there is any
8 re-cross.

9

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

11 BY MR. CEDARBAUM:

12 Q. I just have a few questions, Mr. Widmer.
13 With respect to the Attachments 145 G and H to
14 Exhibit 165, these were studies prepared by a company
15 called RMI?

16 A. Yeah, it's Resource Management
17 International.

18 Q. They were not prepared by PacifiCorp?

19 A. They were not.

20 Q. And it's not your testimony that this
21 Commission -- or is it your testimony that this
22 Commission shouldn't make its own independent
23 evaluation of the prudence of the company's resource
24 acquisitions?

25 A. I believe this Commission has every right

00393

1 and ability to make their own determination of the
2 prudence of those resource acquisitions. However, I
3 believe --

4 Q. Excuse me, Mr. Widmer. I think you
5 answered my question, and that's fine. Other than
6 what might be described in these studies that RMI
7 performed, isn't it correct that there's nothing in
8 your direct testimony or exhibits which discusses the
9 prudence of your company's new power resources?

10 A. I think the company's case --

11 Q. My question was, is there anything in your
12 direct testimony or exhibits which discusses the
13 prudence of the company's new power resources?

14 A. My testimony -- my exhibits include the
15 cost of the resources that were acquired, which could
16 be used to evaluate prudence.

17 Q. Your exhibits include only the actual cost
18 of those resources?

19 A. They include normalized costs.

20 Q. Finally, with respect to Exhibit 198, the
21 first sentence of the response indicates that the
22 company didn't file any information specific to James
23 River with this Commission. Do you see that?

24 A. I do.

25 Q. But then attached is the testimony of Roger

00394

1 Weaver. Is this the current Oregon proceeding that
2 this was filed in?

3 A. No, this was filed probably around 1994-5
4 time frame.

5 Q. Sorry. I didn't see the date right at the
6 bottom. Obviously, Mr. Weaver's not an exhibit --
7 not a witness or an exhibit in this proceeding?

8 CHAIRWOMAN SHOWALTER: Then we'd really
9 need a big notebook.

10 Q. Right?

11 A. That's correct.

12 Q. Do you know, is it the company's intention
13 to make Mr. Weaver appear on rebuttal on this case?

14 A. I think it's entirely possible. I don't
15 know that it's been decided yet.

16 Q. Also, on the first page of Exhibit 198,
17 there's reference to the company's responses to WUTC
18 Staff Data Requests Numbers 1, 144 and 145, do you
19 see that?

20 A. I do.

21 Q. And those responses themselves were
22 discussed with you earlier today and are currently
23 exhibits in the case; is that right?

24 A. That's correct.

25 MR. CEDARBAUM: Thank you. Those are all

00395

1 my questions.

2 CHAIRWOMAN SHOWALTER: Can I ask a follow
3 up question?

4 JUDGE MOSS: Yes, I do have one clarifying
5 point. With respect to your questions, Mr.
6 Cedarbaum, at one point early on, I think you made
7 reference to Exhibit Number 165, and discussed, in
8 connection with that, those Attachments G and H, and
9 I just want to be perfectly clear, in case I heard
10 you correctly, that you meant to refer to Exhibit
11 164, which is the response to WUTC Data Request 145?

12 MR. CEDARBAUM: Yes, you're right, Your
13 Honor. I did misspeak.

14 JUDGE MOSS: I may have misheard. I just
15 want the record to be clear.

16 MR. CEDARBAUM: I think I did misspeak.
17 Thanks.

18

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

20 BY CHAIRWOMAN SHOWALTER:

21 Q. You piqued my curiosity to your statement
22 that the Commission has the right and ability to look
23 at prudence. You were going to say, However, and I'm
24 wondering what it was you were going to say?

25 A. What I was going to say is, however, an

00396

1 independent third party that was hired by some of
2 your regulatory brethren to evaluate the prudence of
3 the resources should be taken into consideration in
4 your deliberations, I believe. That's all.

5 CHAIRWOMAN SHOWALTER: Thanks.

6 JUDGE MOSS: Nothing further from the
7 Bench. I guess we can turn to Ms. Davison. You may
8 have some re-cross.

9 MS. DAVISON: I do. Thank you, Your Honor.

10

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

12 BY MS. DAVISON:

13 Q. Mr. Widmer, I'd like to just make sure that
14 the record's clear on your responsibilities. And
15 referring to your testimony, on page one, you state
16 that you're responsible for the coordination and
17 preparation of net power costs and related analyses.
18 Is that correct?

19 A. Yes.

20 Q. And I believe that we heard a lot of
21 testimony from you today about things you're not
22 responsible for and a lot of questions you referred
23 to Mr. Larsen; isn't that correct?

24 A. That's correct.

25 Q. After we came back from the break and

00397

1 talking about Exhibit 164 and Attachments G and H,
2 you made a very strong statement that the Hermiston
3 project, the James River project, and you may have
4 listed others, provide substantial benefits to
5 customers. I'd like to know the basis upon which
6 you've reached that conclusion.

7 A. The basis of that conclusion are the
8 economic analyses prepared and used in the
9 decision-making process to acquire those facilities.

10 Q. And you're familiar with those analyses?

11 A. I'm familiar with the results of them. I'm
12 vaguely familiar with the work that went into them.

13 JUDGE MOSS: I'll interject here that I
14 would caution Counsel against making
15 characterizations about a witness' answers in
16 testimony.

17 MS. DAVISON: All right. Thank you, Your
18 Honor.

19 Q. Perhaps with that caution in mind, let's go
20 back to the further elaboration you had of Exhibit
21 182, which is essentially an audit report of PD/Mac
22 that was prepared for Utah. Was Mr. Falkenberg
23 involved in the preparation of this report?

24 A. Yes, he was.

25 Q. And earlier this afternoon, you finished

00398

1 giving an answer that you thought I had cut you off.
2 Could you repeat what that was, so I don't
3 mischaracterize it?

4 A. Which part of it are you --

5 Q. Regarding the PD/Mac model. To refresh
6 your recollection, you said something like it's
7 reasonable, it's easy to use, it provides a great
8 audit trail, something along those lines. Do you
9 recall what you said?

10 A. Yeah, you pretty much covered it right
11 there.

12 Q. That's what I thought. Are you aware that
13 the audit report does make some recommendations
14 regarding PD/Mac in terms of -- for example, on page
15 three, the report says PacifiCorp has not given high
16 enough priority to maintaining and upgrading PD/Mac.
17 Do you recall that in your report?

18 A. I do vaguely. Like I said, I didn't read
19 through it thoroughly. Despite the fact that the
20 report was only provided -- or completed in August of
21 '98, we didn't actually get a copy of the report
22 until March of 2000, because the report was deemed to
23 be confidential. So I haven't read it real
24 thoroughly. But given my vague recollection of what
25 I saw, I would say that the company would disagree

00399

1 with some of those recommendations that were made by
2 Hayet.

3 Q. You're not suggesting by your testimony
4 that Mr. Falkenberg does not have criticisms of the
5 PD/Mac model, are you?

6 A. No.

7 Q. And you were present in the Utah hearing,
8 were you not, when Mr. Falkenberg provided a list of
9 some of the criticisms he had with the PD/Mac model,
10 weren't you?

11 A. Yes, and I think also Mr. Falkenberg stated
12 that he would have criticisms of any model, that no
13 model is perfect and they all have things that don't
14 work perfectly.

15 Q. I didn't ask you to characterize it. I
16 just wanted to know if you were present?

17 A. I was.

18 MS. DAVISON: I don't have any further
19 questions.

20 JUDGE MOSS: Mr. Cromwell, any re-cross?

21 MR. CROMWELL: I have no re-cross. Just
22 thank Mr. Widmer for his time and wish him a safe
23 trip home.

24 THE WITNESS: Thank you.

25 JUDGE MOSS: Anything further from the

00400

1 Bench? Mr. Widmer, I think you probably have been
2 here when I've alerted other witnesses to the fact
3 that you're being released subject to recall, and
4 your counsel will inform you if we have need for your
5 presence on the stand again. Subject to that, thank
6 you very much.

7 THE WITNESS: Thank you.

8 MR. CROMWELL: Your Honor, would you like
9 to take five, maybe, to see if Mr. Van Nostrand and I
10 could resolve that confidentiality issue?

11 JUDGE MOSS: Well, maybe this would be a
12 good moment to do that. Let's go off the record for
13 about five minutes, but everybody stay around.

14 (Recess taken.)

15 JUDGE MOSS: Let's go back on the record.
16 And Mr. Cromwell, what's the status of the exhibit?

17 MR. CROMWELL: Thank you, Your Honor. As
18 to Records Request Number Five, which Public Counsel
19 has made regarding the -- I believe it's Exhibit
20 Number 180. Let me just double check. Yes,
21 regarding Exhibit Number 180, I would request on
22 behalf of Public Counsel that the company produce the
23 identity of the state in which each of those
24 customers is located. And we would reserve the
25 right, if further analysis makes it necessary, for us

00401

1 to have a further breakdown of that. In other words,
2 if there's multiple customers in one state and
3 there's part of our analysis that requires actual
4 identification of a customer, we'll submit that as a
5 data request later and Mr. Van Nostrand can identify
6 it separately.

7 JUDGE MOSS: You're in agreement with this?

8 MR. VAN NOSTRAND: We are, Your Honor.

9 JUDGE MOSS: Okay, fine. That's how it
10 will be. I'm sure you all understand it between
11 yourselves, so I'll leave it at that. So I guess
12 this brings us to our next witness.

13 Whereupon,

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

17 JUDGE MOSS: Please be seated.

18

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

20 BY MR. VAN NOSTRAND:

21 Q. Ms. Rockney, could you state your name and
22 spell it for the record, please?

23 A. Yes, it's Carol Rockney, R-o-c-k-n-e-y.

24 Q. And you're employed by PacifiCorp?

25 A. Yes, I am.

00402

1 Q. What is your position with the company?

2 A. I'm manager of tariff policy and the
3 regulation group.

4 Q. Do you have before you what's been marked
5 for identification as Exhibit 250-T?

6 A. Yes, I do.

7 Q. You recognize that as your prefiled direct
8 testimony?

9 A. Yes, it is.

10 Q. Do you have any additions or corrections to
11 make to that document?

12 A. I have two words to add. And that would be
13 on page three, line 22, towards the end of the
14 sentence after the "and," I would add the words "up
15 to".

16 Q. Does that complete your corrections, Ms.
17 Rockney?

18 A. Yes, it does.

19 Q. If I asked you the questions set forth in
20 Exhibit 250-T today, would your answers be the same?

21 A. Yes, they would.

22 Q. You also have before you what's been marked
23 for identification as Exhibits 251 through 255?

24 A. Yes.

25 Q. Do you recognize those as exhibits

00403

1 accompanying your prefiled direct testimony?

2 A. Yes, I do.

3 Q. Are they true and correct, to the best of
4 your knowledge?

5 A. Yes, they are.

6 MR. VAN NOSTRAND: Your Honor, I'd move the
7 admission of Exhibit 250-T and 251 through 255.

8 MR. CEDARBAUM: No objection.

9 MR. CROMWELL: No objection.

10 JUDGE MOSS: Hearing no objection, those
11 will be admitted as marked.

12 MR. VAN NOSTRAND: Ms. Rockney is available
13 for cross-examination.

14 JUDGE MOSS: Mr. Cedarbaum.

15 MR. CEDARBAUM: Thank you.

16

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

18 BY MR. CEDARBAUM:

19 Q. Hello, Ms. Rockney.

20 A. Hello.

21 Q. My questions are really of a clarification
22 nature, because in a few instances, the proposed
23 tariffs that are attached to your testimony use the
24 word "may" in them, in terms of assessing a charge
25 for various services. So I'd like to explore with

00404

1 you what that means in terms of just what may means.
2 Does it mean will, shall, or under what circumstances
3 the company has discretion to charge or not to
4 charge.

5 And the first instance of that involves
6 page two of your testimony, the unauthorized
7 reconnection tampering charge that's discussed at the
8 bottom half of the page, and then your Exhibit 251 is
9 the tariff page for that charge. Do you see that?

10 A. Yes.

11 Q. If you'd look at Exhibit 251, down at the
12 bottom, there's an indication that actual costs may
13 be charged. Can you just explain what the company's
14 intent is with respect to that aspect of the proposed
15 tariff?

16 A. Yes, I will. The intent is to mirror
17 language in our other states that is similar to this.
18 And as I explained in Data Response Number 93, the
19 reason that we have included the words "may" is to
20 give the company a slight discretion to charge the
21 tampering fee or not in those instances where you
22 have a customer's facilities that, in the company's
23 view, were tampered with, the customer says no, I
24 didn't live there, I didn't -- I can establish I
25 didn't live there at the time, and maybe no one was

00405

1 living there. So the company would not be wanting to
2 charge that customer for a tampering fee if they
3 could demonstrate that, in fact, they weren't living
4 there.

5 So it was those very unusual situations
6 like that that we were trying to accommodate for.

7 Q. So it's the company's intent, in a
8 situation where you can trace the cause of the
9 tampering to the customer, that you wish to charge
10 for that tampering --

11 A. Yes.

12 Q. -- then they will be charged and they will
13 be charged actual cost?

14 A. Yes, they would.

15 Q. On page three of your testimony, you
16 discuss the meter test charge proposal at the top
17 half of the page. And as I understand it, the
18 proposal is a charge of \$60 for each test, each meter
19 test in excess of one during a 12-month period. And
20 I take the timing of that to mean that if I asked for
21 a meter charge on April 26th, the year 2000, I can't
22 get another free meter test until, well, the day
23 after 12 months from now. Is that how that would
24 work?

25 A. Yes, that's how the calendar would work.

00406

1 Q. Okay. What if I asked for a meter test
2 and, in the course of that test, the company found
3 out that my meter actually was reading inaccurately
4 and I was being overcharged or undercharged. Would
5 there be a charge for that meter test?

6 A. No, there would not. And that's specified
7 in our tariff as it stands right now.

8 Q. That's not contained within the exact
9 proposal that you have before us today?

10 A. It's not contained in our proposal, because
11 it's already in our tariff. That would be Rule 11 --
12 excuse me, Rule 8, Section B(3). Would you like me
13 to read that?

14 Q. Sure.

15 A. Okay. It says, If the customer requests
16 more than one test in 12 months, the company may
17 request the amount specified in Schedule 300. If the
18 meter errs more than two percent, the company will
19 refund the advance.

20 Q. So we have to read these two provisions
21 together?

22 A. Yes.

23 Q. If you'd look at page three, the contract
24 administration credit, and then looking at your
25 Exhibit 252 -- I'm sorry.

00407

1 A. Where is that on page three?

2 Q. I'm sorry, I'm on page four of your
3 testimony. I apologize.

4 A. Okay.

5 Q. And this relates to your Exhibit 253; is
6 that right?

7 A. Yes, it does.

8 Q. If we look at Exhibit 253, there's also
9 that -- at the bottom, under paragraph H, the second
10 line up from the bottom, it says "may" again. Can
11 you just explain what the company's intent is with
12 respect to that word and how this tariff will be
13 implemented?

14 A. Again, this is tariff language that we used
15 in all our other states and it's an attempt to be
16 consistent with that, and I don't think it's any more
17 than that.

18 Q. Well, under what circumstances -- what are
19 the criteria that you would use to exercise the
20 discretion not to charge for this service?

21 A. This isn't a charge. The contract
22 administration is a credit that customers have the
23 election of receiving or not. So for example, if a
24 customer has a line extension contract and they put
25 up an amount that could be refunded later, they have

00408

1 the choice to get that refund later or they can get
2 \$250 as a contract credit up front today, because
3 they say, Well, maybe nobody else is going to connect
4 to that line. So that's the purpose of the credit.

5 Q. Actually, you and I may be on different
6 pages.

7 A. Okay.

8 Q. I'm referring to your Exhibit 253. Do you
9 have that? It's entitled Facilities on Customers'
10 Premises?

11 A. Okay. I'm sorry, I thought you were
12 talking about page four, the contract administration
13 credit.

14 Q. I think I did mislead you there. I think
15 we're both together on the same page.

16 A. Okay.

17 Q. And this has to do with maintenance of
18 customer facilities. And in that section, it says
19 the company may charge for the service call, as
20 specified in Schedule 300. So I'd like you to
21 explain what the company's intent is with respect to
22 that use of the word "may"?

23 A. As I've said, it's really mirroring
24 language in other states to give the company some
25 flexibility in a strange incident where the customer,

00409

1 in the company's view, shouldn't be required to pay
2 that service fee. So for example, just a service
3 call fee is for where the customer has problems with
4 their facilities, they might not know that at the
5 time. They call the customer -- the company, and the
6 company says have you checked your breakers, have you
7 checked your own equipment. The customer says, Yes,
8 I've done all that. We go out there and, in fact,
9 there's a problem on the customer's equipment, then
10 we would charge such a fee.

11 If there was a chance that the customer was
12 not notified that there was such a fee involved or
13 there was some other extenuating circumstances, the
14 company would like the ability not to charge the
15 customer for the service call.

16 Q. Okay. Has there been any discussion with
17 respect to all of these "may" language provisions?
18 What's the process internally in the company if
19 there's a dispute with a customer about whether we're
20 in a may situation or a shall situation?

21 A. There's been some of that. One of my other
22 jobs is managing the customer appeal line, where we
23 talk to customers on a daily basis about issues such
24 as this, for example. And if you had a circumstance
25 like this, we would give a customer the benefit of

00410

1 the doubt and not charge them such a fee. We would
2 waive such a fee.

3 Q. The last "may" issue is with respect to the
4 whole house surge protector, which sounds like a
5 pretty a cool thing. And that's described in Exhibit
6 254. There's that "may" language again. Is your
7 answer similar as to how --

8 A. Yes, it is.

9 Q. Okay. What kind of -- can you give me an
10 example of a situation where the company would waive
11 the charge?

12 A. This one, I probably don't have an example,
13 because we haven't installed very many of these, and
14 I don't have too much experience with them. I think,
15 again, it's an attempt to mirror the language that we
16 typically use for these charges and to give the
17 company flexibility down the road should there be a
18 situation where you'd want to waive a charge.

19 Q. I guess I'm trying to understand when that
20 -- why a situation like that could occur, because
21 here you're just installing an appliance, or whatever
22 it is. And why would there be a situation where you
23 wouldn't charge a customer for that?

24 A. As I mentioned, I can't think of any,
25 because we haven't done too much -- too many of these

00411

1 installations. I guess it does give you the
2 flexibility down the road to have that option should
3 there be circumstances that may arise.

4 Q. But you have nothing specific in mind?

5 A. No.

6 MR. CEDARBAUM: Thank you. Those are all
7 my questions.

8 JUDGE MOSS: Let's see. I think Public
9 Counsel was the only other party who had indicated
10 some questions for this witness.

11 MR. CROMWELL: Thank you, Your Honor. I
12 notice that Ms. Dixon's here, as well. Does she have
13 any questions?

14 MS. DIXON: No, not for this witness.

15 MR. CROMWELL: Thank you.

16

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

18 BY MR. CROMWELL:

19 Q. Ms. Rockney, would you please turn to
20 Exhibit 256, which is the company's response to
21 Public Counsel Data Request Number 72?

22 A. Yes, I have that.

23 Q. And can you identify that exhibit for us
24 today?

25 A. This is a question that asks about closure

00412

1 and opening of local customer service offices.

2 Q. And this was the company's response to that
3 question?

4 A. Yes. I don't want to give any speeches or
5 anything, but I just would like to say that I think
6 the question is a little narrow, and I think that
7 response is narrow, as well.

8 Q. Okay. Well, I think if you want to say
9 more, Mr. Van Nostrand can certainly give you that
10 opportunity.

11 A. Yeah, yeah.

12 Q. I guess I was just going more to the point
13 this was the company's response, and it's true and
14 accurate?

15 A. Yes.

16 MR. CROMWELL: I'd move admission of what's
17 been marked as Exhibit Number 256.

18 MR. VAN NOSTRAND: No objection, Your
19 Honor.

20 JUDGE MOSS: It will be admitted as marked.

21 MR. CROMWELL: Thank you.

22 Q. Is it true that all of the customer service
23 offices that the company had were closed?

24 A. It's true that the local customer service
25 offices were closed, but it's also true that we have

00413

1 what's called operations centers that are open to
2 serve customers in three communities.

3 Q. What communities are those?

4 A. Let me look that up for you. That would be
5 Yakima, Sunnyside, and Walla Walla.

6 Q. And do they generally keep business hours
7 or --

8 A. Yes, it's typically eight to five. We have
9 what's called an operations clerk on duty, and we get
10 about 75 customers a week coming into those centers,
11 and a lot of what they do is the new connect work.
12 They also take care of questions that customers have.
13 And then, in those three centers, we have phones that
14 link up to our two business centers, one in Portland
15 and one in Salt Lake.

16 Q. And is that for use by that clerk to
17 connect to the other parts of the company to get
18 information?

19 A. It's for the customers to use.

20 Q. So customers would be calling those
21 operations centers locally? I'm just trying to get
22 the change clear, what --

23 A. Okay. The op centers are open for
24 customers to walk in and ask questions and get new
25 connects. And a phone is there also to link up to

00414

1 our business centers for those customers to dial
2 right there.

3 Q. So if a customer comes to your operations
4 center, they can pick up a phone or talk to the
5 clerk?

6 A. Yes, they can do either one. We encourage
7 them to use our business centers.

8 Q. So for example, if a residential customer
9 had a question about a bill or something, this is
10 where they would go?

11 A. Like I said, we encourage them to use our
12 business centers, but we do have operations clerks
13 who will answer their questions, as well.

14 Q. Are those clerks trained in customer
15 service --

16 A. Oh, yes.

17 Q. -- and provided scripts, that sort of
18 thing? I noticed you talk with Mr. Cedarbaum a
19 little bit about the "may" and discretion and all
20 that. Are all these folks trained on a certain
21 standard or do you have sort of a script that they
22 all go with so that you get a certain uniformity of
23 response to customers?

24 A. We have training at -- the scripting, like
25 you're talking about, at our business centers, both

00415

1 Portland and Salt Lake, and it's very standardized
2 training. And the operations clerks get some of that
3 training, but they get additional training, because
4 they do other things.

5 Q. Okay. And do they have some level of
6 financial -- those, I guess it's three operations
7 clerks, do they have some level of authority, like
8 let's say a customer has a complaint about their
9 bill. They were charged \$30 for this. Do those
10 clerks have some billing authority?

11 A. Not typically. They would refer people
12 with a complaint on their bill to the business
13 center.

14 Q. So if I had a billing issue and I lived out
15 in Sunnyside, I'd have to call either Portland or
16 Salt Lake to get that resolved?

17 A. I think that that's typically what they do.
18 If you had a simple question, they would answer it
19 for you. If you've got a dispute about your bill,
20 they would refer you to our service centers.

21 Q. Okay. Does that give you more of the
22 filled out part of the question that you feel a
23 little less narrow about?

24 A. Makes me feel better, yeah.

25 Q. Okay, good. I guess my last question is

00416

1 really whether or not the company has performed any
2 tests to assess the impact of the closure of those
3 customer service offices back in '95 and '96, and how
4 that impacted the level of uncollectible expenses
5 that the company's been experiencing on its system?

6 A. Not that I know of.

7 Q. So there's been no surveys or assessments?

8 A. To -- can you ask me the question
9 specifically, surveys on --

10 Q. Okay. Whether or not -- well, let me --
11 let's take it all the way back.

12 A. Okay.

13 Q. Has the company experienced an
14 uncollectible expense rate that would be higher than
15 it had experienced prior to 1995, if we looked at it
16 as a percentage basis?

17 A. That's my understanding.

18 Q. Okay. And has the company performed any
19 analysis, surveys, studies, to try and get at the
20 bottom of why that's happened?

21 A. I really can't speak to whether we have
22 done that or not. I know we have folks that look at
23 that that work in that area that would probably be
24 able to answer that, if you'd like to make a request.

25 Q. Are any of the witnesses who've been

00417

1 identified for this case more capable of speaking to
2 that issue than you? I'm just wondering if we're in
3 another Larsen question here?

4 A. No, no. I think your question probably
5 gets at there's a group in the company, and that's
6 what they work on. And none of those people are
7 witnesses.

8 Q. What's that group called?

9 A. I know Jerry Rust is the head of it, and I
10 can't recall what the name of it is.

11 MR. CROMWELL: Your Honor, at this time I
12 would like to make a Records request. I think we're
13 on number six.

14 JUDGE MOSS: Go ahead.

15 MR. CROMWELL: Would the company please
16 produce a copy of any surveys, analyses, studies,
17 reports related to the marketing fees and
18 uncollectible expenses that the company has
19 experienced as to both Washington and the rest of its
20 service territory?

21 JUDGE MOSS: Clear enough, Mr. Van
22 Nostrand?

23 MR. VAN NOSTRAND: Except for the reference
24 to market, which I think is unsupported.

25 MR. CROMWELL: I'll withdraw that as a

00418

1 characterization, if that's what Mr. Van Nostrand is
2 sensitive to.

3 JUDGE MOSS: All right. Do you understand
4 it, then, Mr. Van Nostrand?

5 MR. VAN NOSTRAND: Yes, I do. Thank you.

6 JUDGE MOSS: All right, fine. That will be
7 the Records Requisition Number Six.

8 Q. Finally, Ms. Rockney, as a percent, do you
9 know what the uncollectible expense rate was for the
10 company prior to '95?

11 A. Prior to '95, no, I do not.

12 Q. Do you know what it is today?

13 A. Today?

14 Q. Well, I'm sorry, strike that question. Do
15 you know what uncollectible expense rate the company
16 has reported in its filing with the Commission?

17 A. I would say Jeff Larsen has probably got
18 that in his revenue requirement.

19 Q. Well, I'm glad we got one more for Mr.
20 Larsen now.

21 A. Yeah, he's going to be busy.

22 MR. CROMWELL: Thank you for your time. I
23 have no further questions.

24 JUDGE MOSS: Do we have any further
25 questions for this witness from the Bench? Do we

00419

1 have any redirect?

2 MR. VAN NOSTRAND: No, Your Honor.

3 JUDGE MOSS: Okay. Then Ms. Rockney, we
4 thank you very much for your testimony, and as the
5 other witnesses, you'll be subject to recall if
6 needed.

7 THE WITNESS: Okay, thank you.

8 JUDGE MOSS: Thank you. Let's have our
9 next witness.

10 MR. VAN NOSTRAND: Company calls Brian
11 Hedman.

12 Whereupon,

13 BRIAN HEDMAN,
14 having been first duly sworn, was called as a witness
15 herein and was examined and testified as follows:

16 JUDGE MOSS: Thank you. Please be seated.

17

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

19 BY MR. VAN NOSTRAND:

20 Q. Mr. Hedman, can you state your name and
21 spell it for the record, please?

22 A. Brian Hedman, H-e-d-m-a-n.

23 Q. And you're the manager of DSM policy for
24 the company?

25 A. That's correct.

00420

1 Q. Do you have before you what's been marked
2 for identification as Exhibit 260-T?

3 A. I do.

4 Q. Do you recognize that as your prefiled
5 direct testimony in this proceeding?

6 A. Yes.

7 Q. Do you have any additions or corrections to
8 make to that testimony?

9 A. No, I do not.

10 Q. If I asked you the questions set forth in
11 that document, would your answers be the same?

12 A. They would.

13 MR. VAN NOSTRAND: Your Honor, I'd move the
14 admission of Exhibit 260-T.

15 JUDGE MOSS: There being no objection, it
16 will be admitted as marked.

17 MR. VAN NOSTRAND: Mr. Hedman is available
18 for cross-examination.

19 JUDGE MOSS: Mr. Cedarbaum.

20

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

22 BY MR. CEDARBAUM:

23 Q. Your testimony concerns the proposed
24 systems benefit charge; is that correct?

25 A. That's correct.

00421

1 Q. On page two of your testimony, lines 15 to
2 19, you state that PacifiCorp has historically had a
3 pattern of fluctuating DSM spending, which ranged
4 from one million to \$6 million over the 1992 to 1998
5 period; is that right?

6 A. That's correct.

7 Q. You also state that the variations in DSM
8 spending was caused by fluctuations in load forecast
9 and avoided cost assumptions in the company's least
10 cost plans; is that right?

11 A. It's caused by the selection of energy
12 efficiency or conservation in the least cost planning
13 process, which is driven by those former factors you
14 noted.

15 Q. Can you tell me what methodology, if
16 different from what's been used, the company would
17 use to either ramp up or ramp down its DSM activity
18 if it was funded by the systems benefit charge that
19 you propose?

20 A. Yeah, the company's recently engaged a
21 working force in -- or advisory group in Oregon as a
22 result of a commitment in the Scottish Power merger
23 to accelerate our DSM programs there. That working
24 group, which consists of regional experts and
25 interested parties, brainstormed a variety of changes

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1 to our existing programs and proposals for new
2 programs that had resulted in several enhancements
3 that we have made to our existing programs and that
4 will ultimately result in some new programs being
5 filed.

6 We would propose the same kind of process
7 in Washington. We would engage the interested
8 stakeholders to collaborate with the company to take
9 a look at our current programs and how they're
10 working within our service territory and propose
11 changes that would make those more effective and
12 garner greater savings.

13 Q. With respect to the working group in
14 Oregon, who are the members of that group?

15 A. I think I have that. No, I don't have that
16 specific list, but they're basically the Northwest
17 Energy Coalition, the Oregon PUC Staff, Northwest
18 Environmental Advocates. There was about 30 people
19 at our largest meeting. I can't remember all the
20 organizations they represent.

21 Q. Did the working group produce any report or
22 documentation that contains its analysis and
23 conclusions?

24 A. No.

25 Q. And so your testimony is that you'd try to

00423

1 assemble a similar type of working group in
2 Washington to analyze what types of pro-DSM programs
3 to implement in the state; is that right?

4 A. Yes.

5 Q. And you would do that, then, through
6 additional filings before this Commission, asking for
7 approval of those specific programs that you
8 recommend?

9 A. That's correct.

10 Q. Would the systems benefit charge vary as
11 the level of DSM activity and spending varies, or
12 does that charge stay the same and the amount of
13 activity would change?

14 A. I'm not sure I followed the question.

15 Q. You're proposing a systems benefit charge;
16 is that right?

17 A. That's correct.

18 Q. And my question, but you've also testified
19 now that you would file with the Commission programs
20 which involve DSM activities, based on what this
21 working group might recommend. And I assume, because
22 of that, the level of actual DSM spending might vary.
23 My question is, would the systems benefit charge also
24 vary with the level of activity, or is it a constant
25 charge and the level of activity fluctuates around

00424

1 it?

2 A. The system benefit charge that we proposed
3 is just based on a professional judgment about what
4 we think would be an appropriate level of budget to
5 -- it's based on our experience in Oregon, what we
6 could actually accelerate our programs here in
7 Washington and spend.

8 If, through the collaborative process, we
9 identify a substantial difference, either that our
10 service territory does not offer the opportunity to
11 spend that level or that there are additional
12 opportunities that we hadn't thought of, then we
13 would have to come back before the Commission to
14 propose any change in that level.

15 Q. Okay. I think I understand that now.
16 Referring you to what's been marked for
17 identification as Exhibit 261.

18 A. Okay.

19 Q. Actually, let me -- I'll come back to that
20 one. Let's just skip for a second to 262, so we can
21 just dispense with this item and then come back to
22 the other. Do you recognize Exhibit 262 as the
23 company's response to Staff Data Request Number 100?

24 A. I do.

25 MR. CEDARBAUM: Your Honor, I'd move the

00425

1 Admission of Exhibit 262.

2 MR. VAN NOSTRAND: No objection.

3 JUDGE MOSS: It will be admitted as marked.

4 Q. You appeared before the Commission in an
5 open meeting on April 12th of this year to support
6 the Commission's approval of what we called the green
7 tariff by PacifiCorp; is that correct?

8 A. I did.

9 Q. Is there any connection between the green
10 tariff and the systems benefit charge?

11 A. No, there's not.

12 Q. In the merger with Scottish Power, the
13 company committed to developing 50 megawatts of new
14 renewable resources. Are you aware of that?

15 A. Yes.

16 Q. Is there any connection between that
17 commitment and the systems benefit charge?

18 A. There may be. The system benefit charge
19 approach, as it's been proposed through the
20 legislative processes, often encompasses renewable
21 projects, some sort of a funding for those, either
22 the above-market portion or other ways of funding
23 renewable projects. I'm suggesting, in the system
24 benefits charge here, that when those projects are
25 developed, it may be appropriate to incorporate the

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1 above-market costs of those projects in the system
2 benefits charge, but that would be done through a
3 separate filing at the time the projects are
4 developed.

5 Q. So as I understand your testimony, it may
6 be that programs that are developed under the systems
7 benefit charge might be counted toward the 50
8 megawatt commitment from the merger?

9 A. No, I think the other way around. In order
10 to recover the costs of the 50 megawatts committed to
11 in the merger, we may request that the above-market
12 portion of that be recovered through the system
13 benefit charge, rather than through general rates.

14 Q. On page six of your testimony, lines 19
15 through 20, you indicate that the proposal would be
16 used to fund, among other things, market costs of --
17 above-market costs of new renewable development. Do
18 you see that?

19 A. I do.

20 Q. Now referring you to Exhibit 261 for
21 identification, do you recognize that as the
22 company's response to Staff Data Request 97?

23 A. Yes.

24 MR. CEDARBAUM: Your Honor, I would offer
25 Exhibit 261.

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1 MR. VAN NOSTRAND: No objection.

2 JUDGE MOSS: It will be admitted as marked.

3 Q. In the response in Exhibit 261, the company
4 notes that the systems benefit charge would require a
5 demonstration of the prudence of an investment before
6 recovery of the above-market cost. Do you see that?

7 A. I do.

8 Q. But you were proposing the systems benefit
9 charge as a tariff in this proceeding at a set level
10 that would remain at that level until a proposal
11 comes in to change the charge; is that right?

12 A. That's correct. And the system benefits
13 charge proposed -- that level proposed is for energy
14 efficiency programs only, not for renewable programs.

15 Q. Okay. So with respect to the above-market
16 costs of new renewable developments, are you saying
17 that the company would not be required to make a
18 demonstration of the prudence of that investment
19 before it recovered those costs?

20 A. No, I'm saying that should we choose to
21 propose to recover the above-market costs through the
22 system benefit charge, we would, through a separate
23 filing, demonstrate the prudence and make that
24 request.

25 Q. So until those costs are recovered through

00428

1 the systems benefit charge, the company would not
2 recover those costs through the systems benefit
3 charge until it made a showing of prudence before
4 this Commission for those resources?

5 A. That's correct.

6 Q. And are you asking the Commission to make
7 that prudence determination in the context of a
8 general rate proceeding, like we're having today, or
9 in the context just of a limited systems benefit
10 charge proposal?

11 A. Well, not being totally familiar with
12 administrative restrictions that we may face, I would
13 suggest that they be done on a case-by-case basis,
14 that as a renewable project is identified, we would
15 propose a filing before the Commission for that
16 particular resource and only for the above-market
17 portion of that resource.

18 Q. So we have a prudence review of that
19 proposal each and every time you came in with the
20 systems benefit charge to recover the above-market
21 cost of renewable resources?

22 A. Yes.

23 Q. On page seven of your testimony, lines two
24 to five, you indicate the current spending levels for
25 energy efficiency is about \$1 million per year, and

00429

1 that the systems benefit charge will be based on \$2.8
2 million per year; is that right?

3 A. That's correct.

4 Q. That's about one and a half percent of year
5 one tariff retail revenues; is that right?

6 A. That's correct.

7 Q. Has the company considered a modification
8 to the systems benefit charge proposal that would
9 ramp the charge up over two years in order to match
10 the increasing level of spending?

11 A. Not explicitly. We believe that we can
12 target that spending and not have a substantial
13 shortfall, if that's the concern that you're raising,
14 on a ramp up basis. I don't think we'd be opposed to
15 that. If, you know, if we felt that we couldn't
16 spend it, we wouldn't have proposed it here. But if
17 you think that a ramp rate is more appropriate, I
18 don't think we'd be opposed to that.

19 Q. If you could look at Exhibit 263 for
20 identification. Do you recognize this document as
21 the company's response to Staff Data Request 403?

22 A. I do.

23 MR. CEDARBAUM: I would move the admission
24 of Exhibit 263, please.

25 MR. VAN NOSTRAND: No objection.

00430

1 JUDGE MOSS: It will be admitted as marked.

2 Q. Turning your attention to what's been
3 marked for identification as Exhibit 264, do you
4 recognize this as the company's response to Staff
5 Data Request Number 402?

6 A. Yes.

7 MR. CEDARBAUM: I would offer Exhibit 264.

8 MR. VAN NOSTRAND: No objection.

9 JUDGE MOSS: It will be admitted.

10 Q. And turning to our last exhibit for you,
11 Mr. Hedman, Exhibit 265 for identification, do you
12 recognize this as the company's response to Staff
13 Data Request 405?

14 A. I do.

15 Q. If you look at the last paragraph in the
16 response, the second sentence that begins, The IRP
17 process?

18 A. Yes.

19 Q. The IRP process will be used as one of the
20 inputs to determine the appropriate level of energy
21 efficiency spending, the cost-effectiveness limits,
22 and the targeted energy savings. Do you see that?

23 A. Yes.

24 Q. I think we established earlier that the
25 proposal that we have before us today is a systems

00431

1 benefit charge designed to collect one and a half
2 percent of the tariff revenues; is that right?

3 A. The system benefit charge is designed to
4 collect 2.8 million, which is about one and a half
5 percent, yes.

6 Q. And that was established without -- was
7 that established, that level established with a
8 connection to the IRP process?

9 A. Not directly. The IRP sets both a cost
10 effectiveness level for individual type energy
11 efficiency programs and measures. It also sets a
12 target amount to be gained each year in order to meet
13 future load requirements. That creates a disconnect
14 right now because the ability to forecast future
15 loads with restructuring looming and actually being
16 implemented in Oregon makes it difficult to determine
17 how much should be done on a year-by-year basis.

18 So the 2.8 was determined based on a ramp
19 to a recommendation by the regional review in 1996,
20 and the analysis that was done supporting that about
21 the available energy efficiency in the region and
22 also based on our experience with the advisory group
23 and the additional savings that were found to be cost
24 effective in Oregon, based on the collaboration with
25 that group.

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1 MR. CEDARBAUM: Thank you, Mr. Hedman.
2 Those are all my questions.

3 JUDGE MOSS: Ms. Dixon.

4 MR. VAN NOSTRAND: Your Honor, we need to
5 have Exhibit 265 admitted.

6 JUDGE MOSS: Ah.

7 MR. VAN NOSTRAND: To which we have no
8 objection.

9 MR. CEDARBAUM: If I haven't offered 265,
10 I'd like to do that now.

11 JUDGE MOSS: Thank you, Mr. Van Nostrand.
12 It will be admitted as marked. Now, Ms. Dixon.

13

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

15 BY MS. DIXON:

16 Q. Good afternoon, Mr. Hedman.

17 A. Good afternoon, Ms. Dixon.

18 Q. I have several questions for you
19 specifically on your direct testimony, Exhibit 260-T.
20 To begin with, in your testimony, you propose --

21 JUDGE MOSS: You need to slow down, so that
22 the reporter can capture it.

23 MS. DIXON: Sorry. It's been one of those
24 days of speaking fast to the legislature.

25 Q. You propose implementing a system benefits

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1 charge to fund future demand side programs and the
2 above-market costs of new renewable development. Can
3 you please explain the benefits to PacifiCorp's
4 Washington customers of investments in energy
5 conservation, low-income weatherization and renewable
6 energy resources?

7 A. I think that the biggest benefit is that
8 energy saved is the same as additional energy
9 generated. There's a cost associated with generating
10 new kilowatt hours, and there's a cost associated
11 with saving kilowatt hours. To the extent that you
12 can save kilowatt hours at a cost lower than it costs
13 to generate, the customers benefit through an overall
14 lower power cost.

15 The same holds true for low-income
16 weatherization. There's obviously a specific benefit
17 to participating customers in any of the programs in
18 that they receive the direct measures and see a
19 direct reduction in their energy usage. Renewable
20 energy provides a benefit primarily through hedging
21 against future internalization of current
22 environmental externalities, such as we saw with the
23 sulfur dioxide trading and potential in the future
24 for other types of emission controls or restrictions
25 in the generating of fossil fuel plant.

00434

1 JUDGE MOSS: Ms. Dixon, let me interject
2 here and ask you if the Northwest Energy Council is
3 opposed to the company's proposal for a systems
4 benefit charge?

5 MS. DIXON: The Northwest Energy Coalition
6 is definitely not opposed to the proposal. What we
7 would like to do, through today's cross-examination,
8 through our data requests, is to determine more
9 specifics and details about the proposal.

10 JUDGE MOSS: Well, I'm concerned that we --
11 -- your first question certainly sounded like
12 friendly cross-examination to me. And that is not
13 something we allow. To the extent you need some
14 additional information about the program, of course,
15 that's what the discovery process is for.

16 And so unless you have questions that are
17 in some way intended to develop a position that is
18 adverse to that of the company, I'm not going to
19 allow your cross-examination. So let's just be clear
20 on what we're doing here.

21 MS. DIXON: Okay. I am clear on that. I
22 guess our position will depend, to a certain extent,
23 on what details the company does provide, in terms of
24 both their motivation for moving forward with the
25 system benefit charge, but also the specifics of how

00435

1 that system benefit charge would work. The coalition
2 would take into account, in formulating our
3 testimony, what details the company has offered,
4 whether we feel that cost-effective conservation
5 opportunities would truly be captured through this
6 mechanism, that the company would be investing in
7 reasonable and prudent renewable energy resources,
8 and that customers would be benefiting through this,
9 and would not suffer harm through implementation of a
10 system benefit charge. So that's generally where my
11 questions are going to be coming from.

12 JUDGE MOSS: Have you availed yourself of
13 the discovery opportunities in the case?

14 MS. DIXON: Yes, we have submitted data
15 requests to the company. In fact, with the new
16 schedule, I believe they're due back tomorrow. And
17 none of the questions that I'm posing today repeat
18 any of the data requests that were put forward.

19 JUDGE MOSS: You understand that this is
20 part of our evidentiary hearing, cross-examination.
21 You're not an attorney, are you?

22 MS. DIXON: No, I'm not.

23 JUDGE MOSS: Right, and that's fine. We do
24 allow non-attorney representatives to appear, but I
25 think it's important that we be clear that there are

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1 different aspects of the process that are for
2 different purposes. The purpose of our proceedings
3 here today is not discovery.

4 MS. DIXON: Correct.

5 JUDGE MOSS: So to the extent that you have
6 posed questions in the discovery process to seek the
7 clarification that you seek with respect to the
8 program, I don't think I want you to be using this
9 opportunity as a substitute for perhaps additional
10 discovery opportunities that you'll have in the case,
11 and I certainly don't want to allow friendly
12 cross-examination. As a process matter, I can't
13 allow you to do it any more than I could allow any of
14 these other participants to do that.

15 So if you think you have some questions
16 that may develop points that would cause you to
17 develop some testimony or a position on brief that is
18 adverse in some way to the company's position, then I
19 will permit you to do that, but I want you to be
20 quite candid with me in acknowledging whether or not
21 that is the intent of what you're doing.

22 MS. DIXON: It's certainly the intent of
23 our cross-examination questions to help us in
24 directing the focus of our testimony and in the focus
25 of our further discussions with the company about the

00437

1 potential implementation of a system benefit charge,
2 at what level, and what time frame, and that is the
3 -- I guess I started with a softball question, and
4 perhaps I shouldn't have, but that is the intent of
5 my other questions, is to refer directly to quotes in
6 Mr. Hedman's direct testimony to clarify some of the
7 issues that he brought forward there. I guess I
8 would ask if I could move forward, and if you have
9 objections --

10 JUDGE MOSS: I'm going to let you go ahead
11 a little bit.

12 MS. DIXON: -- let me know.

13 JUDGE MOSS: Now, let's understand the
14 rules of the game. I'll let you go ahead a little
15 bit, but to the extent that we're throwing softballs
16 to the witness so he can expand on his direct
17 testimony, then I'm going to cut you off again.

18 MS. DIXON: Okay, I appreciate that.

19 JUDGE MOSS: Go ahead.

20 Q. Okay. Referring to your direct testimony
21 -- actually, let's see. If you could look at page
22 two, bottom of the page, going on to page three. You
23 discuss two key assumptions in the least cost
24 planning process that drive energy efficiency
25 activity, load forecasts and utility avoided cost;

00438

1 is that correct?

2 A. That's correct.

3 Q. Regarding avoided cost, you state that the
4 incremental resource has become market purchases and
5 gas-fired generation. Since both of these are less
6 expensive than coal generation, the value of saving
7 kilowatt hours through energy efficiency programs has
8 fallen. Would you agree that gas prices appear to be
9 on the rise?

10 A. I'm aware that gas prices have risen
11 recently. I'm not a gas forecaster. I don't know if
12 that's a permanent change.

13 Q. Okay. If gas fired generation is the
14 marginal resource and if prices are rising, would you
15 anticipate that more cost-effective conservation
16 would become available in PacifiCorp's Washington
17 service territory?

18 A. Yes.

19 Q. And can you tell me how the company plans
20 to address increasing availability of cost-effective
21 conservation?

22 A. I think that the system benefit charge that
23 we're proposing in the collaborative group that would
24 be formed to advise on what's cost-effective and the
25 appropriate levels are the method that we are

00439

1 suggesting to address that.

2 Q. So with the one and a half percent system
3 benefit charge you're proposing currently for energy
4 efficiency, you've mentioned in your testimony that
5 that may be ramped up for renewables. Would you also
6 anticipate that that level may be ramped up on
7 conservation expenditures?

8 A. The 2.8 million was our professional
9 judgment of what we could cost-effectively get with
10 our existing programs and the known changes and
11 anticipated changes that we might have. I can't say
12 whether or not that amount would be ramped up or
13 ramped down until after the advisory group process
14 has run its course and we have a better understanding
15 of what's available in our service territory and how
16 we would design the programs to accomplish that.

17 Q. When you are referring to potential
18 investments in new renewable resources through the
19 system benefit charge, can you tell me what the
20 timeline is for the company's decisions on bringing
21 forward those new renewable projects to the
22 Commission, assuming approval of the system benefit
23 charge, and through what process those decisions
24 would be made?

25 A. I believe that the Scottish Power

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1 commitment -- merger commitment was to have the 50
2 megawatts online within five years. Once the costs
3 have been identified and the project is completed, we
4 would be proposing a filing before the Commission to
5 recover the above-market portion through the system
6 benefit charge. I don't have the timing of that,
7 because it would depend on when the projects are
8 actually completed.

9 Q. And could you clarify what the process
10 would be for determining which projects would be
11 invested in or brought before the Commission? Is
12 that something just the company would do? Would that
13 be part of the stakeholder process?

14 A. It would certainly be done with discussion
15 with Staff and other interested parties, but assuming
16 that the concept of recovering the above-market costs
17 of renewable projects through the system benefit
18 charge is one that is appropriate, then we would
19 propose all renewable development, the above-market
20 cost of all new renewable development would be
21 recovered through this charge, excepting those
22 projects that are subscribed to through the green
23 tariff.

24 Q. That actually brings me to my next
25 question. I just want to clarify. Mr. Cedarbaum had

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1 asked a question, and you had responded that there is
2 no connection between the system benefit charge and
3 the green tariff filing; is that correct?

4 A. That's correct.

5 Q. So just to make sure that I'm
6 understanding, the renewable resource dollars that
7 may come through the system benefit charge would not
8 be used to further reduce the costs of the Blue Sky
9 Program?

10 A. No, they would not.

11 Q. Okay. If you can refer to your direct
12 testimony on page seven, lines 18 through 19. You
13 state that the above-market cost in new renewable
14 generation cannot be determined until specific
15 projects are identified. And then, further, on page
16 eight, lines one through three, you state at that
17 time the company will file with the Commission an
18 application for approval to increase the one and a
19 half percent collected under the SBC to a level
20 sufficient to recover the above-market costs of these
21 projects.

22 Could you tell me what limitations, if any,
23 the company is placing on a request for an increase?

24 A. I don't believe that we're placing any
25 limitations on a request for an increase. It would

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1 depend on the specific projects and the above-market
2 cost of those projects.

3 Q. Okay. Still on page eight, line 13, you
4 state that after the SBC is implemented, initially
5 the company would continue to offer its existing
6 programs.

7 And actually, Your Honor, I should probably
8 ask you if this is an appropriate question for here.
9 I was going to ask for a description of what those
10 existing programs are. Would that be more
11 appropriate through a data request?

12 JUDGE MOSS: Yeah, I think if it's
13 something you just need to know, then, sure, ask a
14 data request and you can get that. In fact, we can
15 make that a Records Requisition Number Seven.

16 MS. DIXON: That would be great. I'd like
17 to have a description of the existing programs, who
18 they serve, the amount that's spent per program, and
19 how many kilowatt hours have been saved. If we could
20 go back the last five years, that would be great.

21 JUDGE MOSS: Is that doable, Mr. Hedman?

22 THE WITNESS: It is.

23 Q. And it may be possible to lump that into
24 one of my other data requests that I've given you
25 previously, so we can talk about that. Again, Mr.

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1 Cedarbaum asked you a question where you spoke a
2 little bit about the stakeholder group that was
3 formed in Oregon after the recent merger, and you
4 mentioned that the company would plan to, in
5 Washington, to also involve stakeholders in decisions
6 about investments in conservation and low-income
7 weatherization.

8 Again, I just wanted to find out what would
9 be the timeline for establishment of that group?
10 What is the company foreseeing for moving forward
11 with such a stakeholder group?

12 A. I think that we could convene a meeting
13 within a couple of months after the system benefit
14 charge is approved and then, based on the discussion
15 within that meeting, we would set up a schedule for
16 further meetings to do the brainstorming and program
17 design and whatever elements are necessary to
18 implement new programs.

19 Q. And is the company's vision that that would
20 be a continuing, ongoing stakeholder effort, or that
21 that would be just in conjunction with getting these
22 initial programs up and running?

23 A. No, it's both. I think there would be an
24 initial push that would require more participation by
25 the stakeholders in order to assess our current

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1 energy efficiency potential and design programs based
2 on what we know from that. Once those are in place,
3 there would be an ongoing effort just to assure that
4 they're continuing to provide all of the energy
5 efficiency that is within our service territory.

6 Q. Excuse me for just a moment. I'm looking
7 at ones that I can just do as data requests instead.

8 A. Okay.

9 Q. On page seven, lines six through nine, you
10 mentioned that the company would propose making the
11 transition to the levels recommended by the regional
12 review for investments in clean energy. What factors
13 is the company considering or will the company
14 consider in terms of its timeline for ramping up to
15 the investment level recommended by the regional
16 review?

17 A. Well, the company would ramp up to a level
18 that is determined to be cost-effective within our
19 service territory. I can't guarantee that that's
20 going to be at the regional review level until after
21 the stakeholder group has been formed and we've done
22 an analysis of our service territory and determined
23 what the appropriate spending level is. If that's
24 more or less than 2.8 million, based on the advice of
25 that group, we would propose changes to the system

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1 benefit charge.

2 Q. So at this time, the company has no
3 proposal for, just to clarify, for getting up to that
4 three percent level?

5 A. That's correct.

6 Q. I have one more question. It's a
7 multi-part question, though, and I will ask your
8 advice as I go forward with this as to whether it is
9 an appropriate question at this time. I think it is,
10 but we'll see.

11 On page eight, at the bottom, and at the
12 top of page nine, you mentioned during the recent
13 merger that PacifiCorp made a commitment and Scottish
14 Power made a commitment to fund low-income assistance
15 through shareholder funds. I believe it was \$300,000
16 a year for a three-year period?

17 A. Yes.

18 Q. Is that accurate? Okay. Can you tell me
19 if the company plans to address low-income assistance
20 in Washington through other means in addition to
21 those shareholder funds that were part of the merger
22 commitment?

23 A. I can't tell you one way or the other. I'm
24 not familiar with those issues specifically.

25 Q. Can you tell me who at the company would be

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1 the point person on those issues?

2 A. No.

3 MS. DIXON: Your Honor, I guess I would ask
4 you, how would I find that out?

5 JUDGE MOSS: Why don't you consult with
6 Counsel off the record and see if he can help you
7 out.

8 MS. DIXON: Well, then, you just opted out
9 of the rest of that series of questions, because they
10 all had to do with low-income assistance. So that's all
11 I have for you. Thank you very much.

12 JUDGE MOSS: Thank you, Ms. Dixon. I
13 appreciate your refinement of your examination.
14 Let's see. I believe that Public Counsel indicated a
15 few minutes for this witness, as well, or perhaps
16 your questions have been covered.

17 MR. CROMWELL: That was defensive time
18 allocation, Your Honor. I waive any questions I
19 might have for Mr. Hedman, given the hour.

20 JUDGE MOSS: All right. Does the Bench
21 have any questions for this witness?

22 CHAIRWOMAN SHOWALTER: No.

23 JUDGE MOSS: Is there any redirect for this
24 witness?

25 MR. VAN NOSTRAND: No, Your Honor.

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1 JUDGE MOSS: Then, Mr. Hedman, I believe,
2 subject to the possibility of recall, as you've heard
3 me discuss previously, we'll release you at this
4 time. Thank you very much for your testimony.

5 Are there any matters that Counsel wished
6 to raise to the Bench's attention at this time that
7 are other than in the nature of pure housekeeping?
8 Are there any pure housekeeping matters that the
9 Bench needs to consider? That being the case,
10 silence I should say, so the record is clear of being
11 the case, this will bring this phase of our
12 proceedings to a conclusion, and I would like to
13 thank you all very much for your highly professional
14 participation, and we look forward to seeing you as
15 the case moves forward.

16 MR. CROMWELL: Thank you, Your Honor.

17 JUDGE MOSS: Off the record.

18 (Proceedings adjourned at 5:08 p.m.)

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