

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

3 WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
4)
Complainant,)
5)
vs.) DOCKET NO. UE-991832
6) VOLUME VII
PACIFICORP, d/b/a) Pages 612 - 784
7 PACIFIC LIGHT AND POWER,)
8)
Respondent.)

9
10 A hearing in the above matter was held on
11 June 6, 2000, at 9:50 a.m., at 1300 South
12 Evergreen Park Drive Southwest, Olympia, Washington,
13 before Administrative Law Judge DENNIS J. MOSS,
14 Chairwoman MARILYN SHOWALTER, Commissioners RICHARD
15 HEMSTAD and WILLIAM R. GILLIS.

16
17 The parties were present as follows:

18 PACIFICORP by JAMES M. VAN NOSTRAND, Attorney
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19 Seattle, Washington 98101-3197.

20 PACIFICORP, by STEPHEN C. HALL, Attorney at
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22 INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES,
by MELINDA J. DAVISON, Attorney at Law, Duncan,
23 Weinberg, Genzer and Pembroke, 1300 Southwest Fifth
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24 PUBLIC COUNSEL, by ROBERT W. CROMWELL, JR.,
25 Assistant Attorney General, 900 Fourth Avenue, Suite
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1 WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION, by ANN E. RENDAHL and ROBERT W. CEDARBAUM,
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24 Kathryn T. Wilson, CCR
25 Court Reporter

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

2 JUDGE MOSS: Good morning everybody. We are
3 reconvened in our proceedings, Washington Utilities and
4 Transportation Commission against PacifiCorp, general
5 rate case. We are continuing this morning with the
6 cross-examination of Mr. Larsen, and Ms. Rendahl, I
7 believe you may have a few more questions for this
8 witness.

9 MS. RENDAHL: Yes, I do, Your Honor.

10 JUDGE MOSS: The microphones are not on.
11 Let's go off the record.

12 (Discussion off the record.)

13 JUDGE MOSS: Mr. Cedarbaum brought to the
14 Bench's attention while we were off the record, and he
15 handed up earlier this morning, a stipulation
16 concerning the issue of rate spread, and it's a
17 document of modest size and scope. We will need to
18 discuss at some point during the day the logistics of
19 making this a part of the record and perhaps having
20 some opportunity for inquiry. Mr. Cedarbaum indicated
21 there is a panel of witnesses available to discuss this
22 if we have time to do that today. Otherwise, we may
23 need to make some other arrangements in order to give a
24 quick turnaround so the parties can have an indication
25 as to whether this is something the Commission will

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1 accept and balance the cause accordingly, so we will
2 take that up right before the noon hour in terms of
3 discussing our logistics and see what we need to do.
4 In part, that depends on the extent of the
5 cross-examination today, and I understand by presenting
6 this document, we are eliminating the estimate of two
7 hours of cross-examination for Taylor. Does it affect
8 any other witnesses?

9 MR. CEDARBAUM: Not in terms of waiver of
10 cross. I think there are still questions for Peterson
11 and Griffith.

12 MR. CROMWELL: I can't say that waiving cross
13 of Mr. Taylor does lower my estimate of time for
14 Mr. Griffith.

15 JUDGE MOSS: So we may pick up enough time to
16 take this up today, but in the meantime, why don't we
17 proceed with Staff's cross-examination of Mr. Larsen.

18 MS. RENDAHL: Thank you. Good morning,
19 Mr. Larsen.

20

21 CROSS-EXAMINATION (cont.)

22 BY MS. RENDAHL:

23 Q. We had left off yesterday talking about an
24 issue of miscellaneous rate base deductions, and if you
25 could look at your Exhibit 72, please, and Page 101 in

00620

1 Tab 1.

2 A. 1.01?

3 Q. Yes, 1.01. If you look at Column 1 in Line
4 53, there is an amount of \$7,351,916 as a credit to
5 rate base. Do you see that number?

6 A. Yes.

7 Q. Then flipping to Tab 9 and looking at Page 41
8 of 45 -- will you do that please? If you see on that
9 page, do you see the FERC account numbers on the
10 left-hand side in the top column heading?

11 A. Yes.

12 Q. If you look at the second, third, fourth,
13 fifth, sixth numbers, do you see Account No. 228.1 to
14 228.41, 228.42, and 253.99?

15 A. Yes.

16 Q. The 7.4-million-dollar average balance is a
17 summation of these five accounts; is that correct?

18 A. Subject to check.

19 Q. If you will look at the Account 228.42,
20 accumulated miscellaneous operating provision, Trojan;
21 do you see that account?

22 A. Yes, I do.

23 Q. Can you explain what this account represents?

24 A. I believe I mentioned yesterday that that's
25 covered by a data request that covers all of the Trojan

00621

1 rate base accounts. Do you want me to refer to that
2 again?

3 Q. If you could mention the response, but if you
4 can still answer the question if you have the response
5 in front of you, that would be helpful.

6 A. I thought we had covered this same line of
7 questions when we ended yesterday.

8 Q. It's possible, but I couldn't remember.

9 A. I think we had gone through all of these
10 questions.

11 Q. We did have some questions about Trojan, but
12 I don't believe it was this particular one.

13 A. It's Exhibit 144. I believe it was offered,
14 which is the WUTC Response 493, which lays out the
15 regulatory asset component of the Trojan plant.

16 Q. I don't believe that that has an Account
17 228.42 unless I'm not...

18 A. The 228 Account is the decommissioning
19 liability for Trojan.

20 Q. I'm sorry. The decommissioning....

21 A. Liability.

22 Q. Can you explain what that is?

23 A. It's the liability associated with
24 decommissioning and removal of the plant.

25 Q. Is this an account that was created for

00622

1 expensing the decommissioning costs during the period
2 that Trojan was operating?

3 A. I would have to check on the details of it.

4 Ms. Davison: Then let's make that Records
5 Requisition No. 21. That would be verifying whether
6 this account includes the decommissioning costs during
7 the time the Trojan plant was operating.

8 Q. We can move on to another set of questions.
9 If you could turn to your Adjustment 3.4 covering SO-2
10 omission allowances. That would be starting on Page
11 3.4, Tab 3 of your Exhibit 72.

12 A. I have that.

13 Q. This adjustment adjusts the miscellaneous
14 deductions portion of your rate base along with
15 accumulated deferred taxes; is that correct?

16 A. It deducts the unamortized portion of the
17 gain that hasn't been flowed through yet to the
18 customers, and it includes or adds the deferred taxes
19 associated with the sales.

20 Q. And this adjustment restates the Company's
21 accounting treatment of these sales of SO-2 omission
22 allowances to the approved accounting treatment in
23 Docket UE-940947; is that correct?

24 A. Yes. I believe that follows the Commission
25 policy.

00623

1 Q. In the per-books, the Company shows the sale
2 of revenues; is that correct?

3 A. Yes.

4 Q. This adjustment defers the gains from those
5 sales and amortizes them over 15 years; correct?

6 A. Yes.

7 Q. So the deferred balances calculated in your
8 adjustment for both the deferred gain and deferred
9 taxes represents the average, meaning beginning- and
10 end-of-year balance, as you've calculated it, for the
11 period ended June 30th, 2001; is that correct?

12 A. Yes.

13 Q. If you look at Page 3.4.3, I just have a
14 question about the calculation, so to calculate the
15 deferred balances in this Adjustment 3.4, you took the
16 deferred balances as of December '98 and amortized them
17 out to this period; is that correct?

18 A. Yes.

19 Q. Following some discussions this morning and
20 yesterday with Mr. Lott, can you tell me what total
21 booked revenues were for SO-2 sales in 1999?

22 A. Yes, I can. \$463,315.

23 Q. If you could turn to Tab 7 and look at Pages
24 7.5 and 7.51 of Exhibit 71 -- it's probably 7.5.1. Do
25 you have those in front of you?

00624

1 A. 7.5?

2 Q. And 7.5.1?

3 A. Yes.

4 Q. These pages show your calculation of the
5 adjustment for the mal and midpoint transmission line,
6 Safe Harbor lease; is that correct?

7 A. Yes.

8 Q. And the Company proposes to eliminate this
9 adjustment, but I have a few questions about the
10 adjustment as you've proposed it in comparison to the
11 adjustment in Docket No. U-8602, which was the last
12 rate case.

13 Is it your intent that the calculation would
14 be done consistent with the adjustment approved by the
15 Commission in that docket?

16 A. I believe the way that we have shown it in
17 our filing is that the proper treatment on review of
18 that adjustment, I believe there was an error in the
19 calculation as we reviewed it.

20 Q. An error in the calculation from U-8602?

21 A. I believe so, yes.

22 Q. Can you identify what that error is?

23 A. Not without the detail work papers that would
24 show the difference, but we could provide that as a
25 records requisition.

00625

1 MS. RENDAHL: Why don't we make that Records
2 Requisition No. 22, and if you could provide us with
3 the work papers and detail explaining the error that
4 you've identified from Docket U-8602, we would
5 appreciate it.

6 Q. Let's proceed, and if it looks like you can
7 identify the error, than we will take care of it. Are
8 you aware that in that Docket U-8602, the Commission
9 approved an adjustment to reduce rate base by
10 \$6,064,000 for the amortized amount of proceeds from
11 the Safe Harbor sale? I'm sorry, the unamortized
12 amount of proceeds. I can repeat the question, if you
13 would like.

14 A. Yes, why don't you.

15 Q. Are you aware that in Docket U-8602, the
16 Commission approved an adjustment to reduce rate base
17 by \$6,064,000 for the unamortized amount of proceeds
18 from the Safe Harbor sale?

19 A. That would have to be subject to check. I
20 don't have anything to verify that before me.

21 Q. But you will accept that subject to check?

22 A. Yes.

23 Q. Can you identify in your exhibit where the
24 unamortized balance of the sale is represented?

25 A. Again, I think I'd have to provide that in a

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1 records requisition showing the reconciliation between
2 the order and what we filed.

3 Q. Okay. So you are going to make a comparison
4 between what you filed and what was in U-8602 as
5 Records Requisition No. 23?

6 A. Or as part of 22.

7 Q. That's fine. So your rate base balances here
8 on Pages 7.5 and 7.5.1 are all based on the year ended
9 June 30th, 2001?

10 A. That's correct. It would be an average
11 balance, I believe, at that point in time.

12 Q. Thank you. I would like to talk about
13 working capital, and do you know the method the
14 Commission used in that last rate case, Docket U-8602,
15 to calculate working capital?

16 A. I don't recall a methodology specifically,
17 no.

18 Q. Would you accept, subject to check, that
19 there was no method used to calculate working capital
20 and that there was no working capital?

21 A. I believe there was either an adjustment made
22 by Staff or the Commission did not accept working
23 capital in the last case.

24 Q. So you would accept subject to check that
25 there was no working capital calculation in the last

00627

1 case?

2 A. Yes.

3 Q. Starting with 1980, has the Commission ever
4 adopted a lead-lag study adopted by PacifiCorp?

5 A. I'm not aware of whether the Commission has
6 taken formal action to adopt a study or not. We
7 completed a study in 1991, what was based on '91
8 information and provided that to the commissions we
9 serve.

10 Q. But the Commission has never approved a
11 lead-lag study?

12 A. I don't believe there has been any formal
13 approval, no.

14 Q. Are you aware that in Docket U-8212/35,
15 PacifiCorp proposed a lead-lag study coupled with the
16 approach of identifying several accounts they thought
17 should be allocated to Washington?

18 A. Am I aware of that?

19 Q. Yes.

20 A. No, not from the '82 time frame.

21 Q. Would you accept subject to check that the
22 Commission rejected the Company's calculation in that
23 proceeding?

24 A. Yes.

25 Q. Would you accept subject to check that in

00628

1 Docket U-8333, the Company proposed an investor
2 supplied approach similar to what was adopted in the
3 1982 order and that the Staff also used this approach
4 with modifications?

5 A. What case was that?

6 Q. Docket U-8333.

7 A. I'm not aware of that, but subject to check,
8 I would accept that.

9 Q. Also subject to check, would you accept that
10 the Commission found the Company's calculation to be
11 excessive and disallowed all working capital?

12 A. Subject to check, yes.

13 Q. In this proceeding, your lead-lag study is
14 summarized in Tab B-14 of Exhibit 72; is that correct?
15 Let's look at B-14. On the second page, if you would
16 look at that, does that summarize the Company's
17 lead-lag study?

18 A. It doesn't summarize the study itself. It
19 incorporates the results of that study in terms of the
20 lead-lag days and uses those lead-lag days with current
21 operating expenses and revenues to calculate lead-lag.

22 Q. So if you'd look at the column labeled
23 "Washington" and underneath that, "net lag days," it
24 reads 20?

25 A. Yes.

00629

1 Q. That comes from your lead-lag study?

2 A. Yes.

3 Q. Just to clarify for the record, the net lag
4 day is the difference between the revenue lag day and
5 the expense lag day; is that correct?

6 A. That's correct.

7 Q. This summary page of the study or what you
8 just described, as I've done incorporating the lead-lag
9 days, this indicates that the active jurisdictions that
10 Washington has the longest net lag with only Montana
11 and Idaho PPL division having longer; is that correct?

12 A. Of the active jurisdictions, Idaho and
13 Montana are higher. Washington at 20 days is the
14 highest of the others.

15 Q. When did the Company sell the Idaho PPL
16 service territory?

17 A. I'm not familiar with the exact date. It was
18 early '90's. I can't remember if it was '92, '93 time
19 frame, '94.

20 Q. Your net lag day is based on a 1991 study; is
21 that correct?

22 A. Yes.

23 Q. Has the study been modified or updated since
24 that date other than to apply it to the results of
25 operations for the current year?

00630

1 A. We are in the process of updating our study,
2 but we have not yet completed that.

3 Q. How long after the merger was the study
4 performed, the Utah merger?

5 A. The study was based on 1991 data. The merger
6 was completed January 9th, 1989, and the study was
7 done, I believe, the summer of 1992. I don't remember
8 the exact completion date of it.

9 Q. What allocation process did the Company use
10 during the study period?

11 A. That would have been consensus allocation
12 methodology.

13 Q. Did the allocation process at that time
14 allocate operations and maintenance costs in the same
15 fashion as today?

16 A. No, it didn't. The revenues would have been
17 basically the same. Because they are a situs
18 assignment, there would be some differences in the
19 operating expenses.

20 Q. So were the revenues, and particularly the
21 special contracts revenues, were those allocated in the
22 same fashion at that time?

23 A. Special contracts, I believe, have followed a
24 system allocation through most method, but I would have
25 to verify that.

00631

1 Q. Are you referring to special contracts or
2 interim sales?

3 A. I guess I'm referring to wholesale sales
4 contracts. There were some special contracts which
5 were state specific at that time. We do have new
6 special contracts that have been signed in the last
7 couple of years that are now allocated system wide that
8 would not have been a part of this study at that time.

9 Q. During the eight years subsequent to the
10 study period, has PacifiCorp continued to implement
11 savings programs resulting from the synergies of the
12 Utah merger?

13 A. During the past 10 years, the Company has
14 always been trying to find ways to reduce its overall
15 costs for the benefit of customers and shareholders.

16 Q. Thank you. Could you please describe the
17 reorganizations that the Company has undergone since
18 1991?

19 A. That's pretty broad.

20 Q. Have there been many?

21 A. Reorganizations in terms of department
22 reorganizations, restructuring of the Company?

23 Q. Any and all. Have there been many?

24 A. There has been a number of changes that the
25 Company has gone through. We went through a change in

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1 CEO's '94. In the mid to '95, '96, '97 time frame, we
2 were looking at possible restructuring of the industry,
3 so the Company was responding to that, so there have
4 been changes in the Company over time. There has been
5 consolidations of departments. Certain items have been
6 centralized.

7 Q. Thank you.

8 A. It's a pretty broad question. I don't know
9 that I have the entire history of the Company on all
10 the changes that have occurred.

11 Q. That's fine. Can you explain how state
12 income taxes were allocated in the lead-lag study? Can
13 you explain how the state income taxes were allocated
14 in a consensus method in 1991?

15 A. Let me check and see if I have information on
16 consensus with me. I'd have to provide that. I
17 believe they are state specific under consensus, but I
18 would need to check and verify that.

19 Q. So would you accept subject to check that
20 they were, for the most part, allocated state specific
21 and not allocated to Washington?

22 JUDGE MOSS: I don't think the witness is
23 going to be able to do something "for the most part."
24 You can't qualify it in that way. He's not able to do
25 that.

00633

1 THE WITNESS: I can provide a records
2 requisition that identifies under the consensus method
3 how state income taxes were allocated.

4 MS. RENDAHL: That's fine. Why don't we make
5 that Records Requisition No. 23.

6 Q. (By Ms. Rendahl) Subject to your check, is
7 it correct that the lead-lag study presented here does
8 not calculate a lag on interest expense?

9 A. Subject to check, yes.

10 Q. Could you explain the different policies
11 PacifiCorp uses in Utah versus Washington in the meter
12 reading, billing, and the processing of commercial and
13 residential customers?

14 A. I don't believe I'm prepared today to respond
15 to that. That would have to be a records requisition.

16 MS. RENDAHL: So we'll make that Records
17 Requisition No. 24, and if you would also explain if
18 there is a difference, why there is still a difference
19 after 12 years of the merger.

20 THE WITNESS: Can you rephrase the question?

21 MS. RENDAHL: Would you please explain the
22 different policies PacifiCorp uses in Utah versus
23 Washington for meter reading, billing, and processing
24 of residential and commercial customers, and explain
25 the difference, if there is one, after 12 years of the

00634

1 merger.

2 Q. (By Ms. Rendahl) Did the Company in this
3 proceeding undertake to calculate working capital in
4 the method adopted by the Commission in any of the
5 proceedings from 1984?

6 A. No. The Company has based its lag
7 calculation on it's 1991 study.

8 Q. Thank you. Considering your Adjustment 8.7,
9 you adjust your working capital calculation to
10 represent the impacts of other pro forma and restating
11 adjustments on your lead-lag working capital analysis;
12 is that correct?

13 A. That's in reference to Tab 8.7?

14 Q. I believe it's 8.7, but we are checking here.

15 A. That's the QF adjustment.

16 Q. Try 8.9. So in 8.9, you adjusted your
17 working capital calculation to represent the impacts of
18 other pro forma and restating adjustments on your
19 lead-lag working capital analysis; is that correct?

20 A. Yes.

21 Q. If you look at Tab B-14 -- again, that's the
22 summary page of working capital -- your per-books
23 working capital was based on a daily cost of \$997,000 a
24 day; is that correct?

25 A. That's correct.

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1 Q. This represents a total annual cost of
2 approximately 364 million. Would you accept subject to
3 check that 997 times 365 days is approximately 364
4 million?

5 A. Yes, I would accept that subject to check.

6 Q. Your adjustment recalculates this based on a
7 daily cost of only \$559,609; is that correct?

8 A. That's correct.

9 Q. This represents an annual cost of 204.3
10 million as shown on Page 8.9 of your exhibit; is that
11 correct?

12 A. Yes. For the items that would be
13 incorporated into the lead-lag calculation.

14 Q. So the difference in these annual costs
15 totaling 1.59 million -- I'd like you to look at
16 Adjustment 4.2 and Adjustment 5.1 --

17 A. Where did you get 1.59 million?

18 MR. VAN NOSTRAND: You mean 159 million,
19 don't you?

20 Q. If you take 365 million and subtract 204.3,
21 that will give you approximately 159, so the difference
22 in these annual costs totaling approximately 159.7
23 million, Adjustment 4.2 represents 122 million, and the
24 other power supply portion in Adjustment 5.1 represents
25 another 21 million, so if you need to take a look at

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1 4.2 and 5.1, please do that.

2 A. I didn't follow all those numbers that you
3 just threw out there.

4 Q. If you find Adjustment 4.2 and Adjustment
5 5.1.

6 A. Okay.

7 Q. So given the difference in these total annual
8 costs, so that would be 365 less 204.3. That gives you
9 159.7 million. Adjustment 4.2 represents 122 million
10 of that, and the other power supply portion of
11 Adjustment 5.1 represents another 21 million; is that
12 correct?

13 A. The market position in futures adjustment was
14 a significant impact that was included in the
15 unadjusted results, which increased the lead-lag cost,
16 and with that adjustment, there is offsetting
17 components. There is a revenue in Account 456 and the
18 expense in 557. When the lead-lag calculation was
19 done, it was only picking up the expense side in
20 calculation of the daily cost of service, so when we
21 true-up our lead-lag amount in Adjustment 8.9, it
22 removes that piece from the daily cost of service.

23 In terms of Adjustment 5.1, the purchase
24 power expense does impact that adjustment. I would
25 have to verify whether the sales for resale is also

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1 getting incorporated and netting into that overall
2 impact.

3 Q. Thank you. I think that's sufficient. I
4 just have a few more questions, and these are on your
5 Adjustment 8.14, so if you turn to Tab 8 and turn to
6 Page 8.14, this concerns the Dave Johnston coal mine.
7 This adjustment attempts to adjust the balances of the
8 Dave Johnston coal mine; is that correct?

9 A. In terms of adjusting the balances, the Dave
10 Johnston mine was closed in October of 1999 as the
11 Company moved to some new contracts. In 1997, when it
12 was announced that the mine was going to be shut down,
13 the Company took a write-down of the remaining assets
14 to get it to a point where the remainder of the plant
15 would be depreciated or amortized off the books by the
16 time of its closing, so in our results of operations at
17 the end of 1998, we had a balance remaining of plant in
18 service. That's the Account 399.

19 Since we have done an average test period
20 using 1998 data with known and measurable changes up
21 through June 2001, we reflected the full removal of the
22 plant costs, and then we've adjusted the reclamation
23 costs that were accrued. Those are being spent
24 currently for reclaiming the mine, and the bulk of the
25 dollars would be spent between a closure in the fall of

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1 '99 and probably 2001 and 2002, so we've estimated the
2 balance of the reclamation reserve as those dollars are
3 spent.

4 MS. RENDAHL: I think I'm all done.

5 THE WITNESS: Thank you.

6 JUDGE MOSS: Thank you, Ms. Rendahl. I

7 believe the pattern we followed before was to have
8 intervenors and then Public Counsel doing the cleanup,
9 so we will continue with that convention.

10 (Pause in the proceedings.)

11 JUDGE MOSS: Prior to beginning today,
12 Ms. Davison handed me up a handwritten list of exhibits
13 with the exhibit numbers, and I understand that as to
14 these, Ms. Davison and Mr. Van Nostrand or perhaps
15 Mr. Hall have discussed that these can come in by
16 stipulation; therefore, we won't have the necessity of
17 all the foundation questions and so on and so forth, so
18 let me just indicate what those are now, and if there
19 is any mistake on my part, you all can correct me.

20 And I will comment also that I appreciate
21 this approach. I think it's very efficient, and
22 probably others could use it as well. So this would
23 concern Exhibits No. 121 through 126, 129 through 134,
24 and 148 through 151. Those are all premarked numbers,
25 and if I got those correct, they are being stipulated.

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1 They will be made exhibits of record according to their
2 numbers. Mr. Van Nostrand?

3 MR. VAN NOSTRAND: Yes, that's correct, Your
4 Honor. Ms. Davison did distribute those couple of
5 pages. We had a couple of pages added to 130 and 131
6 so that the answer will be placed in context of the
7 question, so that does reflect the agreement, Your
8 Honor.

9 JUDGE MOSS: As to those supplemental pages,
10 you are going to hand those up this morning?

11 MS. DAVISON: I just did.

12 JUDGE MOSS: Then I'm going to mark those as
13 admitted, and you go ahead and proceed with your
14 examination when you are ready.

15 MS. DAVISON: Thank you, Your Honor.

16

17 CROSS-EXAMINATION

18 BY MS. DAVISON:

19 Q. As I indicated yesterday, I'm going to sort
20 of step back from the detail of the numbers that you've
21 been asked a lot of questions about and maybe try to
22 focus on some of the bigger picture items, so it may
23 sound like I'm really going back here, but I had some
24 questions preliminarily about your position with the
25 Company, and I was wondering if you could tell me who

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1 you report to at PacifiCorp?

2 A. Matthew Wright.

3 Q. How many individuals report to you?

4 A. Right now, I believe I have ten.

5 Q. When you don't have four rate cases going on
6 in the same year, as the director of revenue
7 requirement, what are your general responsibilities?

8 A. If we are not doing rate cases -- rate cases
9 layer on top of our ongoing work -- we do the
10 compliance filings, results of operations, which result
11 in semi-annual reports we file with the Commission. We
12 do the regulatory audits. Every year, we have a number
13 of different commissions that bring their staff in and
14 review results. We work on various regulatory issues
15 dealing with the accounting issues, strategic
16 regulatory issues that we get involved in.

17 Q. Thank you. Prior to the four rate cases that
18 I've been referring to, the rate cases you filed in
19 Wyoming, Utah, Oregon, and Washington, prior to those,
20 can you detail for me the rates cases in which you've
21 provided testimony?

22 A. I've testified in Utilication (phonetic) case
23 as well as the 1997 Utah rate case.

24 Q. Are you PacifiCorp's witness for fuel supply?

25 A. In terms of the expert on our fueling

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1 strategy, no.

2 Q. Can you tell me who the witness will be for
3 PacifiCorp's fuel supply?

4 A. In this case?

5 Q. In this case.

6 A. I'm not sure if we have a witness identified
7 yet. I guess it depends on issues, if there are
8 fueling issues that are developed depending on what
9 expert testimony we would need.

10 Q. Wouldn't you agree that your fuel costs are
11 an important component of your revenue requirement?

12 A. Yes, they are.

13 Q. Are you prepared today to answer questions
14 about fuel costs?

15 A. I can answer fuel costs to the extent that
16 they are included in the revenue requirement. If there
17 are issues on the particular strategies or what we've
18 done specific to plants and operations, I would
19 probably have to provide that as part of a records
20 requisition.

21 Q. I guess to get to the bottom line, what you
22 are telling me is if I have specific questions about
23 fuel strategies that there is no witness for me to ask
24 those questions to?

25 A. I thought I just answered that, but to the

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1 extent the dollars associated with fuel are included in
2 the revenue requirement, I can respond to how we've
3 treated them. There is normalization that we've done
4 with our fuel costs to properly reflect an ongoing
5 level.

6 Q. I'll hold that for a little bit later. I do
7 have specific questions I would like to ask about fuel
8 costs, and I guess I'm just slightly puzzled by this
9 strategy that was perhaps utilized with the Washington
10 testimony. There are a lot fewer witnesses than you
11 had in your Utah case, for example, and I'm just kind
12 of at a loss to figure out -- in certain instances,
13 there are major components of the case where there is
14 no witness available, so as a result of that, you will
15 find that I am directing these questions to you, and I
16 guess we'll see where we go with that.

17 A. I would respond to your characterization as
18 the cases being different. Our direct case was filed
19 in Utah with about the same number of witnesses. On
20 rebuttal, we did bring in specific experts to deal with
21 issues that were raised by other parties. In our
22 rebuttal phase, I think we had upwards of 10 or 12
23 various witnesses that provided rebuttal testimony, but
24 I did file the revenue requirement in the direct case.

25 Q. Has PacifiCorp prepared a year 2000 budget?

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1 A. I'm not aware if we have a final budget that
2 has been approved by management. With the changes
3 going on with the merger and the change in the fiscal
4 year of the Company, I'm not sure if there is a budget
5 that has been finalized.

6 MS. DAVISON: Your Honor, I've lost track of
7 where we are with our various records requisitions
8 requests.

9 JUDGE MOSS: The last one we had was 24.

10 MS. DAVISON: Your Honor, I would like to
11 make Records Requisition Request No. 25: Please
12 provide a copy of the draft or final year 2000 budget.

13 Q. (By Ms. Davison) Mr. Larsen, did you review
14 the cross-examination exhibits that have been
15 previously supplied, the cross-examination exhibits
16 that refer to you?

17 A. Yes, I have.

18 Q. Could you turn to Exhibit No. 146, which is
19 the PacifiCorp transition plan?

20 A. Caveat my answer, I'd reviewed everything
21 that has been supplied. I have not read the transition
22 plan. That was provided to me Friday night, and I
23 haven't gone through that document yet.

24 Q. As an employee of PacifiCorp, you have not
25 read the transition plan?

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1 A. No, I have not.

2 Q. You were not provided a copy of the
3 transition plan by your employer?

4 A. I didn't receive a copy of it until Friday
5 night when it was identified as a cross exhibit. It
6 was just filed with the commissions last week.

7 Q. The numbering of the transition plan is
8 somewhat confusing, but if you turn to Page 149 of the
9 transition plan, which is the second to the last
10 page --

11 MR. VAN NOSTRAND: Your Honor, I'm going to
12 object to lines of questioning of this witness having
13 to sponsor and respond to the questions about the
14 transition plan. We can certainly have that document
15 identified and authenticated by Mr. Larsen as being the
16 Company's transition plan. He's not the witness
17 sponsoring it. He's just indicated he's not read it or
18 is familiar with it. He's unable to answer questions
19 about it, so it seems fruitless to have him review a
20 document for the first time here on the stand.

21 MS. DAVISON: Your Honor, I guess I would say
22 that I agree that it would be fruitless to go through
23 such a significant document with a witness who is
24 unprepared to answer questions about this document, but
25 I think this document is so important to this company

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1 and to this rate case that there should be a witness
2 made available for cross-examination for purposes of
3 going through this transition plan, and I would suggest
4 that Mr. Wright would be the appropriate witness to
5 answer questions about the transition plan.

6 I understand that Mr. Wright was here last
7 week briefing the Commission on the transition plan,
8 and I believe simply because the Company has chosen to
9 not provide witnesses as a matter of strategy to
10 support direct testimony but rather to reserve them for
11 rebuttal should not be an impediment to our ability to
12 prepare a case and ask proper cross-examination
13 questions of a very, very significant subject matter.

14 MR. VAN NOSTRAND: Your Honor, the transition
15 plan was just filed this week. It was just completed
16 this week. It was to fulfill a commitment that this
17 company made to the Commission as part of the merger.
18 Our rate case was filed last November. The fact that
19 this transition plan happens to be dropping in in the
20 middle of this case does not mean we have to put a
21 witness on as part of our direct case to support it.

22 Certainly, we expect it will become an issue
23 in this case, and we are prepared to put a witness on
24 in rebuttal. We expect the parties will raise certain
25 adjustments based on the transition plan, and they are

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1 free to do that, and that's one of the reasons we are
2 willing to have Mr. Larsen authenticate the document so
3 the parties can use the document as part of their
4 opposing testimony, and we will certainly be putting on
5 a rebuttal witness to describe the transition plan.

6 It is not part of our direct case, and it is
7 a mere circumstance of timing that it's appearing in
8 this case at this time. It's to fulfill this company's
9 commitment from the merger case to file within six
10 months of merger close in this docket and we have done
11 so, but it's not part of our direct case.

12 JUDGE MOSS: The Company is taking the
13 position here that the document known as the transition
14 plan is not a necessary piece of evidence to support
15 its filing in the Company's view, and to the extent
16 they don't put a witness on or seek to have the
17 document in the record and nobody else does either and
18 that turns out not to be true, then it's certainly
19 going to damage their case. I don't think we can force
20 them to do that. I suppose there are some other
21 possibilities available to you. It is a recent
22 document. I got my copy just a few days before the
23 hearing, so I can verify independently that it is a
24 document of recent vintage.

25 This witness has indicated he has no

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1 familiarity with the document, so it does strike me
2 that it would be a great waste of time to ask him
3 questions about it, at this juncture, at least. It
4 does sound as if the transition plan -- I haven't
5 looked at it either. I don't know what it includes and
6 how it might bear on this case, so I'm not in any
7 position to make a judgement about that. It does sound
8 like it may have some bearing on the case and that
9 various parties may find elements in that that would
10 cause them to advocate various adjustments in this rate
11 case, so the document does appear relevant. It does
12 appear that it's going to come in, and Mr. Van Nostrand
13 has no objection to that, even through this witness,
14 but it may be that this is something that's going to
15 have to wait until the rebuttal phase.

16 Now, another option would be that you could
17 file a motion seeking to call an adverse witness. I
18 don't think we have anything in our rules that prohibit
19 you from doing that, but we can't, as it were -- this
20 is not like the RTO process where we can make people
21 volunteer.

22 MS. DAVISON: Your Honor, perhaps if I could
23 just respond to a couple points that have been raised.
24 First, the transition plan, while I think the Company
25 very deliberately released the plan on a certain day --

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1 JUDGE MOSS: Let's don't get there. Let's
2 talk about it objectively --

3 MS. DAVISON: Objectively, the date on the
4 document is April of this year, so the transition plan
5 has been drafted and it's been in existence by the
6 cover since April, so it's not a brand-new document
7 that just came out last week.

8 The second thing I would add to that, Your
9 Honor, is that if we don't have the opportunity to ask
10 questions about it during this hearing, we will not
11 have the opportunity to incorporate that into our
12 testimony, which is currently due, I believe, on the
13 19th of this month. The schedule does not allow for us
14 to have rebuttal testimony, and I quite frankly don't
15 see how we will be able to cross-examine and then
16 advocate adjustments based on this transition plan with
17 the schedule that we currently have. I think that is
18 part of the difficulty with the Company bringing in a
19 lot of new witnesses on rebuttal is that the way it
20 currently stands, we do not have that ability to file
21 surrebuttal.

22 JUDGE MOSS: I don't know what precludes you
23 from seeking discovery on the document.

24 MS. DAVISON: We will be seeking discovery on
25 the document, but as I understand the process in the

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1 state of Washington with this Commission is that we
2 should have the ability to utilize this hearing process
3 to ask questions about important issues and try to
4 gather up information so that we can present the most
5 comprehensive and complete testimony by our witnesses
6 as we can.

7 JUDGE MOSS: But it's not your only
8 opportunity, and I think that that's an important
9 point. You do have the opportunity to inquire about
10 this document through the other means of discovery
11 available to you. This process, as you describe it, is
12 one whereby years ago, we had something "clarifying
13 cross-examination," and I think that is sort of the
14 genesis from which this whole process came, and
15 frankly, much of what we have heard in the last two
16 days is more in the nature of discovery in my view than
17 it is cross-examination, and the number of records
18 requisition requests underscores that point, and those
19 are just another form of data requests. They are RR
20 instead of DR, but they are same thing.

21 So I think you have means to inquire about it
22 and incorporate it into your answering case, and if you
23 feel that your rights are compromised after the
24 rebuttal case, then certainly you might file a motion
25 to have the opportunity to file surrebuttal testimony.

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1 I might add in that regard that the whole purpose of
2 rebuttal and surrebuttal is to eliminate the need for
3 cross-examination. That's what those steps are for in
4 any case, so again, to the extent you are denied any
5 motion that you make surrebuttal testimony, you can
6 certainly cover the same points in cross-examination of
7 the Company's rebuttal case, which you will have an
8 opportunity to do, so I think the procedural
9 opportunity is available to you. This is not the
10 witness. There is no point in you asking him questions
11 and him saying, "I don't know" 150 times or whatever it
12 may be. He hasn't read the document.

13 MS. DAVISON: Your Honor, I respect where you
14 are going with your ruling. The purpose of my turning
15 to that page is that there was a chart in the
16 transition plan that compared the year 2000 budget with
17 the objectives in the transition plan, and we have been
18 told there wasn't a year 2000 budget, and when I opened
19 up the transition plan and saw the reference to that,
20 obviously, one exists, so I was utilizing the
21 transition plan for purposes of impeachment.

22 JUDGE MOSS: Let's be clear. The witness
23 said only that he was not aware as to whether the
24 Company had a final budget document at this juncture or
25 not. He didn't say there wasn't one. He said he did

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1 not know. It's apparently outside his
2 responsibilities; although, we can ask that. Is the
3 budget part of your responsibilities, Mr. Larsen?

4 THE WITNESS: No, it's not. I don't prepare
5 it.

6 JUDGE MOSS: So the fact he doesn't know, I
7 don't know what value there is to that. You've made a
8 records requisition request to get a copy of it, and
9 they will provide that within a seven-day turnaround
10 now, so you will get that, and then that will, perhaps,
11 facilitate your ability to inquire about the transition
12 plan at the appropriate time, either through discovery
13 or otherwise.

14 So again, there is not really an evidentiary
15 issue here as there is so much a question of your
16 opportunity, and I think the opportunities are there.
17 This is just not the witness today, so I'm going to
18 sustain the objection to inquiring of this witness
19 regarding the transition plan that he hasn't read;
20 however, I will let you do the foundation and get it
21 into the record. Mr Van Nostrand says he has no
22 objection. In fact, can we just stipulate it in as an
23 exhibit, Mr. Van Nostrand?

24 MR. VAN NOSTRAND: That's fine, Your Honor.

25 JUDGE MOSS: Have you provided it and

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1 premarked it?

2 MS. DAVISON: Yes, Your Honor. It is Exhibit
3 No. 146.

4 JUDGE MOSS: 146 will be made an exhibit of
5 record. Done. Shall we go forward? Actually, after
6 my long speech, this would probably be a good
7 opportunity for a break so everyone can recover.
8 Let's go ahead and take the 15 minutes until ten after
9 the hour, and maybe we will go a little bit past noon.

10 (Recess.)

11 JUDGE MOSS: Let's go back on the record, and
12 we will continue with Ms. Davison's cross of
13 Mr. Larsen.

14 MS. DAVISON: Thank you, Your Honor.

15 Q. (By Ms. Davison) Mr. Larsen, could you tell
16 me when is the beginning of PacifiCorp's fiscal year?

17 A. Currently or for this case?

18 Q. Currently.

19 A. With the ScottishPower merger, it's changed,
20 April through March.

21 Q. So the beginning of your fiscal year is April
22 1; is that correct?

23 A. I believe that's correct.

24 Q. Mr. Larsen, are you aware that
25 WAC 480-140-030 requires PacifiCorp to file its budget

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1 for the fiscal year within 10 days after it is approved
2 by the Company but no later than 60 days after the
3 beginning of the Company's fiscal year?

4 A. Can you repeat that?

5 Q. My question, Mr. Larsen, is whether you are
6 aware that WAC 480-140-030 requires PacifiCorp to file
7 with the Commission its budget within 10 days after it
8 has been approved by the Company, referring to the
9 budget, or no later than 60 days after the beginning of
10 the fiscal year?

11 A. I'm not aware specifically of that ruling. I
12 know that we do have a budget report that we file
13 annually with the Washington Commission. Whether we
14 requested an extension related to that or -- you would
15 be referring to a filing of a 1999 budget.

16 Q. No. I'm referring to your year 2000 budget.
17 My reading of the rule seems to require that the budget
18 should have been filed by June 1 of this year at the
19 latest, assuming the budget had not been approved
20 earlier by the Company.

21 A. Can you repeat that wording then? I'm not
22 sure whether it's talking about '99 or 2000.

23 Q. I think I can move on. I think I've made my
24 point, Mr. Larsen. The rule requires the Company to
25 file its annual budget each year with the Commission

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1 either within 10 days of the approval of the budget but
2 no later than 60 days at the beginning of the fiscal
3 year. My point is, you appear to be out of compliance
4 with the rule, but I will move on. I think Judge Moss
5 is --

6 JUDGE MOSS: I'm waiting for a question,
7 Ms. Davison.

8 MS. DAVISON: The witness was asking me to
9 explain the rule to him.

10 JUDGE MOSS: Let's go on with the questions,
11 please.

12 MS. DAVISON: Thank you. Your Honor, in
13 light of sustaining the objection on the transition
14 plan, I would like to make a records requisition
15 request regarding the transition plan. I would like a
16 complete set of work papers for Exhibit 146, which is
17 the transition plan, showing the calculations of all
18 the tables contained within the exhibit.

19 JUDGE MOSS: That will be No. 26.

20 MS. DAVISON: Thank you, Your Honor.

21 Q. (By Ms. Davison) Mr. Larsen, do you have
22 Exhibits 194 and 195 with you? If you don't, I have
23 extra copies.

24 A. No, I don't.

25 JUDGE MOSS: These were exhibits previously

00655

1 admitted during the testimony of Mr. Widmer.

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

3 Q. I'll give you just a second to look those
4 over. Are you ready, Mr. Larsen?

5 A. Let me look over the attachments here. Do
6 you have the question that led to the attachment which
7 is Exhibit 195?

8 Q. I don't have it in front of me, no. I think
9 for purposes of my questions, you don't need it.

10 A. Okay.

11 Q. Mr. Larsen, turning to Exhibit 194, does the
12 software identified in this exhibit, the energy
13 commodities system software, is that used to support
14 market position trading?

15 A. I'm not aware if that was used for the market
16 position trading or if it was used for other trading.
17 I guess I would have to verify exactly what that was
18 being used for. That might have been used for our
19 pilot programs, direct access programs, but I would
20 have to verify that.

21 Q. Are you aware that I asked this exact
22 question of Mr. Widmer, and he referred the question to
23 you?

24 A. I wasn't aware of that question. Mr. Widmer
25 had informed me that he had referred some questions

00656

1 related to software systems to me.

2 Q. So you didn't read the transcript nor did
3 your attorney identify to you what questions had been
4 referred to you?

5 A. I haven't read the transcript. They did
6 mention there would be a question on software systems.

7 Q. If you don't know the answer to the question,
8 who does know the answer to the question?

9 A. I can provide that in a records requisition
10 to verify what its being used for.

11 Q. Actually, my question, Mr. Larsen, is if you
12 could identify the name of the individual who would
13 know the answer to that question?

14 A. I don't know who the individual would be that
15 uses this software.

16 Q. Turning to Exhibit No. 195, and turn to the
17 first page, you see that the first page says, "summary
18 of total costs for wholesale trading and marketing."
19 Do you have that?

20 A. Yes.

21 Q. Do you know whether the wholesale trading and
22 marketing costs identified on this page reflect some
23 costs in the market position trading activity?

24 A. Well, the title there says, "summary of total
25 costs for wholesale trading and marketing," so can you

00657

1 repeat that question?

2 Q. Yes. My question is whether these costs
3 reflect some costs related specifically to market
4 position trading?

5 A. I guess like I mentioned, without seeing the
6 question and what we are providing here, it's difficult
7 to say what the breakout of market position trading or
8 that relationship of that function is with wholesale
9 trading and marketing.

10 Q. Are you aware that I asked this question of
11 Mr. Widmer, and Mr. Widmer said, quote, "You know, I
12 really can't answer that. That's another question that
13 should be directed to Mr. Jeff Larsen." Are you aware
14 of that?

15 A. No, I wasn't aware of that.

16 Q. Do you know who would know the answer to this
17 question?

18 A. Yes. I believe Mr. Tom Beck would be able to
19 provide the information on that.

20 MS. DAVISON: Your Honor, I have one question
21 regarding the Commission order. I'm not going to seek
22 to admit it, but I have made copies for the convenience
23 of everyone.

24 JUDGE MOSS: We appreciate that.

25 Q. (By Ms. Davison) Mr. Larsen, I have handed

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1 you a document that is the Commission's order in Docket
2 U-87-1338 dated July 15th, 1998, and this was an order
3 approving the merger between Utah Power and Light and
4 Pacific Power and Light. If you could turn to Page 14
5 of that, please, you see that the marking is mine on
6 the column there, the first paragraph down, where it
7 says -- I'd like to point you to the direction where it
8 says, "Commission continues to be concerned about the
9 effects of Pacific's ratepayers of merging with higher
10 cost system and believes that any integration of the
11 power supply function for the two companies should be
12 done in a way consistent with the Pacific's least-cost
13 planning process now getting under way." Do you see
14 that?

15 A. Yes.

16 Q. Do you know how PacifiCorp currently does its
17 least-cost planning process, and what I'm specifically
18 referring to, is that done on a state-by-state basis,
19 or do that on a system-wide basis?

20 A. Least-cost planning function is not an area
21 of my responsibility, but there is the witness in the
22 case, Mr. Brian Hedman, who is responsible for
23 least-cost planning.

24 Q. So you don't know the answer to that.

25 A. I would prefer to defer questions to him

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1 where he has the responsibility on that.

2 Q. But you don't know the answer to whether or
3 not the least-cost planning process is done on a
4 state-by-state or system-wide basis?

5 A. Not specifically, no.

6 Q. Let me try to step back and find an area that
7 you do have expertise in, and I think one of the
8 general questions I have in looking over this rate case
9 is that, did you follow a certain policy or approach in
10 making decisions about what costs should be allocated
11 on a state-by-state basis and which costs should be
12 allocated on a system-wide basis?

13 A. We follow the modified accord allocation
14 methodology.

15 Q. Does that spell it out in terms of specific
16 costs, or is there a certain element of judgment
17 associated with that?

18 A. I think there is a basic philosophy that we
19 follow.

20 Q. Can you explain that philosophy?

21 A. The entire modified accord?

22 Q. No. If you could summarize the philosophy
23 that you are referring to.

24 A. It's pretty broad. It covers every account.
25 There is different treatments for different FERC

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1 accounts, depending on how they are allocated and how
2 they are assigned.

3 JUDGE MOSS: I think, Mr. Larsen, that
4 Ms. Davison is asking you -- you characterize there
5 being a sort of general philosophy as opposed to an
6 item-by-item methodology spelled out, so I think she's
7 asking you for what that general philosophy might be
8 that governs the treatment of each of those individual
9 accounts, if that's an accurate description.

10 THE WITNESS: As I mentioned previously in
11 trying to explain the modified accord, the basic
12 philosophy that we follow is that costs are
13 functionalized, classified, and allocated by FERC
14 account, and through that process, we identify what the
15 drivers are in the cost allocations. We try to follow
16 general cost allocation philosophy or methodology with
17 the exception that there is a couple of changes that
18 we've made assigning premerger plant to the divisions
19 of origin rather than following an average costing
20 philosophy or methodology and the assignment of
21 benefits associated with hydroplant to the division
22 that brought those benefits to the merged Company.

23 That's kind of a general philosophy statement
24 that we use. We incorporate that by going FERC-by-FERC
25 account looking at the functional classification

00661

1 allocation decisions that need to be made. For
2 example, for plant costs, those are a system-wide cost
3 that are driven by all customers in their usage and
4 their demand, so those become the drivers for the cost
5 allocation, and we develop allocation factors to then
6 allocate the costs to the various states.

7 In terms of a customer-based cost, we use a
8 number of customers for the costs that are driven not
9 by usage but by customer-related requests or
10 information, the billing system where we have to
11 provide a bill for every customer. That becomes the
12 primary driver is the number of customers.

13 Q. Thank you. Mr. Larsen, are you aware that
14 the Company received a refund of approximately 10
15 million dollars from Burlington Northern Santa Fe
16 Railroad as part of a rate settlement?

17 A. Yes, I'm aware of that.

18 Q. Have you included receipt of this refund
19 credit in your adjustments for this test period?

20 A. No, I haven't. That was a refund related to
21 1994 through 1997, and we received all of that credit,
22 was actually accrued in 1998. I think the actual cash
23 was received in early '99. We have factored into our
24 coal costs the ongoing impact of the order out of the
25 STB, which was a lowering of transportation costs for

00662

1 the fuel supply.

2 Q. But wasn't the 10-million-dollar credit
3 booked in 1998?

4 A. Yes. That's what I said. It was booked, I
5 believe, in December of '98. It was accrued for
6 recognizing that we were going to receive that.

7 Q. Did the Utah ratepayers receive some portion
8 of this refund?

9 A. No, they did not.

10 Q. Was there a treatment of this refund as a
11 result of the recent Utah rate case order?

12 A. No, there wasn't. There was an adjustment
13 that was initially proposed by a witness for the
14 Committee of Consumer Services, and they dropped that
15 adjustment. I believe as they reviewed it, it would be
16 a prior period adjustment. They do receive the ongoing
17 impact of a reduced rail transportation contract in
18 their coal costs.

19 Q. Is that reflected for Washington ratepayers?

20 A. Yes. In our coal costs that we've included
21 in this case, the ongoing level of benefit is
22 associated with every negotiated contract.

23 Q. But the Company has kept the entire 10-
24 million-dollar refund?

25 A. Yes. That was related to prior periods and

00663

1 isn't an ongoing benefit.

2 Q. Are you familiar with a 1991 fuel management
3 audit done by Energy Ventures Analysis?

4 A. I'm generally familiar with that. It's been
5 many years since I read that.

6 Q. Do you recall that the EVA report recommended
7 that the Company should buy out the Wyadec (phonetic)
8 coal contract?

9 A. I'm generally aware that there was such a
10 recommendation, subject to check and going back and
11 looking at that document.

12 Q. Could you tell me what efforts PacifiCorp has
13 made to buy out the Wyadec contract?

14 A. Generally, I think the Company has continued
15 to have ongoing discussions related to that, but as
16 such, there has been no new contract that has been
17 renegotiated.

18 Q. Do you know what other efforts the Company
19 has made to follow the recommendations of the EVA
20 report?

21 A. Of course, that study, I believe, was done in
22 '91. It had a number of independent recommendations.
23 The Company reviewed those and determined, based on its
24 own fuel strategy, what it should adopt or incorporate.
25 I think one of the most significant items that EVA

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1 recommended and the Division of Public Utilities
2 supported was the Company looking at going to a
3 market-based coal supply at the Dave Johnston power
4 plant. The Company ultimately was able to procure a
5 reasonable transportation contract so that it could
6 bring in Powder River Basin coal to the Dave Johnston
7 plant, which led the Company's announcement to close
8 the Dave Johnston mine. I think that was one of the
9 most significant things that came out of the EVA report
10 for which the Company has followed.

11 Q. Speaking of the Dave Johnston plant, could
12 PacifiCorp install a truck or rail unloading facility
13 at the Wyadec plant that's similar to the efforts that
14 were made at the Dave Johnston plant?

15 A. I guess anything is possible. I'm not sure
16 if it is economically feasible or what the current
17 situations are. I haven't done any analysis or am
18 aware of a study done to put in a rail inload facility
19 that would be comparable to the Dave Johnston mine at
20 Wyadec.

21 Q. Do you know why PacifiCorp hasn't looked into
22 that?

23 A. I can't answer that.

24 Q. Are you aware of examples of other utilities
25 who have bought out above-market coal contracts?

00665

1 A. Not specifically, no.

2 Q. Are you aware that there are commission
3 decisions, not Washington Commission, but generally
4 commission decisions that discuss the imprudency of not
5 attempting or buying out these 1970 coal contracts?

6 A. I'm not aware specifically of commission
7 orders on that. The Company is always trying to
8 maintain as low a fuel supply as they can, whether it's
9 through renegotiation or other opportunities to reduce
10 coal costs. Certainly, we are in binding contracts,
11 legal documents that we have to honor, so a lot of
12 cases we can't force the other parties to the table
13 unless they have some desire to sit down and talk with
14 us.

15 Q. I'd like to turn to Exhibit No. 120. Do you
16 have that?

17 A. I have that. FERC Form 1 excerpts and
18 computations.

19 Q. Yes, that's correct. If you look at the
20 first line there that says, "total power production
21 expenses" -- let's start with 1994 -- you see that that
22 is roughly one million dollars, and if you follow that
23 across to 1998, you see that that goes to -- I'm sorry;
24 it's one billion dollars -- and that that translates
25 into -- wait a minute. I guess I was right the first

00666

1 time. It was one million to 3.1 million. Can you
2 explain the ramifications of the sale for resale
3 expenses going from one million in 1994 to 3.1 million
4 in 1998?

5 A. Are you saying millions?

6 Q. Well, I'm confused. I'm looking at this --

7 JUDGE MOSS: I think you need to add three
8 zeros.

9 MS. DAVISON: I think that's right. I think
10 it's billion.

11 THE WITNESS: The ramifications of that?

12 Q. (By Ms. Davison) Yes.

13 A. I think the first thing to note in 1998, the
14 reason that number is so high is a result of the market
15 position in trading adjustment. We had a
16 \$1,335,000,000 of trading for which have been
17 discontinued. There is an offset on the revenue side
18 of \$1,331,000,000, and so if you remove that impact, it
19 changes your number substantially. I'm not sure what
20 you mean in terms of ramifications.

21 Q. Can you explain that huge escalation in
22 expenses from '99 to '98?

23 A. '99 is --

24 Q. I'm sorry, '94 to '98.

25 A. I think this is dealing with the power supply

00667

1 and trading functions. Certainly, as the Company has
2 an opportunity to make wholesale sales revenues go up
3 and to the extent you make incremental sales, you have
4 an additional expense on your production site. I think
5 those questions are best dealt with with Mr. Widmer.
6 I'm sure he covered the Company's attempts at
7 normalizing its production expenses.

8 Q. You don't make that adjustment for
9 normalizing these expenses?

10 A. I make the adjustment to remove the market
11 position trading that isn't an ongoing activity, and I
12 incorporate into my results the results of Mr. Widmer's
13 studies and analyses.

14 Q. So if you look at the bottom line, the sales
15 for resale, and you see the number goes from roughly 15
16 to -- and then go over to 1997, 59, that seemed to be
17 the peak. Can you describe what adjustments you made
18 to that number to normalize the data?

19 A. I'm not sure where your numbers have come
20 from here. This isn't a Company document, I don't
21 believe, is it?

22 Q. No. If you look at the second column, you
23 will see that it references the page numbers of the
24 FERC Form 1 where the data comes from, and the only
25 computation that is made on this document is just

00668

1 simply add up those numbers.

2 A. Does that reference continue to refer all the
3 way down for sales for resale?

4 Q. That reference goes all the way down to the
5 total, and then the rest of that is added up. The
6 point of my question isn't for you to verify the
7 numbers.

8 A. I kind of need to know where the numbers come
9 from so I know what I'm responding to.

10 Q. This document has been in your possession for
11 quite some time. I handed this out at the last
12 hearing. Did you not look at this exhibit when it was
13 provided three or four weeks ago?

14 A. Yes. I looked at it and verified the numbers
15 with the exception of these last couple of lines at the
16 bottom where I didn't have a Page 301 noted. If you
17 give me a minute, maybe I can verify it here with my
18 information.

19 Q. I really prefer that we not waste hearing
20 time to add up the numbers. My question is really a
21 pretty straightforward one. It's just to find out what
22 adjustments you've made to normalize these numbers. I
23 think you can take these numbers subject to check, and
24 you can see that there is a very definite trend from
25 these numbers. I think you would probably agree,

00669

1 would you not, that there would be need to be some
2 adjustment to normalize these numbers; is that correct?

3 A. The numbers you are showing here, I believe,
4 don't include -- "other electric revenue" is where the
5 market position trading was booked and included, and I
6 don't see that shown here, and that would correspond to
7 your power production expense that includes the market
8 position trading, so I don't know if you had a direct
9 comparison with the revenues you are showing here and
10 the expenses.

11 In 456, you also have wheeling revenues that
12 are associated with the Company's wholesale activities,
13 and those have to be taken into account. If we are
14 making additional sales for the benefit of customers,
15 you have an incremental cost that is going to go
16 through your production and transmission expenses, but
17 you have offsetting revenues as well that you would
18 have to pick up.

19 Q. So I don't believe I've heard an answer yet
20 to my question, which is, do you agree that these
21 numbers need to be -- there needs to be some
22 adjustments made to normalize these numbers?

23 A. I think I've tried to answer that. If these
24 are actual numbers, certainly there is an adjustment
25 that effects most of these accounts. We make a weather

00670

1 normalization adjustment to the residential and
2 commercial accounts. That's shown in Tab 3.1. We've
3 adjusted revenues for these items for effective price
4 changes and out-of-period items that were included in
5 billings. That's done in 3.2. That affects your
6 residential, commercial. It effects Account 442 on the
7 special contract revenues. Adjustment 3.3 normalizes
8 revenues for pilot programs and for the optimal
9 schedules we've proposed, so there is a number of
10 adjustments we've done normalizing revenues.

11 In addition to that, if you are picking up on
12 your expense side these as actuals, we have to adjust
13 those for the normalized items that we have in this
14 filing and also any associated revenue impacts to the
15 normalizing adjustments to get a comparable basis for
16 the Commission to make a decision on what's appropriate
17 for rate-making.

18 Q. Let's me try it this way: I think we are in
19 agreement -- perhaps we are not in agreement that the
20 numbers have been done correctly, but that market
21 position trading expenses should be removed from this
22 revenue requirement; is that correct?

23 A. We've reflected under Adjustment 4.2 in my
24 Exhibit 72 the removal of market position trading
25 impacts that are included in Purchase Power Account 557

00671

1 and the revenues in Account 456.

2 Q. Okay. I think this record contains many
3 references to the increased wholesale power marketing
4 activities of the Company that the Company has now
5 essentially abandoned or significantly reduced; is that
6 correct?

7 A. I think that's probably generally an
8 appropriate characterization.

9 Q. My question is, are there other adjustments
10 that you have made, besides the market position
11 trading, besides weather normalization, that would
12 account and remove from the 1998 test year associated
13 with this increased wholesale power market trading?

14 A. I believe incorporated in our early-out
15 program in this labor savings was the adjustment for a
16 few people or positions that were discontinued as a
17 result of that trading activity. I'd have to verify
18 that, but I believe that was generally the case.

19 Q. Okay. Thank you.

20 MS. DAVISON: Your Honor, I'd like to move
21 the admission of Exhibit 120.

22 MR. VAN NOSTRAND: Object, Your Honor. I
23 believe Mr. Larsen has already indicated there are
24 significant omissions from this document. These are
25 basically excerpts from the FERC Form 1, and it is

00672

1 important information that could be compiled by an
2 expert witness retained by Ms. Davison rather than
3 having this exhibit offered through the Company.

4 Mr. Larsen previously identified that this
5 document selectively excludes certain corresponding
6 items, such as the other electric revenue, wheeling
7 revenues, and offsetting revenues, and as such,
8 represents a somewhat misleading image, and I don't
9 believe it's appropriate for this document to be
10 offered through a Company witness.

11 JUDGE MOSS: For what purpose would you offer
12 this document at this time? Is it just to clarify the
13 colloquy we've had? You are not offering it for the
14 truth of the numbers asserted.

15 MS. DAVISON: That is correct, Your Honor.

16 JUDGE MOSS: For the limited purpose for
17 which its been offered, I think we will admit it. 120
18 is admitted.

19 Q. (By Ms. Davison) Mr. Larsen, can you turn to
20 Exhibit 127, please? Do you have that, Mr. Larsen?

21 A. That would be a two-page document, WIEC Data
22 Request Response 1.19-B?

23 Q. That's correct.

24 A. Yes, I have that.

25 Q. Can you tell us what this document is?

00673

1 A. This is a request from the Wyoming Industrial
2 Energy Consumers in our rate case before the Wyoming
3 Public Service Commission, and it identifies the 1998
4 Y2K costs for the total Company by account.

5 Q. Have you included these total Y2K costs in
6 your 1998 revenue requirement?

7 A. Yes, we have.

8 Q. Have you made any adjustments for those being
9 nonrecurring in nature?

10 A. No, we did not. They were reoccurring
11 certainly in 1996 or '97. The 10 million dollars in
12 1998, I believe we had, subject to check, about 14
13 million in 1999, and we had another one to two million
14 in 2000, I believe. So certainly this is an expense
15 the Company has incurred. I think customers have
16 benefited from the Company's efforts to do Y2K
17 remediation and mitigation, and I think they are
18 properly recoverable.

19 Q. Do you know how the Utah Commission treated
20 your Y2K expenses in their recent rate case order?

21 A. Yes, I have that order. They basically
22 deferred the 1998 costs and have amortized those.

23 Q. Over five years; is that correct?

24 A. I believe so. I can verify that, if you
25 would like.

00674

1 Q. I think we can have that subject to check if
2 you want to look it up later.

3 MS. DAVISON: Your Honor, I'd like to move
4 the admission of Exhibit 127.

5 MR. VAN NOSTRAND: No objection.

6 JUDGE MOSS: It will be admitted as marked.

7 Q. (By Ms. Davison) Mr. Larsen, can you turn to
8 Exhibit 128, please.

9 A. It's a three-year amortization.

10 Q. For Y2K?

11 A. Yes. It's on Page 61. Instead, we adopt a
12 three-year amortization to reflect the unique nature
13 and importance of these particular expenses to the
14 public generally.

15 Q. Mr. Larsen, can you turn to Exhibit 128,
16 please?

17 A. I have that.

18 Q. Can you identify this document, please?

19 A. WIEC Data Request 1.20.

20 Q. I may have to look at my exhibit list, but I
21 have marked as Exhibit 128, PacifiCorp investor/analyst
22 presentation, October 28, 1998.

23 A. That was an attachment to this request that
24 was provided. Yeah, PacifiCorp investor/analyst
25 presentation, October 28, 1998, New York.

00675

1 Q. So you have that in front of you.

2 MS. DAVISON: Your Honor, I apologize. This
3 was an exhibit that I provided prior to your
4 requirement of adding the page numbers, so I just have
5 a couple of questions on it, so bear with me. These
6 are not numbered.

7 Q. (By Ms. Davison) If you turn to the
8 investor/analyst presentation, if you turn to Page 6,
9 at the top of the page is entitled "western strategy";
10 do you see that?

11 A. Yes.

12 Q. If you follow down to the bottom of the page,
13 it is making recommendations or suggesting a new
14 strategic direction for the Company, which includes
15 shutting down the Eastern U.S. electricity trading
16 business, shutting down the energy works, ceasing the
17 energy development activities in Turkey and the
18 Philippines, and selling the investment in the
19 Hazelwood power station in Australia. Do you see that?

20 A. Yes, I do.

21 Q. Did PacifiCorp follow through on these new
22 strategic directions?

23 A. I believe the Company is following the
24 strategy as outlined. I'm not sure where they are at
25 in that process. I know they are generally working on

00676

1 these issues.

2 Q. Let's take an example. For example, the
3 Company's energy development activities in Turkey, are
4 the expenses associated with those above the line or
5 below the line in this rate case?

6 A. Expenses for Turkey should not be included.

7 Q. How about the energy development activities
8 in the Philippines, should that be included in the
9 revenue requirement?

10 A. No. If it is, it should be removed or
11 adjusted out.

12 MS. DAVISON: Your Honor, I would like to
13 move the admission of Exhibit 128.

14 MR. VAN NOSTRAND: No objection.

15 JUDGE MOSS: It will be admitted as marked.

16 Q. (By Ms. Davison) Mr. Larsen, does PacifiCorp
17 have a draft 1999 FERC Form 1 prepared?

18 A. I believe it is in draft stage right now.

19 MS. DAVISON: I would like to make that
20 Records Requisition Request 27. If you could please
21 provide a draft 1999 FERC Form 1.

22 THE WITNESS: Can I consult with my attorney
23 with a question on that?

24 JUDGE MOSS: I don't think we want you
25 consulting while you're on the stand. If your attorney

00677

1 has some objection or difficulty with that, he can say
2 so now.

3 THE WITNESS: I guess my only concern is that
4 would maybe need to be made confidential. We don't
5 want draft information out there circulating on the
6 Company's information until it is finalized and
7 properly filed with FERC.

8 JUDGE MOSS: Under our rules, you can file
9 documents confidential whether it be in response to a
10 data request or records requisition, so if that's the
11 appropriate thing to do, then you can make that call.

12 THE WITNESS: Okay.

13 Q. (By Ms. Davison) Mr. Larsen, can you turn to
14 Exhibit 147, please?

15 JUDGE MOSS: How close are you, Ms. Davison?

16 MS. DAVISON: I probably have about 30 more
17 minutes worth of questions. It would be fine to break
18 for lunch.

19 JUDGE MOSS: I was wondering if this is a
20 convenient point. Why don't we do that. Given the
21 traffic situation -- although I would love to move
22 things along as quickly as possible today -- we should
23 wait until 1:15 to return. We'll be in recess until
24 1:15.

25 (Lunch recess at 12:05 p.m.)

00678

1

AFTERNOON SESSION

2

(1:25 p.m.)

3

JUDGE MOSS: Let's go back on the record and resume our cross-examination of Mr. Larsen.

5

MS. DAVISON: Thank you, Your Honor.

6

Q. (By Ms. Davison) Mr. Larsen, I have handed out to you a document that is two pages of your rebuttal testimony from the Utah rate case. Do you have that?

10

A. Yes, I do.

11

Q. If you turn to the second page of that, which starts off "PacifiCorp Data Request 1.7," can you explain to us what this page represents?

14

A. Basically, this is a data request. The Division of Public Utilities had done an audit of 1998 costs and reviewed an analysis that the Company had done to insure that we had a proper split between regulated and nonregulated costs, and when the Division finished with that, there were a number of items that they had identified that they wanted the Company to review. We went back through those items, found that there were some additional costs that were included in the results that should not be there and provided that information to them. They recommended an adjustment for that, and we certainly supported that.

25

00679

1 Q. Mr. Larsen, have you insured that the costs
2 that are included on this page are not included in
3 Washington's revenue requirement?

4 A. We have an Adjustment 4.16. It incorporates
5 the adjustments that I believe are here. On this data
6 request, it shows \$1,068,592. You can find that on
7 Page 4.16.1. The first set of data totals to that
8 amount.

9 Q. Thank you. I see further down on the page
10 that you did not agree with the adjustment regarding
11 Wright Management Consultants Career Transition
12 Services for Mr. Buckman; is that correct?

13 A. That is included in the adjustment that we
14 show on 4.16.1.

15 Q. So you ultimately took the \$32,000 out of the
16 revenue requirement?

17 A. Yes.

18 Q. Then if we turn to the second page of what
19 I've handed you is your excerpts of your rebuttal
20 testimony, you see in the middle of the page a
21 reference to your Project Ebony. Can you tell me what
22 that is?

23 A. Give me just a moment, and I will see if I
24 have details on that. It's got a reference here to a
25 CCS Data Request 18.10-E. I don't have the specifics

00680

1 for that. It was reviewed by the Company and
2 identified as a cost that shouldn't be borne by
3 ratepayers, so it was removed.

4 Q. In Utah or Washington or both?

5 A. It was originally charged through electric
6 operations and then was corrected by the Company so
7 that it wouldn't be included in results filed by the
8 Commissions, and that shows further down the page,
9 "Solomon and Smith Barney Project Ebony correction
10 corrected 12/98, JB-108 PB." So that was identified by
11 the DPU as an audit for us to review to see if it was
12 included or not. We looked at it and had been properly
13 captured when we did our review and removed from
14 results.

15 Q. So am I correct in assuming that all of the
16 adjustment detail that appears on this what's been
17 labeled as Page 21 of your rebuttal testimony, if you
18 look in the upper right-hand column there, that all of
19 these adjustments have been made to the Washington
20 revenue requirement, and Washington ratepayers are not
21 being charged for any of these expenses; is that
22 correct?

23 A. You can see on Page 4.16, there is an
24 adjustment to remove strategic consulting for
25 \$1,064,110 that ties to this Page 21.

00681

1 Q. Thank you. Could you turn to what has been
2 marked as Exhibit 148, please?

3 JUDGE MOSS: Did you offer 147?

4 MS. DAVISON: No. I'm coming back to it, but
5 thank you for reminding me.

6 THE WITNESS: I have 148, which is Data
7 Request 5.62.

8 Q. (By Ms. Davison) Yes. If you look at this
9 data request, if you go down to Item B, the response is
10 that none of the costs associated with the wholesale
11 extranet are included in the Washington revenue
12 requirement; do you see that?

13 A. Yes, I do.

14 Q. Can you point in your adjustments to where
15 these costs, which I believe are \$505,371, have been
16 removed from the revenue requirement?

17 A. They are not removed as an adjustment. They
18 have never been assigned to Washington.

19 Q. Okay.

20 MS. DAVISON: Your Honor, I would like to
21 move the admission of Exhibit 148.

22 MR. VAN NOSTRAND: No objection.

23 JUDGE MOSS: It will be admitted.

24 Q. (By Ms. Davison) Mr. Larsen, can you turn to
25 Exhibit 149, please?

00682

1 A. ICNU Request 5.67 on "Voices"?

2 Q. That is correct. If you turn to the last
3 page of this exhibit marked at Page 5 at the bottom,
4 you see that the "Voices" newsletter costs are
5 \$464,110. Have Washington ratepayers been charged for
6 this cost?

7 A. I believe Washington customers have received
8 an allocation of that amount based on a CN allocation
9 factor.

10 Q. Do you know how much of the \$464,000 have
11 been allocated to Washington ratepayers?

12 A. Washington's number of customer factors, or
13 CN, is 8.4117, so that applied to the \$464,000 would be
14 what I believe is flowing through the results.

15 Q. What did you look at to reference the --

16 A. The factor?

17 Q. Yes.

18 A. It's Tab 10. The first page in that has all
19 the allocation factors.

20 Q. Can you explain to the Commission what the
21 "Voices" newsletter is?

22 A. The "Voices" newsletter is a letter that we
23 provide monthly to our customers containing Company
24 information, communication to its customers.

25 Q. So if I understand your response correctly,

00683

1 Washington customers had been allocated a certain
2 portion of these costs, and the Washington ratepayers
3 are paying the full amount of that allocation. In
4 other words, there has been no adjustment to this
5 expense; is that correct?

6 A. No, there hasn't been.

7 Q. Thank you.

8 MS. DAVISON: Your Honor, I'd like to move
9 the admission of Exhibit 149.

10 MR. VAN NOSTRAND: No objection.

11 JUDGE MOSS: 149 is in your set. 148 through
12 151 were admitted by stipulation.

13 MS. DAVISON: I'm sorry, Your Honor.

14 JUDGE MOSS: 147 is the only one that needs
15 attention or not.

16 MS. DAVISON: Thank you.

17 Q. (By Ms. Davison) Could you turn to Exhibit
18 150, please. Do you have that?

19 A. Yes, I do.

20 Q. On a system-wide basis, have you included
21 roughly 17 million dollars in this revenue requirement
22 for relocating PacifiCorp employees to the Lloyd Center
23 Tower?

24 A. Can you point me to where you are getting
25 that number?

00684

1 Q. If you turn to Page 7 of the exhibit, you
2 will see "LCT," which I think is Lloyd Center Tower,
3 17.3 million dollars?

4 A. Yes, I see that.

5 Q. My question is, is that amount included in
6 the revenue requirement?

7 A. I believe this is a capital project for the
8 remodeling and establishment of offices for employees
9 to move into that facility from the PSB, so these would
10 be capital costs.

11 Q. I also see that there is approximately 3.2
12 million dollars regarding corporate moves. Is that
13 amount also included in the revenue requirement?

14 A. When you say "corporate moves," can you
15 clarify what you mean by that or where you are
16 referring to the 3.2?

17 Q. Maybe it's called dispatch. I'm sort of
18 confused by the terminology.

19 A. Is that Page 3 of 3, \$3,195,367?

20 Q. Yes.

21 A. When you say "corporate moves," I'm not sure
22 that that appropriately reflects what's been identified
23 here. There is a number of moves or relocations of
24 facilities. This identifies certain facilities, and it
25 includes moving dispatch circuits and operational type

00685

1 items, so if you are referring to corporate in the
2 sense of corporate services type activities being
3 moved, the only one that I think was of any
4 significance was the relocation of the accounting
5 department in Salt Lake to Portland to the Lloyd
6 Center, and we've adequately reflected the impact of
7 that in our Adjustment 4.3 and 4.5 where we've
8 accumulated the costs associated with that move and
9 amortized it over five years and reflected reduction of
10 staff associated with that consolidation.

11 Q. How did you treat the expense associated with
12 the Public Service Building? That was, as I understand
13 it, the building that is in downtown Portland that the
14 employees were moving from to the Lloyd Center Tower.

15 A. I believe the costs are in '98.

16 Q. So the facility that is no longer occupied by
17 PacifiCorp employees is still -- that cost associated
18 with that is still in rates?

19 A. That would be there. We have an offsetting
20 cost though when we moved employees out and they all
21 didn't move into the Lloyd Center, so we are occupying
22 Oregon Square Building, I think is what it's called.
23 We are now incurring expenses.

24 MS. DAVISON: 150 is already admitted?

25 JUDGE MOSS: Yes, 150 and 151 both.

00686

1 MS. DAVISON: Thank you, Your Honor.

2 Q. (By Ms. Davison) Mr. Larsen, could you turn
3 to Exhibit 151, please? This is a data request that
4 asks some questions associated with PacifiCorp's
5 California offices. Is it correct that PacifiCorp has
6 closed down its California operations as referred to in
7 this data request?

8 A. This doesn't specifically refer to the
9 closure of those offices.

10 Q. Right. That's why I'm asking you the
11 question. Are these offices closed?

12 A. I think it was the Company's intent to close
13 the offices. I'm not sure the status of them, if
14 they've completely shut down and terminated all lease
15 arrangements or employment agreements, but that was the
16 Company's intention. I can certainly verify that or do
17 a records requisition to supply the status of that.

18 Q. Are the costs associated with the California
19 operations in 1998 included in the revenue requirement?

20 A. When you say "California operations," are you
21 referring to these offices? Specifically, we've got
22 operations in California that are ongoing.

23 Q. Yes. I'm referring to, I think I would call
24 this your deregulation -- I think it was really power
25 marketing oriented operations as opposed to your

00687

1 service territory operations.

2 A. Give me just a moment. I think I might have
3 a document on where those work orders were charged. I
4 didn't find the document that I was looking for. I can
5 provide where those are charged based on the locations
6 that are identified in this document.

7 MS. DAVISON: Why don't we make that Records
8 Requisition Request No. 28. Mr. Larsen, I assume from
9 your response that the answer to my question is yes,
10 that the costs associated with the California
11 deregulation operations are included in the revenue
12 requirement.

13 THE WITNESS: No, that's not the case. I
14 can't say one way or the other without looking at the
15 detail on whether the location codes for these have
16 been identified above or below the line or if they've
17 even been allocated to Washington, so I can't agree
18 with your statement until I do the records requisition.

19 MS. DAVISON: Thank you. While we're on
20 records requisition requests, I'd like to add one more.
21 We are having a lot of difficulties, you might tell,
22 from the questions I'm asking Mr. Larsen trying to
23 track where things are put into the revenue requirement
24 and how they are taken out. It's been quite a chore,
25 and I would like if you could please provide for the

00688

1 1998 test year for Accounts 901 through 935 by line
2 item the transactions that are included in the
3 Washington revenue requirement indicating whether the
4 particular line items have been assigned or allocated
5 to Washington.

6 THE WITNESS: That is an absolutely huge
7 request.

8 Q. (By Ms. Davison) Can you provide that in
9 some kind of electronic data format?

10 A. By line item, so every transaction the
11 Company incurred for those accounts?

12 Q. Yes. It's my understanding that you have
13 that in electronic form already.

14 A. Well, it's in our computer systems. We'll
15 have to first of all download that information and then
16 go line by line and identify it and assign an allocator
17 to it.

18 MR. VAN NOSTRAND: Your Honor, this is the
19 same basic request that was made to which we objected
20 on the grounds that it was burdensome, particularly at
21 this stage in the proceeding, so now in response to
22 objecting to the data request, we now have it in the
23 form of a records requisition, which is still subject
24 to a five-day turnaround.

25 It's a problem at this stage in the case

00689

1 after the case has been on file for nearly six months
2 to be basically doing a data dump of this magnitude of
3 which the other transaction period of Accounts 901
4 through 935. We objected to it on that grounds before
5 and the objection continues, and the solution is not to
6 then do a records requisition. It's to go through the
7 discovery dispute mechanism.

8 JUDGE MOSS: Let me just cut you off right
9 there because we don't really have time for an extended
10 debate on this. Let's do this through the motion to
11 compel process, if that's what's necessary. The
12 question apparently has been asked previously, objected
13 to, and that's the way to do it. So if the Company and
14 you cannot work out a way for this data to be
15 conveniently produced and the Company wishes to
16 continue its objection, then I'll hear that separately
17 when we are not pressed for time.

18 MS. DAVISON: Your Honor, I had responded to
19 the objection to the Company and had offered to
20 significantly cut back -- you heard yesterday the
21 discovery dispute to cut back on the request. The
22 Company did not get back to me on my offer. I
23 understand we are very pressed for time, but we are
24 also very pressed for time in terms of the due date of
25 our testimony --

00690

1 JUDGE MOSS: I will take it up Wednesday if
2 it needs to be taken up. All you have to do is contact
3 me and I will make myself available.

4 MS. DAVISON: Thank you, Your Honor.

5 Q. (By Ms. Davison) Mr. Larsen, to what extent
6 have your adjustments for the 1998 test period reflect,
7 whether your adjustments reflect anything contained in
8 the transition plan proposal?

9 A. When we put our filing together, that was
10 last fall. The transition plan was not available to us
11 at that time. I had no knowledge of it, and we didn't
12 know what the outcome of that would be, so it's not
13 reflected in our results.

14 Q. Turning to my last exhibit, 147.

15 A. The Utah report and order, Docket 99-035-10?

16 Q. Yes. This is the Appendix 1 of the Utah rate
17 case order, and as I understand this appendix, these
18 are the revenue requirement adjustments that were
19 undisputed by the parties by the end of the rate case;
20 is that correct?

21 A. Yes, I believe that's correct.

22 Q. My question is, of these various items
23 contained on Pages 1 through 12, does the Washington
24 revenue requirement reflect these adjustments?

25 A. It doesn't reflect all of these. Some of

00691

1 these are Utah specific adjustments or adjustments
2 mandated by the Utah Commission, and therefore, we
3 don't reflect those. Nor do we reflect adjustments in
4 Utah like the midpoint adjustment or other adjustments
5 that are specific issues to the Washington Commission
6 for which Utah has not adopted or made issue with.

7 Q. And my very last question for you,
8 Mr. Larsen, there are statements in the transition plan
9 that state that there is a lack of clear direction,
10 strategy, business focus, goal setting, reporting and
11 management control is limited, a lack of clear
12 accountability causing confusion, a lack of focus in
13 job responsibilities. The list continues on, and I
14 have a very simple question for you, and that is, do
15 these weaknesses translate into higher costs?

16 MR. VAN NOSTRAND: Objection, Your Honor. I
17 think we've already gone down the path of whether or
18 not this witness is going to be subjected to questions
19 regarding the contents of the transition plan. That's
20 exactly, apparently, where these statements come from,
21 no doubtedly taken out of context, and I object to the
22 question being put to this witness.

23 MS. DAVISON: Your Honor, I can certainly
24 pull out other documents where these types of
25 statements, they are filled throughout the record in

00692

1 the merger case. They are also contained in the
2 analyst's report that I've introduced in this
3 proceeding earlier. These types of criticisms of the
4 PacifiCorp management team are quite well known, and
5 they are not particular to the transition plan. That
6 just happened to be a handy document upon which I could
7 read from.

8 JUDGE MOSS: Would it work for you if we
9 simply put the question to the witness in terms of, if
10 that litany you went through is true, does that
11 translate into increased costs? Will that work?

12 MS. DAVISON: That's perfect.

13 JUDGE MOSS: It's a hypothetical then,
14 Mr. Larsen, and if you will be so kind as to assume the
15 litany of difficulties that Ms. Davison listed and
16 answer her question, I would appreciate it.

17 THE WITNESS: Sure. I guess it is difficult
18 for me to respond because I'm not familiar with the
19 context in which those statements are developed,
20 whether it's talking about PacifiCorp overall or
21 focusing on just electric operations, so it is hard to
22 speculate on what exactly that statement is referring
23 to.

24 Certainly, working on the electric operations
25 side of the business, I think we have tried to keep

00693

1 costs down, and we've worked hard to meet and achieve
2 our goals that have been set in our line of sight.
3 Expectations, I really can't speculate at a policy
4 level on a strategic management level as to the
5 activities they've undertaken, whether that's led to
6 higher costs or not.

7 MS. DAVISON: Your Honor, I'd like to move
8 the admission of Exhibit 147.

9 MR. VAN NOSTRAND: No objection.

10 JUDGE MOSS: It will be admitted.

11 MS. DAVISON: I'm done with my
12 cross-examination, Your Honor.

13 JUDGE MOSS: We appreciate that, and we will
14 move right ahead to Mr. Cromwell.

15 MR. CROMWELL: Thank you, Your Honor. For
16 the record, Robert Cromwell for Public Counsel. Your
17 Honor, per your instructions yesterday morning, I have
18 some additional exhibits which I would like to have
19 marked by the Bench at this time. May I approach the
20 Bench?

21 JUDGE MOSS: Yes, please. This one is Public
22 Counsel Data Request 75 will be premarked as No. 152,
23 Data Request No. 90 will be 153 in this proceeding,
24 Data Request No. 108 will be 154 in this proceeding.
25 Data Request 120 will be 155. Data Request 121 will be

00694

1 156, and Data Request 137 will be 157.

2 MR. CROMWELL: Thank you, Your Honor. I'm
3 also pleased to inform the Commission that
4 Mr. Van Nostrand and I have reached an agreement as to
5 stipulation of the admission of a number of the
6 exhibits that I've had premarked as well as the ones
7 you mentioned here.

8 JUDGE MOSS: This whole set you've agreed to?

9 MR. CROMWELL: Yes, I believe we have, and I
10 have some additional ones as well that I could list for
11 you if you would like.

12 JUDGE MOSS: Just give me the numbers,
13 please.

14 MR. CROMWELL: I believe we've also agreed to
15 the admission of Exhibit 108, 110, 111, 112, 113 --
16 excuse me, I'll address 113 in a minute -- 114, 115,
17 116, 117, and 118. I will not be offering Exhibit 119.
18 Are we on the same list, Mr. Van Nostrand?

19 MR. VAN NOSTRAND: We are, Mr. Cromwell.

20 JUDGE MOSS: So 113 remains open as well as
21 109.

22 MR. CROMWELL: 107, 109 and 113 are still on
23 the table, if you were. I would like to just let you
24 know I will address Exhibits 107 and 109 as they occur
25 in the course of my questioning. I'd like to address

00695

1 113 now, if I may.

2 JUDGE MOSS: As to these others though, I'm
3 going to go ahead and admit those on the basis of the
4 stipulations.

5 MR. CROMWELL: Thank you, Your Honor.

6

7

CROSS-EXAMINATION

8 BY MR. CROMWELL:

9 Q. Good afternoon, Mr. Larsen. My name is
10 Robert Cromwell, and I represent Public Counsel. Do
11 you have before you what has been premarked as Exhibit
12 113?

13 A. Just a moment. I have that.

14 Q. Is that, in fact, Company's response to
15 Public Counsel Data Request No. 86?

16 A. It is, but I believe it has been modified
17 with our revised filing, Exhibit 1.

18 Q. I'll get to that in a second, so that is the
19 response to Public Counsel Data Request No. 86?

20 A. Yes.

21 Q. Was that produced by the Company on April
22 19th?

23 A. Yes.

24 Q. Subsequent to that time, have some of the
25 numbers reflected in that attachment to the Company's

00696

1 response to that data request been modified?

2 A. Yes, they have.

3 Q. Were those modifications included in the
4 testimony you filed with this Commission, was it May
5 9th?

6 A. Yes, they have.

7 Q. And that was in your revised testimony?

8 A. Yes.

9 Q. Which part, please?

10 A. Exhibit 71.

11 Q. That was on May 9th?

12 A. Yes.

13 Q. To your knowledge, has the Company
14 supplemented its response to this data request?

15 A. No. We haven't provided a new data request.

16 Q. Are you aware of whether or not Public
17 Counsel data requests included requests for updates or
18 supplemental information when they were propounded to
19 the Company? You may not know this, and if not, just
20 say so.

21 A. I know on a number of them it requested
22 information if it became available or updates. I'm not
23 aware if that was a general guideline or specific to
24 this request.

25 Q. That's fine.

00697

1 MR. CROMWELL: Your Honor, at this point I
2 would move the admission of what has been premarked as
3 Exhibit 113.

4 MR. VAN NOSTRAND: No objection.

5 JUDGE MOSS: It will be admitted.

6 Q. (By Mr. Cromwell) Mr. Larsen, PacifiCorp
7 owns a large number of generating plants both thermal
8 and hydro with a total generating capacity of
9 approximately 7,000 megawatts. Is that roughly
10 correct?

11 A. Yeah, that's reasonable. It can be verified
12 in the Form 1.

13 Q. We'll try and save some of the Commission's
14 time this afternoon. The Company has sold the
15 Centralia plant at a price which is well in excess of
16 the depreciated book value of that plant, is it not?

17 A. Yes, I believe that's the case.

18 Q. And in your exhibits, is the gain on sale of
19 that plant being amortized in accordance with the
20 Commission's order in the Centralia proceeding?

21 A. As I mentioned yesterday, what we've included
22 in our exhibit was the Company's original proposal on
23 Centralia. We are not yet certain we've worked out all
24 of the issues on the return of the gain to customers.
25 When that is finalized, then we would certainly update

00698

1 our numbers in the case.

2 Q. Would you have an estimate when you might be
3 able to do that?

4 A. I'm not familiar with when that would be
5 completed. I assume that we would reflect that in our
6 rebuttal case.

7 Q. In general, would you expect that the Company
8 would be willing to sell its generating plants at their
9 depreciated book value?

10 A. I can't speculate on that. Are you talking
11 would we be willing to put up a for-sale sign for all
12 of our plants today?

13 Q. No, I'm not asking you that. I'm asking for
14 any particular plant, given the depreciated book value
15 that plant has -- and you can pick one, if you'd
16 like -- in your opinion, would you expect the Company
17 to be willing to sell that plant at its depreciated
18 book value?

19 A. Again, it depends on the circumstances. It
20 depends on the Company's strategy, the economics, how
21 it affects our long-term strategy for our customers,
22 other driving factors for why we would want to sell it.
23 I don't really think I'm in a position that I can
24 answer that question.

25 Q. Are you aware of the Company selling any

00699

1 significant asset at depreciated book value?

2 A. As part of the Centralia sale, I believe the
3 mine was sold at book value.

4 Q. Mr. Larsen, I'd next ask you to take a look
5 at what has been marked as Exhibit 153, which is, I
6 believe, the Company's response to Public Counsel Data
7 Request No. 90. Do you have that in front of you, sir?

8 A. Yes, I have that.

9 Q. Is it the Company's response to that data
10 request that it is not aware of any estimates of
11 replacement costs or fair market value for the
12 Company's generating plant; is that correct?

13 A. The response to that, "We are unaware of any
14 fair market value estimates made for purposes of either
15 insurance coverage or FERC reporting purposes related
16 to the Company's thermal and hydrogenerating
17 facilities."

18 Q. I read it as well. My question to you was
19 more broad, and that is, are you aware of any
20 estimates, not merely those for insurance or FERC
21 purposes?

22 A. I guess with the sale of Centralia --
23 certainly, when you've done a sale, you haven't done an
24 estimate on what the value of that is, because when
25 you've done the sale, you've determined what that value

00700

1 is. Other than that, I'm not aware of any other
2 studies that were done for all of the Company's hydro
3 or thermal facilities to determine a fair market value.

4 Q. So your answer is no?

5 A. With, I guess, a note that Centralia, because
6 of the sale, has determined a fair market value through
7 a sale process, but we haven't gone out and done
8 estimates or valuations or appraisers come in and go
9 plant by plant to determine a fair market value.

10 Q. I'd ask you now to turn to what's been
11 admitted as Exhibit 110, the Company's response to
12 Public Counsel Data Request No. 47. Do you have all
13 the attachments to that response in front of you?

14 A. This is Public Counsel 47 supplement?

15 Q. I have Public Counsel 47, which has been
16 admitted as Exhibit 110 in this proceeding. It has
17 attached to it -- produced on March 10th, and attached
18 to it are photocopies of a number of bill inserts that
19 the Company provided in response to that. Do you have
20 that in front of you?

21 A. Yes. I believe we've also supplemented that.

22 Q. Do you know when that was?

23 A. March 17.

24 Q. Can you tell me, are bill inserts a part of
25 the cost of billing?

00701

1 A. They are a cost that's incurred. I'm not
2 sure if they are charged to the FERC billing and
3 customer collection account.

4 Q. So you are not certain whether those bill
5 inserts are included in the customer account expenses
6 that are used in the calculation of customer accounts?

7 A. The costs are included. I can't say
8 specifically which FERC account they've gone to, but
9 they are included as a cost.

10 Q. Are they included in Account 903? If you
11 want to look at JKL-2, Tab 2. I believe it's Page 213,
12 Line 713 through 716, if you need to refresh your
13 recollection.

14 A. I know what that account is. I would have to
15 go back and look at the specific accounting
16 transactions to see where the costs of bill inserts
17 were actually getting coded and booked to verify that.
18 We could certainly do that.

19 Q. So as of today, you are uncertain whether
20 they are included or not included?

21 A. I would have to verify which account they are
22 going to, so yes, we can do a records requisition to
23 identify where these costs are been charged.

24 MR. CROMWELL: Why don't we do that, Your
25 Honor.

00702

1 JUDGE MOSS: That's going to be No. 29.

2 MR. VAN NOSTRAND: The requisition is to
3 identify the FERC accounts to which the bill inserts
4 are charged?

5 MR. CROMWELL: No. It's to identify whether
6 or not the cost of bill inserts are included in Account
7 903 or if another account, to identify that account,
8 and if they are, furthermore, included in customer
9 account expenses that the Company uses in calculating
10 customer costs.

11 THE WITNESS: That information that we
12 provide would show whether they have gone above or
13 below the line, into which FERC account and so forth.

14 MR. CROMWELL: Thank you.

15 Q. (By Mr. Cromwell) Let's look at the first
16 example that the Company provided, which is apparently
17 a Nighthawk carbon monoxide detector. Are you with me?

18 A. Yes, I am.

19 Q. Are these sold by the utility itself or by an
20 unregulated subsidiary to which the Company has granted
21 access to the billing envelope?

22 A. I believe this is in partnership. I believe
23 we obtained rights to use the Simple Choice logo and
24 sell products through that process.

25 Q. Is Simple Choice a third party unaffiliated

00703

1 with PacifiCorp?

2 A. It's not an affiliate of the Company. It's a
3 Company that I believe we have or had an arrangement
4 with. I think we've since terminated that.

5 Q. Do you know what the terms were that that
6 arrangement included for access to the billing
7 envelope?

8 A. I'm not sure if Simple Choice has access to
9 the envelope or if this is Company products that we are
10 selling using the Simple Choice logo.

11 Q. So you are not sure whether, if I understand
12 you correctly, whether the Company granted access to
13 the billing envelope to Simple Choice or whether it
14 entered into a marketing type agreement with Simple
15 Choice to use their logo and marketing materials?

16 A. I'm not familiar with the arrangements with
17 Simple Choice.

18 Q. Do you know how much revenue the utility
19 received from the sale of these and other products and
20 how it was applied to offset the cost of billing in
21 your calculation of billing costs?

22 A. To the extent that we have revenue and
23 expenses from nonregulated products for which
24 PacifiCorp is selling, those go, I believe, into
25 Accounts 415 and 416, which are below-the-line accounts

00704

1 for nonregulated products and services, and the way the
2 Company has traditionally handled these costs is that
3 the cost of development of programs have gone below the
4 line, and the revenues associated with those
5 unregulated programs go below the line. To the extent
6 those become successful, I think it was the Company's
7 intent that they become a revenue credit at that point.

8 Q. So those receipts would have been below the
9 line, as you stated, so they would not be used to
10 offset billing costs?

11 A. No. As I mentioned with the Records
12 Requisition No. 29, we'll identify if there are costs
13 for these products for doing bill inserts. Those would
14 be identified whether they are above the line or in
15 fact going below the line to 416 where the revenues
16 would match with it.

17 Q. It looks like there was also an insurance
18 product; is that correct?

19 A. Can you refer me to the document?

20 Q. I think what I have of the attachment
21 documents, which were all legal size copies, it's the
22 fourth page with the top half of the main two-column --
23 kind of looks like a newsletter, Plan to keep the power
24 on?

25 A. This would be one of our "Voices" Company

00705

1 newsletters.

2 Q. And that top section there, it looks like
3 it's some kind of arrangement with PacifiCorp Insurance
4 Services underwritten through American Bankers
5 Insurance; is that correct? Looking at the small print
6 in the second column, which is started with an
7 asterisk, and benefits and rates?

8 A. I can see it. I was just trying to become
9 familiar with it. It looks like it's an offering under
10 the Simple Choice umbrella.

11 Q. To put it simply, it keeps the lights on?

12 A. It enables people that are falling on hard
13 times to have their bill paid.

14 Q. Can you tell us today what the relationship
15 is between PacifiCorp Insurance Services and
16 PacifiCorp, the electric utility?

17 A. There is a data request that we responded to,
18 if I can find it, that lays out the organizational
19 relationship of all the Company and its affiliates.

20 Q. But you don't know independent of what you've
21 read into the Company's responses to our data requests?

22 A. In relation to PacifiCorp Insurance Services?

23 Q. Correct. The relation of the regulated
24 utility, which is here before the Commission, and what
25 is known in this document as PacifiCorp Insurance

00706

1 Services.

2 A. PacifiCorp Insurance Services wouldn't be a
3 regulated venture. It's not a subsidiary or a
4 component that we would be including or seeking cost
5 recovery for.

6 Q. Do you know if there is an affiliate
7 transaction agreement on file with this Commission?

8 A. I'm not aware of whether there is that type
9 of relationship. There is, as I mentioned in that
10 document you were just referring to, this advertisement
11 is talking about this program through Simple Choice.
12 The paragraph just above says, "To enroll in our Simple
13 Choice payment protection plan or to find out more,
14 please call --" and it has the number there. I'm not
15 sure the relationship structure between any insurance
16 services.

17 Q. Given that, can you tell us how much
18 advertising revenue the electric utility raised from
19 allowing the advertisement from this insurance company
20 to advertise in this bill through "Voices" newsletter?

21 A. I'm not sure that there is any revenues
22 associated with this or that we sold that space to
23 PacifiCorp Insurance Services. This is a service that
24 we are providing to our customers which ultimately
25 benefits all ratepayers. To the extent that customers

00707

1 may have difficulty paying, their bills are covered by
2 insurance that if they lose their job, their bill
3 continues to be paid. I think all customers benefit
4 because that will insure that our bad debts don't go
5 up.

6 Q. Along those lines, can you tell us whether
7 other insurance companies are permitted to buy the same
8 advertising space to offer similar products?

9 A. As I said, I didn't say we had sold this
10 space to an insurance company. I think the Company has
11 included this as part of its communication to help its
12 customers.

13 Q. Well, do you grant free access to other
14 insurance companies who may wish to offer your
15 customers a similar product to provide similar service
16 and a similar benefit?

17 A. The answer to that is no, and I believe we've
18 provided that in a data request to Public Counsel
19 stating the Company's policy on the Company envelope.

20 Q. So then would it be fair to say that the
21 Company is using its monopoly position as the bill
22 provider to favor an unregulated subsidiary over other
23 possible competitors?

24 A. Again, I would have to disagree with that
25 characterization, and the document I referred to was

00708

1 Public Counsel Data Request 111.

2 Q. If the Company's offering these types of
3 insurance products to its customers, can you tell us
4 why your uncollectibles are so high? It would seem
5 that if customers were availing themselves of this
6 product that wouldn't really be an issue, would it?

7 A. I'm not sure when this program began or what
8 date this "Voices" was even prepared, so whether it had
9 any impact on 1998, I can't speculate.

10 Q. Let's look down at the bottom of the page.
11 There is the Dish Satellite System. Can you tell us
12 what the relationship is between the Dish and
13 PacifiCorp?

14 A. There again, I think it's a product that's
15 offered under the Simple Choice umbrella of
16 nonregulated products and services that the Company
17 offers to its customers.

18 Q. Looking at the second column of that
19 advertisement, it says, "Professional installation is
20 only \$49. You save \$150." Can you tell us whether or
21 not the electric division of the Company was installing
22 those systems for that discount?

23 A. No, I don't believe the Company would be
24 involved in installing those. We don't have linemen
25 out installing satellite dishes.

00709

1 Q. So your answer is no?

2 A. That's correct.

3 Q. Do you know whether the Dish paid the Company
4 to place these ads in the billing information or
5 whether the Dish shared revenues from the sale of these
6 satellite dishes with the Company?

7 A. Again, I'm not aware of this. I believe this
8 again is the Company offering a product to its
9 customers through the Simple Choice logo umbrella, so
10 I'm not aware that there is a specific arrangement with
11 the Dish directly or if it's just a product or service
12 that is included in a full range of products that we've
13 offered our customers.

14 JUDGE MOSS: I hesitate to interject, but it
15 occurs to me as I'm thinking about reading this
16 transcript some months from now that there may be some
17 confusion about who "the Company" is. It seems to me
18 that in some situations you are referring to the
19 corporate entity, which would include the regulated and
20 unregulated businesses, and in another context, either
21 question or answer, we are referring to the Company to
22 mean the electric company that's selling electric to
23 consumers in Washington, so I think we need to be clear
24 about that in going forward as to what we mean by "the
25 Company."

00710

1 MR. CROMWELL: For the record, Your Honor, I
2 was referring to the regulated electric operation of
3 PacifiCorp.

4 JUDGE MOSS: When you answered, is that
5 always the way in which you were using "the Company"?

6 THE WITNESS: Yes.

7 Q. (By Mr. Cromwell) Let's go ahead and move
8 on, Mr. Larsen. Can you please take a look at what's
9 been marked as Exhibit 117? If you would also -- it
10 should be, I'm assuming, in your binder. Exhibit 118
11 would be right behind it. You should have those in
12 front of you.

13 As a predicate question, it's my
14 understanding that of the material the Company was
15 merchandising to its customers in the billing
16 envelopes, those materials and services being sold were
17 not covered by any tariff filed with this Commission;
18 is that correct?

19 A. Yeah. The nonregulated products and services
20 wouldn't be under the tariff.

21 Q. Looking at the Company's response to Public
22 Counsel Data Request 110, which has been admitted as
23 117, it doesn't appear that you are making much money
24 on most of these products; is that correct?

25 A. No, we haven't made a lot of money on them.

00711

1 Q. Does the category of expenses in this
2 response include a pro rata share of the cost of bill
3 preparation and postage?

4 A. I would have to see the detail on this. It
5 does have variable costs of goods sold, selling
6 expenses and so forth, and I would have to identify
7 whether the item you just mentioned is included in
8 those or not.

9 This is what I was referring to when I said
10 Account 415 and 416. It's now changed to 41-R for the
11 revenues and 41-X for expense, but all the costs of
12 nonregulated products and services go below the line,
13 both revenue and expense, to the extent that we've
14 covered the development costs and the incremental costs
15 on a going-forward basis, and if they become
16 profitable, then potentially it becomes a revenue
17 credit to customers.

18 Q. Can you tell me whether or not the regulated
19 electric operations of PacifiCorp permits other
20 nonaffiliated companies to place ads in the billing
21 envelope without compensating the Company for postage?

22 A. I don't believe the Company gives access to
23 its billing envelope to noncompany, to other companies.

24 Q. And it's my understanding then from your
25 testimony today that we won't find in the results of

00712

1 operations or in Mr. Taylor's cost-of-service study the
2 revenues from these merchandising programs; is that
3 correct?

4 A. You won't find the revenues that are
5 identified in your Exhibit 117, which are below the
6 line for these items. I don't know if that answers
7 your question. The revenues that were on this exhibit
8 are not above-the-line revenues.

9 Q. It does; thank you. Turning now to what's
10 been admitted as Exhibits 155 and 156, which were the
11 Company's responses to Public Counsel Data Requests 120
12 and 121 -- let me know when you are there.

13 A. Okay.

14 Q. I think this is also what you were referring
15 to earlier. It's true that the Company's response
16 indicates that no revenues were received in '98 by the
17 Company -- I should say the regulated electric
18 operations of PacifiCorp -- from the placement of these
19 materials in the billing envelope; is that true?

20 A. Yes. I believe that data request is still
21 appropriate. We didn't really get paid for those items
22 in the "Voices" and so forth.

23 Q. Then turning to the Company's response at
24 Exhibit 156, you've indicated that all of the revenues
25 for these types of merchandise being sold through the

00713

1 billing envelope are reported below the line.

2 A. That's correct.

3 Q. Is it also correct that postage for billing
4 is being charged to ratepayers?

5 A. The postage for mailing the bill and the
6 contents are charged above the line.

7 Q. Your answer is yes?

8 A. Yes.

9 Q. Please turn to what's been marked and
10 admitted as Exhibit 112, which is the Company's
11 response to Public Counsel Data Request No. 85. For
12 reference, you may also wish to have your Tab 2, Page
13 2.3 in front of you while we go through these next few
14 questions. Are you with me?

15 A. Which Tab?

16 Q. Tab 2, Page 2.13. We'll be looking at other
17 documents in that tab.

18 A. Okay.

19 Q. On Page 2.13, do lines 718 through 721 show
20 Account 904 uncollectibles with an adjusted total of
21 \$2,628,845?

22 A. Yes, it does.

23 Q. Has the Company prepared any analysis of how
24 your uncollectible expenses compare to that of other
25 electric utilities in this state?

00714

1 A. I'm not aware of a study comparing Washington
2 utilities with the Company on bad debts.

3 Q. Has the Company engaged in any other studies
4 regarding bad debts?

5 A. The Company in late 1998 had hired a
6 consultant, had him come in and review the
7 uncollectible processing and recovery.

8 Q. Turning to Page 2.3 and going to Line 105,
9 that's titled "total sales to ultimate customers" with
10 an adjusted total of \$185,003,269; is that correct?

11 A. Yes, it is.

12 Q. That is one of the corrections in your
13 testimony where the original number had been
14 \$184,660,269; correct?

15 A. I don't have my original version in front of
16 me to verify that, but subject to check. Can you give
17 me that number so I can check it?

18 Q. It should be originally \$184,660,269. Would
19 you agree then that your current number is the
20 185-million figure I quoted earlier?

21 A. Yes.

22 Q. Do you happen to have Mr. Griffith's
23 testimony available to you?

24 A. I don't have a copy in front of me.

25 Q. Would Mr. Van Nostrand be kind enough to

00715

1 provide you with one? This has been marked as Exhibit
2 232 WRG-2. Let's take a look at Table A, which should
3 be the first page after effective proposed price
4 changes from year one and year two. Do you have that
5 table in front of you?

6 A. Is it part of Exhibit WRG-1?

7 Q. It's WRG-2, the very first page. Do you have
8 the revised 59000 version?

9 A. Yes.

10 Q. Looking at Line 20, Column 7, I believe it
11 is, that's also titled "total sales to ultimate
12 consumers", is it not?

13 A. Yes, it is.

14 Q. The total there is \$181,024,000; is that
15 correct?

16 A. Present revenues, yes.

17 Q. Would you accept subject to check that
18 Mr. Griffith's prior number was \$180,681,000?

19 A. 180 million --

20 Q. 681 thousand, I believe was Mr. Griffith's
21 original figure.

22 A. Yes, I'd accept that subject to check.

23 Q. Can you tell me what accounts for the
24 discrepancy between those two figures?

25 JUDGE MOSS: Which two figures?

00716

1 Q. Maybe better termed, can you tell me what
2 accounts for the difference between your total sales to
3 ultimate customers at Line 105 on Page 2.3 of your Tab
4 2, which is a total of 185 million, roughly speaking,
5 with the 181 million that's reflected in Mr. Griffith's
6 testimony, WRG-2, Line 20?

7 A. I guess I would defer that question to
8 Mr. Griffith. I'm sure he can explain how my numbers
9 flow through the cost of service and then he develops
10 his present revenues in his rate design work.

11 Q. Let me take a step back. It's your testimony
12 that you develop these numbers. Mr. Griffith then took
13 some and applied them to his testimony, so his
14 testimony would be predicated upon your data?

15 A. The process that we go through is that I
16 develop the normalized revenue requirement. Mr. Taylor
17 then uses that as a basis to develop cost of service,
18 and in conjunction with that, Mr. Griffith develops the
19 rate design information.

20 Q. Can you tell me whether you are aware of a
21 difference, if any, to PacifiCorp, the electric
22 regulated utility, of what "total sales to ultimate
23 consumers" means versus "total sales to ultimate
24 customers"? Again, just for the record, I'm looking at
25 your Tab 2, Page 2.3, and Mr. Griffith's WRG-2, first

00717

1 page of Table A, Line 20, Column 7.

2 A. I think the item that may not be included in
3 Mr. Griffith's -- and he can verify this or respond to
4 it. I don't believe these numbers...

5 Q. Mr. Larsen, I think my last question to you
6 was whether the Company means something different when
7 it says "total sales to ultimate consumers" in
8 Mr. Griffith's testimony and when it says "total sales
9 to ultimate customers" in your testimony.

10 A. That's what I was trying to verify, if there
11 is something different that I would be able to respond
12 to that question, if we had different items included
13 that would roll down to that total, and I don't believe
14 that there is, as I mentioned --

15 Q. So your answer is no?

16 A. I would defer that question to Mr. Griffith
17 to respond to what he's included in his number that's
18 different than mine.

19 Q. So you are standing by your original number
20 of 185 million, roughly speaking?

21 A. Yes. I believe my number is correct. That's
22 a normalized revenue that is shown on that sheet.

23 Q. Would you agree that 2.6 million is roughly
24 1.4 percent of the total Washington retail revenue?

25 A. Yes. Generally, that works out to be about

00718

1 that.

2 Q. In your last general rate case -- I should
3 say the PacifiCorp regulated utilities last general
4 rate case -- the uncollectibles were only \$996,000,
5 which at that time would have been 0.6 percent of
6 system revenues in Washington; is that correct?

7 A. I would have to check that. Can you give me
8 those numbers?

9 Q. Would you accept subject to check that in the
10 last rate case the Company filed here, the
11 uncollectibles were at \$996,000, and that reflected
12 roughly 0.6 percent of system revenue here in
13 Washington?

14 A. Subject to check.

15 Q. Is there a witness who is responsible for
16 demonstrating that this increase in the level of
17 uncollectibles is reasonable?

18 A. In terms of our bad debt expense, we've made
19 an adjustment to reflect what we think is an
20 appropriate level.

21 Q. My question to you, sir, was whether you know
22 which witness is responsible for demonstrating to this
23 Commission that that increase is reasonable? Are you
24 that witness?

25 A. That would be me.

00719

1 Q. Can you point me to what portion of your
2 testimony discusses the reasonableness of this
3 uncollectible rate?

4 A. I don't believe that I address that item
5 specifically in my testimony.

6 Q. The Company --

7 A. Nor do I address every specific item in the
8 revenue requirement, whether it's at its reasonable
9 level. I don't go through line by line item and talk
10 about each specific issue.

11 Q. I can appreciate that. My next question to
12 you is whether you are aware the Company was requested
13 to provide studies of why PacifiCorp regulated
14 utilities uncollectibles had soared as they did, but
15 it's my understanding that those studies were contained
16 in the response to Staff Data Request 363. Is that
17 also your understanding?

18 MR. CROMWELL: I believe that's been admitted
19 as Exhibit 91-C. If you could just check and make sure
20 I'm correct on that.

21 Q. (By Mr. Cromwell) Do you have that in front
22 of you Mr. Larsen?

23 A. Yes, I do.

24 MR. CROMWELL: Your Honor, was 91-C admitted?

25 JUDGE MOSS: I have it down as being admitted

00720

1 yesterday.

2 Q. (By Mr. Cromwell) Mr. Larsen, are you aware
3 that Washington Water Power, or Avista, if you will, is
4 currently before the Commission on a general rate
5 review?

6 A. Yes, I'm generally aware of that.

7 Q. Are you aware that the uncollectible expense
8 they've used for their 1998 test year is \$902,000 out
9 of a total of 251 million in revenue, or approximately
10 one third of one percent?

11 A. I'm not aware of those specifics of the case.

12 Q. Do you know that in past rate dockets, the
13 allowance for uncollectibles, which is normally an
14 element of the net to gross conversion factor, has
15 generally been around .25 percent?

16 A. Subject to check.

17 Q. Would you also accept subject to check that
18 there isn't a Commission order with a provision for
19 uncollectibles greater than one percent?

20 A. Subject to check again on that.

21 Q. Do you have any justification today for why
22 your uncollectibles are three to five times for what we
23 are used to seeing here in Washington?

24 A. When you refer to three to five percent --

25 Q. No, sir. Three to five times higher than

00721

1 what we are used to seeing.

2 A. Are you referring to the net to gross? I
3 show for our uncollectibles, our net-to-gross
4 conversion factor would be 1.21 percent.

5 Q. That's versus roughly a quarter of a percent?

6 A. Yes. If you are basing it on a quarter
7 percent, if you compare it to the one percent that you
8 just mentioned, then it is three to five times.

9 Q. We can move along. Turning to Exhibit 109.

10 JUDGE MOSS: Are we still on the last
11 question as to which we didn't have an answer, or are
12 you asking a new question?

13 MR. CROMWELL: Your Honor, I think we
14 probably delved into that topic sufficiently at this
15 point. Thank you.

16 Q. (By Mr. Cromwell) Do you have Exhibit 109 in
17 front of you?

18 A. If you can give me just a moment.

19 MR. CROMWELL: For the record, that is the
20 Company's response to Public Counsel Data Request 45
21 regarding corporate aircraft.

22 THE WITNESS: I believe I'm there now.

23 Q. (By Mr. Cromwell) Public Counsel Data
24 Request 45 has been marked for identification purposes
25 as Exhibit 109. Can you identify that document as the

00722

1 Company's response to Public Counsel Data Request --
2 strike that. Can you identify that what has been
3 premarked as Exhibit 109 as part of the Company's
4 response to Public Counsel Data Request No. 45?

5 A. Yes. I believe it's excerpts from a
6 voluminous document.

7 Q. In fact, it's the month of June; is that
8 correct?

9 A. I have items that are from July.

10 Q. Invoice dated July. If you go through and
11 look at the date on the itemizations...

12 A. Billing summary on June '98.

13 Q. Yes. Would you agree that this appears to be
14 the information the Company provided regarding the
15 month of June in the test year?

16 A. Yes.

17 Q. Would you agree subject to your own check
18 that the month of June is representative of the
19 billings that, as you characterized it, were otherwise
20 voluminous?

21 A. In what terms do you mean "representative"?

22 Q. What terms would you like to use?

23 A. We do monthly billings. I'm not sure if the
24 activity in June is representative of the activity in
25 each month, or the travel for different reasons would

00723

1 be the same in each month.

2 Q. Neither do I. I'm not attempting to
3 characterize it in that fashion. Just in general
4 terms, would you accept subject to check that June is
5 as representative as any month might be for the test
6 year?

7 A. Yes. I guess, subject to check.

8 Q. If you would prefer, we can admit the whole
9 shebang that you sent us. I was trying to avoid that
10 and move along.

11 A. Subject to check, I could.

12 MR. CROMWELL: I'd move to admit what has
13 been marked as Exhibit 109.

14 MR. VAN NOSTRAND: No objection.

15 JUDGE MOSS: It will be admitted.

16 Q. (By Mr. Cromwell) Mr. Larsen, please turn to
17 Page 2 of the attachment to the Company's response,
18 which I believe is the second of the invoice pages. Do
19 you have that in front of you?

20 JUDGE MOSS: Give us an invoice number.

21 MR. CROMWELL: Invoice Number 98-089.

22 THE WITNESS: Yes, I have that.

23 Q. (By Mr. Cromwell) This is an invoice to
24 PacifiCorp Electric Operations for Corporate Air
25 Transportation, is it not?

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1 A. Yes, it is.

2 Q. And electric operations are what we've been
3 referring to here as the "utility" or the "Company"?

4 A. Yes.

5 Q. And this invoice which is dated July 31st is
6 for the month of June with a total of \$465,334.23; is
7 that correct?

8 A. Yes, it is.

9 Q. If we turn to the following page, which is
10 titled "PacifiCorp Trans, Inc., billing summary, June,
11 1998," we see a distribution of costs, do we not?

12 A. Yes.

13 Q. Focusing on the "electric ops" column, we see
14 first, \$69,991.14 in what is nominated as "commercial
15 equivalent rate"; is that correct?

16 A. Yes.

17 Q. And below that is another \$395,343.09 in
18 "other operating costs" quote unquote; is that correct?

19 A. Yeah, without the quote unquote.

20 Q. If you add these numbers together, we receive
21 the total bill to the utility of \$465,334.23 for that
22 month; is that correct?

23 A. Yes.

24 Q. Would you accept subject to check that the
25 commercial equivalent rate is 15 percent of the total

00725

1 bill to the electric operations for that month?

2 A. Can you say that again?

3 Q. Sure. What we are looking at here is roughly
4 15 percent. The commercial equivalent rate appears to
5 be roughly 15 percent?

6 A. Yes.

7 Q. Is it fair to conclude then that from that
8 percentage that the cost of charter option is about
9 seven times as great as the cost of flying on a
10 commercial aircraft?

11 A. No. I don't think you can characterize that
12 as such.

13 Q. So you think those rates vary?

14 A. No. In the other operating costs, I believe
15 that also includes the cost of our travel agency that
16 books and bills all of our travel costs and travel
17 arrangements, so if you are just strictly comparing the
18 commercial to a charter, you have to exclude the costs
19 of that travel agency department.

20 Q. Let's take a step back. Am I understanding
21 it correctly that the Company is proposing to charge
22 customers the charter rate and not the commercial
23 equivalent rate?

24 A. It's the Company's intent to recover its
25 costs of travel. Included in that are costs both for

00726

1 commercial as well as for use of the corporate plane.
2 At times, we are able to use the corporate aircraft to
3 get to places where we otherwise wouldn't be able to
4 get to on commercial. We would have to go out and
5 charter other aircraft.

6 Q. Let me restate my question. Is it fair to
7 say then that the Company is not proposing in this rate
8 case to charge only the commercial equivalent rate to
9 its electric operations?

10 A. No. It's recovering the cost of using the
11 corporate aircraft.

12 Q. Let's go on to the next page, and we see an
13 aircraft cost distribution for June '98 again; is that
14 correct?

15 A. Yes.

16 Q. Is this the cost of each of the aircraft in
17 PacifiCorp's fleet for that month broken out by usage,
18 and then with costs allocated out to the different
19 parts of the corporation?

20 A. Yes.

21 Q. For example, if we look at helicopter
22 N-204-PC, we see a total cost of \$59,750.61; is that
23 correct?

24 A. Yes.

25 Q. It seems like \$52,743.34 was allocated to the

00727

1 electric operations of the utility; is that correct?

2 A. That's correct. The helicopter is used
3 solely by electric operations for line patrols.

4 Q. That was under "other operating costs"; true?

5 A. That's correct.

6 Q. That leaves, it looks like, \$7,007.27
7 allocated as a commercial equivalent there; is that
8 correct?

9 A. Yes. That's a number. I'm not sure the
10 relationship with the helicopters. I don't believe we
11 are flying passengers on those. As I mentioned, I
12 believe those are just used for electric operation line
13 patrols.

14 Q. That's where I was going next. If we look up
15 at current passenger seat miles, PSM, we have zero
16 allocated to any of the companies and a total of zero.

17 A. For the helicopter.

18 Q. So it's not that the helicopter didn't fly;
19 it's that it didn't carry any other passengers other
20 than the pilot?

21 A. It's not carrying passengers for travel
22 purposes. As I mentioned, if there are passengers on
23 there, they are crews out inspecting lines and looking
24 for trees that may be getting into the right-of-way or
25 damaged lines and so forth, whether or not easily

00728

1 accessible by truck or other means. It's the most
2 economical way to patrol lines through the mountains
3 and so forth.

4 Q. Let's go on to the next page, which appears
5 to have the breakdown of passengers, fares, dates, et
6 cetera. Would you agree that this is what appears to
7 tell us who was on each flight and where the flight
8 went during that month?

9 A. Yes.

10 Q. Can you tell me on the first column under CO
11 as a code, can you tell me what EIW stands for?

12 A. I'm not familiar with what those codes
13 represent.

14 Q. Looking on the next page, we see EP and a
15 number of different ones, and you are not familiar with
16 what those stand for?

17 A. No.

18 Q. Do you know whether or not they are in any
19 way related to the electric utility operations of
20 PacifiCorp?

21 A. I'm sure there is a relationship there.
22 Without knowing what those codes represent, I can't
23 speculate as to what they represent.

24 Q. Going through, if you will just look through
25 those pages, say, the next few pages, would you agree

00729

1 that those appear to be employees of the utility, or
2 maybe I should say, are you familiar with any of the
3 names you see here?

4 A. Yeah. They are employees of Interwest
5 Mining, which are a direct subsidiary of electric
6 operations; Company officers, whether they are just
7 electric operations or PacifiCorp in total.

8 Q. Let's go to the third page. I see about
9 four-fifths of the way down "Steinberg/Dennis," and
10 that would be Mr. Dennis Steinberg who was the vice
11 president at that time?

12 A. Yes.

13 Q. If we look there, going over to the routing
14 code for Mr. Steinberg, it lose like those are the
15 airport three-digit identifiers that the FAA uses. It
16 looks like you went from -- just looking at the last
17 entry for Mr. Steinberg, it looks like that's a
18 Portland to Newport, Oregon, and then to Houston? I'm
19 sorry. Let me restate my question. That was poorly
20 worded.

21 The first entry for Mr. Steinberg, it looks
22 like he went from ONP to PDX. Would that be Newport,
23 Oregon to Portland?

24 A. I'm not familiar with what ONP stands for.

25 Q. If we look at the range of trips that he made

00730

1 during June, it looks like there is one there for extra
2 charge, which isn't an airport identifier, and that
3 would be for a sum of \$4,872.52. Do you know what
4 those kind of extra charges would be for this type of
5 flight?

6 A. I'm not sure if that is even a flight. It's
7 got a trip number and it's got a C-296. I don't know
8 if that represents a correction or what. I'm not
9 familiar with that specific transaction.

10 Q. So you don't know whether extra charges would
11 be something that would relate to electric operations
12 of PacifiCorp or not?

13 A. I'm not familiar with what that transaction
14 is referring to, if it's a correction that PacifiCorp
15 Trans has done charging Mr. Steinberg's organization
16 for trips or what. I can't speculate.

17 Q. That's fine. Let's go on over to Page 5, and
18 in about the middle of the page, we see
19 "Steinberg/Suzy." Would you know whether Ms. Steinberg
20 might be Mrs. Steinberg or if there is a relationship
21 between the two of them?

22 A. I believe that's the name of Dennis
23 Steinberg's wife.

24 Q. Can you tell me in what capacity
25 Ms. Steinberg is employed by PacifiCorp?

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1 A. She's not an employee.

2 Q. It appears that she took a few trips though,
3 does it not?

4 A. Yes, it appears that she has taken a trip.

5 Q. If we look either a little bit higher or all
6 the way up near the top of the page, we see another
7 name that's familiar, Simpson/Alan. I'm assuming that
8 identifies Senator Alan Simpson?

9 A. That's what the reference would be to.

10 Q. Immediately above Ms. Steinberg's entry,
11 there is a Simpson/Mrs. I assume that's Mrs. Senator
12 Alan Simpson; is that correct?

13 A. That's correct.

14 Q. Can you tell me in what capacity Senator and
15 Mrs. Simpson were employed by PacifiCorp in 1998?

16 A. I'm not familiar if he has a relationship.
17 He serves on our board of directors.

18 Q. And he was serving in that capacity in 1998?

19 A. Yes. That's included in the annual report.

20 Q. Do you know what state Senator Simpson
21 represented?

22 A. I believe he was Wyoming.

23 Q. Was Senator Simpson still in office in 1998
24 at the time he was on your board of directors?

25 A. I don't believe so, but I'd have to verify

00732

1 that.

2 Q. Can you explain to us what benefit Washington
3 ratepayers received from flying the senator's wife?

4 A. I'm not sure that the customers did receive
5 the benefit. I'm also not sure that these costs
6 actually flow through to Washington customers. We
7 periodically review this and try to make sure that
8 spouse travel is removed. This is the charge that
9 comes through from PacifiCorp Trans to the Company, and
10 then the accounting department goes through and
11 properly codes it and books it to the accounts.

12 Q. Are those reflected in the invoice that was
13 also provided for this month, those types of spouse
14 corrections?

15 A. They are included in this invoice. This
16 invoice then goes from PacifiCorp Trans to the Company,
17 and the Company then pays for it and codes the
18 information into its books and records. Therefore, by
19 looking at this, you can't necessarily make the
20 assumption that customers are paying for this because
21 we would have to verify whether, in fact, the Company
22 charged it to those accounts or whether they've removed
23 it.

24 Q. How would one go about doing that?

25 A. We could go through and identify for the ones

00733

1 you've listed, provide whether any spouse travel has
2 been included. This was an issue in the 1997 Utah rate
3 case, and we reviewed spouse travel, and there is a few
4 thousand dollars that had been coded improperly, and we
5 removed it in that case. Certainly, if spouse travel,
6 if it is included in this case, it's an oversight and
7 it shouldn't be incorporated.

8 Q. Thank you.

9 JUDGE MOSS: How much more, Mr. Cromwell?

10 MR. CROMWELL: A fair amount.

11 JUDGE MOSS: Give me an estimate of time,
12 please.

13 MR. CROMWELL: An hour.

14 JUDGE MOSS: Let's take a recess.

15 (Recess.)

16 JUDGE MOSS: Let's go back on the record, and
17 Mr. Cromwell, you can resume your cross-examination.

18 MR. CROMWELL: Thank you, Your Honor. I
19 believe Mr. Van Nostrand and I are in agreement that
20 what has been premarked as Exhibit 52 and is Public
21 Counsel Data Response 78 --

22 JUDGE MOSS: 52? Give me a minute. I have
23 52 as having not been offered with the witness for whom
24 it was originally planned. That was Mr. Hadaway, so
25 now we are going to offer it with Mr. Larsen?

00734

1 MR. CROMWELL: I believe this was one of
2 those issues where Mr. Hadaway asked us to defer --

3 JUDGE MOSS: It's going to be admitted by
4 stipulation, so Exhibit 52 is admitted.

5 Q. (By Mr. Cromwell) Mr. Larsen, do you have
6 Exhibit 52 in front of you?

7 A. I don't have a copy of that.

8 Q. It should be Exhibit 52, Public Counsel Data
9 Request 78, dated April 4, 2000?

10 A. Okay.

11 Q. Do you have that there?

12 A. Yes.

13 Q. Directing your attention to the Company's
14 response to 78-B, in which you provided the asset and
15 liability side of PacifiCorp's balance sheet, would you
16 please locate the December '99 asset and liability
17 page? I believe it's the fourth substantive page of
18 that attachment, and it continues onto the fifth page.
19 I believe there are two pages titled, "December '99."
20 Do you have those?

21 A. Okay. The last two pages in that document?

22 Q. Correct. You have those in front of you now?

23 A. Yes, I do.

24 Q. On the liability side, first, under
25 "long-term debt," we find a total long-term debt of

00735

1 3.727 billion; is that correct?

2 A. Which line are you referring to?

3 Q. I believe it's under the second page at Line
4 25.

5 A. Total long-term debt for December '99,
6 \$3,727,996,000.

7 Q. And that's correct?

8 A. Well, this would be a draft of the 1999
9 information if it's FERC Form 1 excerpts. Make sure I
10 know and get reacquainted with this.

11 Q. Just for your information, I believe this was
12 an area that Mr. Hadaway asked us to defer to you.
13 Were you here during that testimony?

14 A. Yes.

15 Q. Are you comfortable with that figure now?

16 A. Yeah. This is the FERC account balance
17 sheet.

18 Q. That number represents the domestic
19 PacifiCorp utility debt, doesn't it?

20 A. It represents a total long-term debt at
21 December 1999.

22 Q. It does not include any debt of foreign
23 subsidiaries; is that correct?

24 A. No, I don't believe it does.

25 Q. Would the same be true for preferred stock

00736

1 then as well? If we go up a little bit there, I
2 believe it's 216 million of preferred stock was issued
3 by PacifiCorp's domestic utility; correct?

4 A. Line 16 has \$216,493,000 in preferred stock
5 issue.

6 Q. And that would have been issued by
7 PacifiCorp's domestic utility operations; is that
8 correct?

9 A. I believe that is correct, yes.

10 JUDGE MOSS: Let's make sure we're all on the
11 same page. Is that Line 15 or Line 16?

12 MR. CROMWELL: I believe it's Line 15.

13 THE WITNESS: Line 15.

14 Q. (By Mr. Cromwell) Mr. Larsen, if we go up a
15 little bit -- let's be specific. Line 13 under "total
16 common equity," the amount that appears there is 3.816
17 billion, and that total would represent a mix of both
18 domestic utilities' equity as well as subsidiary
19 investment equity, would it not?

20 A. That's the total common equity supporting
21 PacifiCorp, both domestic nonregulated activities.

22 Q. So your answer is yes?

23 A. Yes.

24 Q. If we turn back to the previous page on the
25 asset side of the balance sheet, we see an entry for a

00737

1 nonutility property and investments at Line 31, I
2 believe it is, for 1.176 billion; is that correct?

3 A. Yes, that's correct.

4 Q. Would most of that be the Company's equity
5 investment in the Australian utility operations?

6 A. I believe that's where that rolls up through;
7 although -- subject to check, I would have to verify
8 whether that includes Australian or not, because the
9 title on this document is "PacifiCorp domestic
10 electric."

11 Q. And Line 23, the subtitle of that section
12 from which the total we've just discussed, is
13 "nonutility property and investments"; true?

14 A. Yes, that is correct, but I can't say for an
15 assurance whether Australia is included in this number
16 because of the discrepancy where the title says
17 "domestic electric." The Australia properties
18 certainly aren't domestic U.S. properties, so I would
19 have to accept that subject to check or write a records
20 requisition whether that includes it.

21 Q. I think at this late hour we are probably
22 thinking along the same lines, because my question for
23 you is, if we have 1.176 billion dollars of investment
24 in nonutility operations on the asset side of this
25 domestic electric operations balance sheet, where does

00738

1 that investment show up on the liability side of the
2 balance sheet?

3 A. I believe that would be a component of the
4 equity.

5 Q. Would that be common equity?

6 A. Yes.

7 Q. Would you accept subject to check then that
8 that 1.176 billion is reflective of the Australian
9 utility operations?

10 A. Subject to check.

11 Q. I assume we will hear from you if that's not
12 an accurate assumption we are making. So in sum, under
13 the equity method of accounting, subsidiary debt does
14 not appear in the balance sheet, but subsidiary equity
15 does appear on this balance sheet; is that not true?

16 A. Again, I don't know that I could give an
17 answer on that until I've verified whether this number
18 includes or excludes Australia.

19 Q. Let's assume that for the moment for purposes
20 of this discussion. Would you agree that if we removed
21 that 1.176 billion of nonutility equity investment from
22 this balance that the domestic electric capital
23 structure would fall well below 20 percent for equity?

24 A. Based on your hypothetical assumption,
25 certainly, if you reduce the common equity, that's

00739

1 going to change your capital structure. Whether it
2 changes it based on what you said, I'm not the witness
3 on the capital structure that's been proposed in this
4 case.

5 Q. But given that it is subject to check, you
6 will let us know if that is correct?

7 A. Yes.

8 Q. I'd like you to turn now to what has been
9 marked as Exhibit 108, and that is the Company's
10 response to Public Counsel Data Request No. 44. Do you
11 have that in front of you?

12 A. Give me just a moment. I have that.

13 Q. This is the Company's calculation of the
14 lobbying expenses, is it not?

15 A. Yes. This is costs incurred for civic,
16 political, and related activity charged to FERC Account
17 426.4.

18 Q. I'd like you now to turn to what has been
19 admitted as Exhibit 154, the Company's response to
20 Public Counsel Data Request No. 108. Please take a
21 moment to review that and let me know when you are
22 done.

23 A. Okay.

24 Q. In that data request, you were requested to
25 define "lobbying"; is that correct?

00740

1 A. That's correct.

2 Q. In the response, the Company appears to have
3 defined what isn't lobbying; is that correct?

4 A. I think the Company has referred to Chapter
5 42.17 RCW as the definition of lobbying.

6 Q. What I'd like to ask you is to please define
7 for us today the term "lobbying" as you used it to
8 separate out expenses which were not allowable in this
9 rate case in your results of operations exhibits.

10 A. The costs that the Company incurs for
11 lobbying are whether it's a registered lobbyist or a
12 Company employee who is acting in a lobbying capacity
13 with state legislators to influence state law.

14 Q. How do you determine whether a Company
15 employee is acting in that capacity?

16 A. I think that government relations department
17 has an understanding of when they are doing work,
18 whether it be on Capitol Hill, working with legislators
19 when they are in session, or if they are working with
20 legislators on bills doing lobbying activities, then
21 they would code their time and expenses below the line.

22 Q. In that category, would you include
23 interactions with governmental agencies involved in the
24 adoption of rules or rates?

25 A. I don't believe I would categorize that as

00741

1 lobbying. If you are trying to influence state law
2 that impacts the Company, I think that is lobbying. In
3 my capacity here today presenting facts on the Company
4 before the Commission, I don't see that as a lobbying
5 activity. I see that as a duty that I have as a
6 Company employee.

7 Q. Let's move on to another topic for a moment.
8 Is it true that you are responsible for the interstate
9 cost allocation which the Company has used to separate
10 the production and transmission costs between the
11 various states, as well as the intrastate cost
12 allocation model which you used to separate all of the
13 costs associated with the State of Washington between
14 the various customer classes in Washington?

15 A. No, that's not correct.

16 Q. What aspect of that is not correct?

17 A. I have responsibility for interjurisdictional
18 cost allocations, which include the total revenue
19 requirement of the Company allocated out by state.
20 That includes not only production and transmission but
21 the general plant and the assignment of distribution
22 and state specific cost of the state of origin.

23 Q. Can you tell us who is responsible for the
24 intrastate allocations?

25 A. Mr. Taylor.

00742

1 Q. Regarding the interstate costs allocation,
2 it's my understanding that the Company used the
3 modified accord method to split these between the
4 various states; is that correct?

5 A. That's correct.

6 Q. We discussed, you I have discussed, the
7 modified accord agreement which the Company had
8 proposed to that PITA group; is that correct?

9 A. Yes.

10 Q. Taking a look now at what has been premarked
11 for identification purposes as Exhibit 107, is that a
12 January 16, 1998 copy of the PITA modified accord
13 methodology?

14 A. Yes. That's a January 16th document.

15 Q. That was a draft of that agreement; correct?

16 A. Yes. That was the version we sent out for
17 parties to sign, and they reviewed it and had a few
18 comments and changes that they wanted to incorporate.
19 We revised those and had a March 20th, 1998 document
20 that various commission staff representatives signed.

21 Q. Would you agree that the January 16th draft
22 is the one the Company provided to Public Counsel?

23 A. Yes. If we provided that, it was an
24 oversight. Just to make sure that you had the most
25 complete document, we would need to use the March 20th,

00743

1 1998 document, which I gave you this morning.

2 Q. When we consulted this morning regarding the
3 stipulation of exhibits, you informed me for the first
4 time this morning that there was a March 20th, 1998
5 draft of this document; is that correct?

6 A. Yes, and I want to characterize it as a
7 draft.

8 Q. The March 20, 1998, modified accord
9 agreement, you gave that to me this morning and I went
10 and made a copy of it; correct?

11 A. Yes.

12 Q. And you said there were a number of changes
13 made?

14 A. I think there were a couple of changes made.
15 Roland Martin had, I believe, a change that he wanted
16 to make on an item. I believe that was Item 6-E.

17 MR. CROMWELL: Your Honor, I would move to
18 admit what has been premarked as Exhibit 107.

19 JUDGE MOSS: This draft?

20 MR. CROMWELL: The January 16 draft.

21 MR. VAN NOSTRAND: No objection.

22 JUDGE MOSS: It will be admitted.

23 Q. (By Mr. Cromwell) If we turn to Page 6 of
24 the January draft, there is a signature page, is it
25 not?

00744

1 A. Yes.

2 Q. I see a signature space for each of the
3 commissions, the Montana Consumer Counsel, but not the
4 Oregon Citizens Utility Board or the Washington Public
5 Counsel; is that correct?

6 A. That's correct.

7 Q. Can you explain why those two groups were not
8 included in discussions that led to the development of
9 this document?

10 A. I'm not sure why Public Counsel or Citizens
11 Utility Board has not participated in PITA, whether
12 that was by your own choice. Certainly the PITA
13 meetings have been open to state agencies and
14 representatives of customers.

15 Q. Let me ask you when participation or approval
16 was sought from Washington Public Counsel?

17 A. For this specific document, it wasn't.

18 Q. The draft that the Company provided to us did
19 not contain any signatures; correct?

20 A. That's correct.

21 Q. But on the March 20th draft, there are a few
22 signatures on multiple copies of that signature page,
23 are there not?

24 A. That's correct.

25 Q. And signing are the Wyoming PSC, Oregon PUC,

00745

1 and California PUC; correct?

2 A. That's correct.

3 Q. And no one else signed this document, did
4 they?

5 A. No. Utah has moved to a different allocation
6 method. Montana has been sold, and Washington --
7 Roland Martin was reviewing the modified accord in
8 comparison to a previous allocation methodology prior
9 to agreeing to it, so he didn't sign it this time.

10 Q. Was there ever a docket before the Washington
11 Utilities and Transportation Commission at which
12 approval of this methodology was sought and an order
13 entered?

14 A. No.

15 Q. If we turn to Page 5, under the heading of
16 "the modified accord agreement," first paragraph, and I
17 believe it's identical in both of these versions of the
18 document so you can choose which one you wish, if we
19 start at the second sentence which begins, "This
20 modified accord --" would you please read the remainder
21 of that paragraph?

22 A. "This modified accord agreement is not
23 intended to limit any jurisdiction's ability to make
24 independent decisions and recommendations concerning
25 the appropriate levels of revenues, expenses, rate

00746

1 base, return on rate base, and return on equity.
2 Furthermore, PITA fully understands that it's
3 recommendations are not binding on any other regulatory
4 commissions."

5 Q. So does the Company anticipate that
6 commissions might deviate from this methodology?

7 A. Certainly, this is not binding on the
8 commissions at all. This was a discussion through
9 staffs from the various states to try to find an
10 allocation methodology wherein the Company could
11 receive 100-percent recovery, but ultimately, the
12 commissions in each jurisdiction have the opportunity
13 to review facts and determine what the most appropriate
14 allocation methodology is.

15 Q. In fact, as you alluded to a moment ago, the
16 Utah Commission has varied quite a bit from this
17 methodology, have they not?

18 A. The Utah Commission has dropped the two
19 components which comprise the modified accord, the
20 divisional plant assignment and the hydro adjustment.
21 We just basically moved them to what we call rolled-in
22 allocation or an average system cost allocation.

23 Q. Or to put it another way, Utah has moved to a
24 fully rolled-in approach where they would sign
25 approximately one-third of the low cost western system

00747

1 to Utah; whereas, the modified accord method would
2 assign only about five percent of that low cost system
3 to Utah; is that correct?

4 A. I'm not in a position to verify those numbers
5 unless you provide me with the calculations of it, but
6 certainly, what occurs is under the modified accord.
7 Utah is getting a share of the low cost resources,
8 where under the modified accord, we are assigning
9 approximately 17 million dollars of benefits to the
10 Pacific division states.

11 Q. Let's look at this first in very general
12 terms. In terms of the modified accord methodology,
13 first, the peak monthly demands of each of the states
14 is measured looking at only the firm sales load within
15 each state; is that correct?

16 A. The firm retail loads by state and shown in
17 Tab 10, yes.

18 Q. Is it true that the interruptible and special
19 contract loads are not considered at this step?

20 A. To the extent that we have a few special
21 contract customers which are grandfathered and assigned
22 state specific and to the extent the special contract
23 is a situs assignment of revenues of cost -- the loads
24 are included in the state; thereby, the costs follow
25 that, so you have a matching of revenue and costs in a

00748

1 state.

2 Q. So is your answer to my question yes, that at
3 this stage of the methodology, those are not rolled in?

4 A. No, it isn't. It includes some special
5 contracts in the loads.

6 Q. We'll get to there in a minute. The
7 interstate production and transmission plant is
8 allocated between the states based on each state's
9 share of system peak demand; correct?

10 A. Based on demand and energy, yes.

11 Q. Is it also true that revenues from special
12 contract sales are treated like wholesale off-system
13 sales; that is, they are applied as an overall revenue
14 credit against the cost of the interstate production
15 and transmission costs?

16 A. That is not entirely correct.

17 Q. What part isn't?

18 A. Special contract revenues, if they are state
19 assigned, then the revenues go to the jurisdiction.
20 The loads go into the allocation factor development,
21 and thereby they get an imbedded cost allocation to
22 that state so you have a matching of revenues and
23 expense.

24 If it's treated as a revenue credit, then the
25 loads associated with those special contracts are not

00749

1 included in the development of allocation factor, so
2 everyone shares an assignment of the costs, but they
3 also get the revenue credit.

4 Q. Can you tell me whether or not most of the
5 special contracts the Company has are in Utah?

6 A. That information, I believe, is provided in
7 Adjustment 3.3. There is a listing of the contracts
8 there for the states. 3.3.1 shows the system allocated
9 special contracts. I believe there are a few that are
10 still grandfathered and state assigned. We don't
11 identify them by name to protect the customers.

12 Q. We had that discussion previously. Are those
13 mostly not state assigned?

14 A. As the title says, these are system allocated
15 special contracts, so these are being treated as
16 revenue credits.

17 Q. Is that mostly Utah revenue credits?

18 A. I think you can make a determination based on
19 the revenues that are shown here, and it shows demand
20 and energy revenues in total by state, so --

21 Q. So you can't answer that question yes or no?

22 A. For Utah, there is 63 million. Of total --
23 I'm looking at the booked revenue, 1/98 through 12/98
24 section, and Utah shows \$63,266,000. The total system
25 allocated special contracts, 141 million.

00750

1 Q. So a bit under half?

2 A. A little bit under half.

3 Q. Would you agree with me that it seems that a
4 disproportionate share of the special contracts in the
5 system are in Utah?

6 A. I don't know if I'd characterize it as
7 disproportionate. Each state does not have the same
8 amount of special contract.

9 Q. Would you agree that Utah has more than
10 anyone else?

11 A. Yes --

12 Q. Thank you. Would you also agree that the
13 Company does have a number of special contracts with
14 large industrial customers in each of the states it
15 serves?

16 A. I know we have a number of contracts. I
17 think that question is probably better deferred to
18 Mr. Griffith who actually works with the contracts for
19 the customers.

20 Q. Would you agree with me that those special
21 contracts provide for rates that are lower, and in some
22 cases much lower, than the regular industrial tariff
23 rates?

24 A. In cases where customers have options where
25 they can leave the system, then it's beneficial for all

00751

1 of our customers to try to keep those customers on the
2 system where they are paying a contribution to cover
3 the fixed costs as well as covering their incremental
4 costs. That was the whole purpose of a portion of the
5 modified accord agreement that we looked at this issue
6 on a state-by-state basis. If a customer has the
7 option to leave --

8 JUDGE MOSS: Mr. Larsen, I'm going to stop
9 you right there. The question was much more pointed
10 than that. It was whether the rates that are paid
11 under special contracts are lower relative to the
12 standard tariff rates that other industrial customers
13 might pay. Is that or is that not the case?

14 THE WITNESS: Yes. Generally, they are lower
15 than tariff rates. Specifically, Mr. Griffith could
16 talk contract by contract.

17 JUDGE MOSS: We've got to stay focused on the
18 specific question or we'll be here very late.

19 MR. CROMWELL: Thank you, Your Honor.

20 Q. (By Mr. Cromwell) How does a special
21 customer become a special contract customer?

22 A. That's what I was just alluding to; that
23 customers who have options, whether it's cogen or other
24 means, that they can get their power supply service.
25 If they can prove to the Company that they do, in fact,

00752

1 have economic alternatives, then I believe there are
2 certain criteria that we go through to determine
3 whether there is a special contract situation and enter
4 into negotiations to try to keep that customer on the
5 system to benefit all customers.

6 Q. That results in a contract between the
7 Company and that particular customer; correct?

8 A. Yes.

9 Q. Then that contract would be approved by the
10 state commission which that customer is located;
11 correct?

12 A. That's correct. If the commissions in that
13 state have requirements that they have to file for
14 approval.

15 Q. Agreed. So then the inference from that
16 would be that Washington would have no process for
17 considering or approving Utah special contracts; is
18 that correct?

19 A. No. We don't file those before the
20 Washington Commission.

21 Q. Can you tell me how, briefly, if you can, the
22 Company's proposed interstate allocation method treats
23 these special contracts compared with how the method
24 would treat the loads of these customers if they were
25 regular retail sales customers?

00753

1 A. If they were regular retail sales customers
2 the revenues from that customer would be assigned to
3 the state of origin. The loads, demand, and energy
4 components of that customer's usage would be factored
5 into our allocation factors, the demand and energy,
6 SGNSE factors and any other related impacts associated
7 with cost allocation.

8 Therefore, through that allocation method,
9 the revenues are assigned to the state and the imbedded
10 costs associated with serving that customer are also
11 assigned to the state, and if they are a special
12 revenue credit customer, then the revenues are
13 allocated system wide and the loads are in the factor
14 development.

15 Q. Would you agree that that revenue credit
16 method is more favorable to total revenue requirement
17 of the states where the special contract load is
18 located than treating those customers as retail loads?

19 A. Yes, I would agree with that.

20 Q. I'd ask you now to turn to what has been
21 marked as Exhibit No. 111, and that is the Company's
22 response to Public Counsel Data Request No. 59.

23 A. I have that.

24 Q. This shows amounts of special contract load
25 for each state served by the Company, does it not?

00754

1 A. Yeah. It shows the energy and demand.

2 Q. You mentioned grandfathering a moment ago.

3 Does the Company have a policy on extending special
4 contracts, other than what you've described for us here
5 today in terms of the customer having alternative
6 sources of energy?

7 A. On terms of extending, if a contract expires,
8 we'll review that and see if we are going to renew the
9 contract or sign a new contract with the customer.
10 We'd look at the situation at that time.

11 Q. Does ScottishPower have a different policy
12 than what PacifiCorp might have utilized prior to the
13 merger?

14 A. I'm not aware of that.

15 Q. So you are not aware of whether or not
16 ScottishPower has a policy against special contracts?

17 A. No, I'm not aware.

18 Q. Looking at Exhibit 111, it shows, if I'm
19 correct, that Utah has by far the largest amount of
20 special contract load and Washington the smallest
21 amount?

22 A. That's correct.

23 Q. If the Utah special contract load were
24 treated as a firm system, am I correct that a larger
25 share of the production and transmission rate base

00755

1 would be assigned to Utah?

2 A. That's correct.

3 Q. And conversely, a smaller share would be
4 assigned to Washington.

5 A. Yes.

6 Q. In addition, if the Utah special contract
7 load were treated as Utah retail load, the revenue
8 credits that the modified accord method provide for
9 would be smaller for both states.

10 A. If it was treated as retail contracts, there
11 wouldn't be a revenue credit.

12 Q. So is your answer to my question yes, that
13 that would be smaller?

14 A. There wouldn't be a revenue credit, so yes.
15 It would be nonexistent.

16 Q. The next topic I'd like to touch on is
17 interruptible loads. The Company has industrial
18 customers in both Idaho and Wyoming which are
19 classified as interruptible, does it not?

20 A. Yes.

21 Q. How does a customer become an interruptible
22 customer?

23 A. I think I would defer that question to
24 Mr. Griffith. He could address those issues.

25 Q. Are you deferring all questions regarding

00756

1 interruptible load, including treatment under the
2 modified accord, to Mr. Griffith or just how the
3 contracts get entered?

4 A. Interruptible loads are not included in the
5 development of the allocation factors. They are
6 basically handled as a revenue credit.

7 Q. So am I correct in assuming then that under
8 the modified accord method, the states of Wyoming and
9 Idaho are not assigned a pro rata share of interstate
10 production and transmission plant fixed costs
11 associated with these interruptible loads because the
12 interstate methodology only considers peak demand?

13 A. That's correct.

14 Q. Can you tell me whether these loads were
15 consistently interrupted at the hours that the modified
16 accord method uses to allocate interstate costs, or
17 were they actually receiving power during most of the
18 hours used for peak allocation?

19 A. I guess it would depend on whether we needed
20 that resource or not as to whether we interrupted them.
21 We don't interrupt them just because we reach peak. If
22 we have available capacity, then there is no need to
23 knock a customer off the system.

24 Q. Can you tell me the last time they were
25 interrupted?

00757

1 A. I don't have that information.

2 Q. Can you tell me if an interruptible customer
3 were treated as firm or if their demands that were
4 actually imposed on the system at this system peak
5 hours were considered as part of the demand of the
6 states they were in for interstate cost allocation
7 purposes, Idaho and Wyoming would have been assigned
8 more costs; is that correct?

9 A. Idaho and Wyoming?

10 Q. Which I believe have interruptible customers
11 which we've been discussing.

12 A. I think Mr. Griffith, again, could respond to
13 where the interruptible customers are.

14 Q. Let's defer for a moment that issue, and if
15 you will accept subject to check that Idaho and Wyoming
16 have interruptible customers, can you tell me whether
17 under the accord method if those interruptible
18 customers were instead treated as firm or if their
19 demands were actually imposed on the system at the
20 system peak hours which were considered as part of the
21 demand of the states they are in -- again, for
22 interstate allocation purposes -- those states, in this
23 case, Idaho and Wyoming, would have been assigned more
24 costs; is that correct?

25 A. Yes.

00758

1 Q. So conversely, Washington would have been
2 assigned less cost; correct?

3 A. That's correct.

4 Q. I'd like you to turn now to Exhibit 180,
5 which is the Company's response to Public Counsel Data
6 Request 101. It was identified for Mr. Widmer, and it
7 is the actual demand of each of the interruptible
8 customers at the time of system peak, is it not?

9 I can show you my copy, if that's more
10 convenient. My question, Mr. Larsen, is whether this
11 document is the actual demand of each of the
12 interruptible customers at the time of system peak?

13 A. Yes. This provides interruptible peak data
14 times system peak for energy by customer.

15 Q. So is it fair to say that most of the
16 customers were on the system during most of the system
17 peaks?

18 A. I'm not sure I can characterize --

19 Q. How many zeros do you see in that document,
20 Mr. Larsen, under Columns 1 through 8?

21 A. It appears that they were on at time of peak.

22 Q. So your answer to my other question is yes,
23 most of the customers were on the system during most of
24 the system peaks.

25 A. Yes.

00759

1 Q. Thank you. On the modified accord method, is
2 it true that it only uses the highest hour of demand in
3 each month as the basis for allocating 75 percent of
4 the fixed production and transmission costs?

5 A. Yes. That's identified as a system peak for
6 the month.

7 Q. Only 25 percent of this fixed cost plus the
8 variable costs are allocated on the basis of energy
9 consumption?

10 A. Yes. There is a 72/25 weighting that's
11 applied to plant.

12 Q. Are you generally familiar with the peak
13 credit methodology for classifying production and
14 transmission plant wherein the cost of a peaking
15 resource is the numerator in the equation and the cost
16 of a base load plant is the denominator?

17 A. Can you repeat that?

18 Q. I'm asking whether you are familiar with the
19 peak credit methodology for production in transmission
20 plant wherein the cost of a peaking resource is the
21 numerator in the equation and the cost of the base load
22 plant is the denominator?

23 A. I'm not familiar with that.

24 Q. Are you familiar with whether or not Pacific
25 was the originator of that method beginning in Oregon

00760

1 in the mid 1970's and continuing into Washington in the
2 early 1980's?

3 A. I'm not familiar with that history.

4 Q. Are you aware that in Pacific's 1982 rate
5 proceeding the commissions specifically approved use of
6 the peak credit method for allocating Pacific's power
7 supply costs within the state of Washington?

8 A. No.

9 Q. Have you reviewed the Fourth Supplemental
10 Order in Cause U-8212?

11 A. No, I haven't.

12 Q. In 1986, are you aware that the Company
13 presented a cost study using the peak credit
14 methodology, referring you to Docket U-8602?

15 A. No.

16 Q. So then you wouldn't be able to tell us the
17 Company's reason for not applying its peak credit
18 methodology for allocation for production and
19 transmissions costs between states in this case?

20 A. What we have proposed is a methodology that
21 was worked out by the states in which we served through
22 the PITA process.

23 Q. I think my question was a little narrower
24 than that. You are not aware of the rationale for
25 deviating from the previously approved peak credit

00761

1 methodology in this jurisdiction, are you?

2 A. The rationale is we worked with
3 representatives from all the state to determine an
4 allocation methodology that would work for everyone,
5 and that resulted in several different allocation
6 methodologies over the last 10 years culminating in the
7 modified accord that we've most recently used in all of
8 our rate cases, with the exception of Utah, so that was
9 the input from various commission staff, personnel, and
10 other parties that we try to develop a new allocation
11 method.

12 Q. Can you tell me whether or not you've
13 reviewed the Commission's decision in the Puget rate
14 design case, which I believe is UE-920499, in which the
15 Commission ordered that production and transmission
16 plant be classified as 87 percent energy related and 13
17 percent demand related based on an application of the
18 peak credit method?

19 A. I think a rate design question is best
20 deferred to either Mr. Taylor or Mr. Griffith,
21 depending on whether it's cost-of-service or rate
22 design issues.

23 Q. But just to be clear, your study allocated on
24 a 75/25 relationship.

25 A. We used 75/25 for interjurisdictional

00762

1 allocation purposes, yes.

2 Q. We also earlier discussed the fact that the
3 Avista Corporation is now before the Commission. Have
4 you examined the interstate cost allocation methodology
5 applied by Avista in its filing?

6 A. No, I haven't.

7 Q. Would it surprise you to learn that they have
8 applied the peak credit methodology in their state
9 allocation formula?

10 A. I don't know if I would be surprised. It
11 would be new information for me because I'm not aware
12 of what Avista has filed.

13 Q. In this Company's last general rate case, the
14 Commission specifically approved a jurisdictional cost
15 allocation method at Page 33 of the Second Supplemental
16 Order. Are you aware of that?

17 A. I'm not, but subject to check, I would accept
18 that.

19 Q. But it's fair to say that you did not apply
20 that methodology in your filing with this Commission?

21 A. That's correct.

22 JUDGE MOSS: Are you about finished,
23 Mr. Cromwell?

24 MR. CROMWELL: I have all of six questions
25 remaining.

00763

1 JUDGE MOSS: Go ahead.

2 Q. (By Mr. Cromwell) Mr. Larsen, from time to
3 time, does PacifiCorp sell real estate such as land,
4 office buildings, substation sites and so forth, which
5 has been included in rate base?

6 A. Yes.

7 Q. How has the Company reflected the proceeds
8 from these sales in its rate filing in this proceeding?

9 A. I guess it depends on an issue-by-issue basis
10 what the circumstances are associated with that. We
11 have the Centralia, as I mentioned. That's included as
12 an adjustment.

13 Q. Can you tell us where in your exhibits those
14 type of sales proceeds appear?

15 A. To the extent that there is revenue from the
16 sales of utility properties, that would be reflected on
17 Page 2.5.

18 Q. Is that under Tab 2?

19 A. Yes. Account 41, gain/loss on sale of
20 utility plant.

21 Q. Thank you. Can you tell me at Account 421
22 whether all of the gain on sale of these real estate
23 properties has been credited to ratepayers?

24 A. To the extent that they are booked in that
25 account, we haven't made any adjustments to remove it.

00764

1 I don't see any adjustments there, so to the extent
2 they are in Account 421, they are being allocated out
3 to customers.

4 MR. CROMWELL: Thank you, Mr. Larsen. I have
5 nothing further.

6 JUDGE MOSS: Any questions from the Bench for
7 this witness? Any redirect?

8 MR. VAN NOSTRAND: No.

9 JUDGE MOSS: Mr. Larsen, if you flee the
10 jurisdiction quickly, you may catch your plane. We
11 thank you very much for your lengthy testimony.

12 While Mr. Larsen is arranging all of his
13 goodies there on the witness stand, perhaps we can have
14 the preparations made for our stipulation. How are we
15 going to do that, Mr. Cedarbaum?

16 MR. CEDARBAUM: Your Honor, you had indicated
17 before you wanted counsel to get the ball rolling and
18 present it, and I'm happy to do that. I don't know if
19 you wanted to actually make this an exhibit in the
20 case, which is sort of a traditional practice, and
21 that's fine.

22 JUDGE MOSS: I think we should. Let's just
23 take care of that little piece of business first. Do
24 you have any idea what number we are up to? I can look
25 it up. It appears we were up to 267, so we will make

00765

1 this 268. I usually just make these a Bench exhibit
2 since we don't have a sponsoring witness, and these
3 will be to stipulation regarding rate spread, and I'll
4 go ahead and -- are you filing this today?

5 MR. CEDARBAUM: It's been filed this morning.

6 JUDGE MOSS: So we'll mark it 6/6/00.

7 MR. CEDARBAUM: Actually, I'll also indicate,
8 Your Honor, that we do have witnesses available from
9 Staff, Public Counsel, the Company, and I believe
10 ICNU's witness can be made available over the phone
11 with some sort of notice to answer questions on the
12 details of the rate spread that we are proposing you
13 adopt.

14 The other preliminary matter you will see is
15 that the parties signing the documents do not include
16 the Energy Project or the Northwest Energy Coalition.
17 I have had discussions off the record with Danielle
18 Dixon of the Northwest Energy Coalition and have been
19 authorized to indicate to the Commission that that
20 organization does not object to the stipulation. They
21 have not joined it, but they have no objection.

22 I also talked with Mr. Ebert of the Energy
23 Project this morning and provided him a copy of the
24 stipulation and asked him to get back to me as to what
25 their position was. I haven't heard from him, so I

00766

1 don't know if I can take silence as a lack of objection
2 or anything else. They know about it. If they have
3 any objection, I assume they will contact the
4 Commission somehow.

5 JUDGE MOSS: They have chosen their level of
6 participation in the case, and it apparently does not
7 include being present for our hearings when things like
8 this are commonplace, so I'm not unduly concerned.
9 Let's go ahead and treat this accordingly.

10 MR. CEDARBAUM: Thank you. Turning to the
11 stipulation itself in Exhibit 268, this is a
12 stipulation reached by Staff, Public Counsel, the
13 Company, and ICNU limited solely to a recommended rate
14 spread. This does not include a stipulation with
15 respect to a revenue requirement determination or the
16 design of rates once revenues are spread to the various
17 customer classes. This is, again, limited to how we
18 recommend the Commission spread any revenue increase or
19 decrease to various customer classes.

20 Sort of the heart of the stipulation is under
21 Sections 1, 2, and 3 on Pages 2 and 3. What we've done
22 is defined what we mean by an average percentage
23 change, and we've done that so we've tried to make it
24 clear that this does not include special contracts. It
25 only includes classes of customers that receive service

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1 under standard rate schedules.

2 We've then in Section 2 provided a
3 recommended rate spread for any increase in electric
4 rates based on percentages of the average percentage
5 change. In Part D of that section, we've also picked
6 up the Company's proposed two-year phase-in for any
7 increase above nine percent or more, including any
8 systems benefit charge, so that's taken care of in the
9 stipulation. Section 3 does the flip side of Section 2
10 but for rate decreases. Again, as a percentage of the
11 average percentage change decreases recommended for
12 each rate schedule.

13 There are then under the general provisions
14 some of the typical general provisions that find their
15 way into these stipulations with respect to reservation
16 of rights and admission of testimony by Mr. Taylor, a
17 waiver of cross-examination, and also an indication of
18 what would happen if the Commission were to reject this
19 stipulation and that there are witnesses available in
20 support of the stipulation, so I think that sort of
21 covers the general outline of what's here.

22 Again, I'm available and so are other counsel
23 to answer any questions as to the legal consequences or
24 interpretation of the stipulation. We do have expert
25 witnesses available to answer questions on the rate

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1 spread itself and the policies or facts that underly
2 what we are recommending to you today. With that, if
3 you have any specific questions for anyone, we are
4 available.

5 CHAIRWOMAN SHOWALTER: I'll try a question.
6 I can read these percentages myself, and maybe there is
7 no better way to characterize them than the way they
8 are stated. I'm looking at 2-A, B and C. Is there any
9 qualitative characterization of this that is going to
10 be spread in any particular way or given a certain
11 debate that's going this way or that way?

12 MR. CEDARBAUM: I think that question may be
13 better answered by one of the witnesses, but my
14 understanding is that the parties looked at the
15 Company's filed cost-of-service study, and although
16 there were differences of opinion on how that ought to
17 be done, if we went to litigation on that, I think we
18 would come up with different cost-of-service studies,
19 but generally speaking, the percentages that are shown
20 in both Parts 2 and 3 are generally consistent with the
21 Company's cost-of-service study, so that was at least
22 one factor that helped to determine those percentages.

23 JUDGE MOSS: Are the appropriate witnesses
24 present in the room with the exception of one, I think?

25 MR. CEDARBAUM: Yes, they are.

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1 JUDGE MOSS: Let's identify those people.

2 MR. CEDARBAUM: For Staff, it's Douglas
3 Kilpatrick; Public Counsel, Jim Lazar.

4 JUDGE MOSS: And Mr. Taylor and Mr. Griffith?
5 Why don't you all stand and be sworn. Then we can just
6 ask questions freely and the appropriate people can
7 answer them.

8 (Witnesses sworn.)

9 JUDGE MOSS: To the extent we have some
10 substantive questions that these witnesses can respond
11 to in more detail than counsel, then we will have that
12 taken care of. I would ask first if there is any
13 supplemental response to Chairwoman Showalter's
14 question that might be provided? And I frankly don't
15 have the question in mind right now because I was
16 trying to read the stipulation.

17 CHAIRWOMAN SHOWALTER: That was a
18 satisfactory answer to me. I don't need more
19 explanation, unless somebody wants to offer something.

20 COMMISSIONER HEMSTAD: Perhaps someone would
21 briefly describe -- I'm looking at 2-A, B and C. "B"
22 is self-descriptive where the street and area lighting.
23 "A" is general service, and then "C" is all other rate
24 schedules. How does that break out in terms of
25 customer groups?

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1 MR. KILPATRICK: The other rate schedules
2 that would be included would be residential and
3 industrial and pumping service customers.

4 COMMISSIONER HEMSTAD: Would general service?

5 MR. KILPATRICK: General service would be
6 generally the commercial class.

7 COMMISSIONER GILLIS: What is the general
8 philosophy and guidelines in the differences between
9 the spreads? Were you trying to achieve some movement
10 towards unity, or what was the reason for the
11 differences?

12 MR. GRIFFITH: I think we are all trying to
13 move all customer classes towards cost of service.
14 With the Company's original rate spread, it proposed
15 based on original cost-of-service results was that
16 commercial customers, which are referenced here as
17 Schedule 24, were paying more than cost of service, as
18 were the lighting customers, and that other customer
19 classes were paying slightly less than cost of service,
20 so this proposal to general philosophy is to move all
21 customer classes closer towards cost of service.

22 MR. LAZAR: The Commission's policy is
23 enunciated in probably dozens of orders is the cost of
24 service is one piece of information but not the only
25 piece of information that's used in spreading rates;

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1 that other factors such as customer impact, economic
2 conditions in the service territory that are expressed
3 in many orders should also much be considered.

4 We considered all of those other factors as
5 well as moving towards unity. We don't concede that
6 unity is the proper goal. We don't concede that all
7 customer classes impose the same risks on the Company,
8 but we did test other cost allocation methods, and they
9 consistently showed that the Schedule 24 class was
10 pulling a comparatively heavy load, and the
11 streetlighting class was carrying a very heavy load.

12 We thought that this level of relative
13 adjustment was supported by other cost allocation
14 methodologies and reflected the other policy statements
15 that the Commission had made as far as moving gradually
16 towards the results of any kind of identification of an
17 ultimate target.

18 COMMISSIONER HEMSTAD: Acknowledging your
19 point that there are other values that go into this,
20 where does this now leave the various classes here in
21 terms of relationship to cost?

22 MR. LAZAR: All of the classes except
23 Schedule 24 and a streetlighting class were within a
24 narrow range of 95 to 105 percent of the revenues
25 required to produce the system average rate of return.

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1 That's a very narrow range. In past proceedings -- in
2 particular, I think in this Company's '82 proceeding,
3 the Commission used a range of anything between 90 and
4 110 percent was close enough and would receive an
5 average increase.

6 The Schedule 24 class was above 106 percent,
7 and the streetlighting class was high, 125 percent,
8 outside of the traditional range of reasonableness, so
9 for that reason, those two classes which the Company
10 had proposed significantly lower increases for, we all
11 agreed to propose lower than the system average
12 increases, but everybody else was within residential,
13 and the Company study is about 98 percent of the
14 revenues that would be required to produce the system
15 average rate of return was very close.

16 COMMISSIONER HEMSTAD: Does that mean the
17 general service and street and area lighting now fall
18 within the 95- to 105-percent range.

19 MR. LAZAR: That depends on what rate
20 adjustment is adopted. If the Commission adopts zero
21 rate increase under this stipulation, nobody's rates
22 change, and the commercial class would still be 106
23 percent. If there is a rate increase or decrease
24 proposed, all of the classes will move towards 100
25 percent of the revenues required to produce the system

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1 average rates of return under the Company's assumed
2 methodology.

3 I don't know if Mr. Shonebeck (phonetic) is
4 on the line or not. He and I would both disagree with
5 the Company's methodology in very different ways, and
6 we would reach very different positions as to what the
7 current parity is. But we did agree that everybody
8 except those two classes was in a pretty narrow range
9 regardless of methodology.

10 COMMISSIONER HEMSTAD: Apparently, nobody
11 wants to litigate the methodology is the way to read
12 this?

13 MR. LAZAR: Well, if you think your chairs
14 are extremely comfortable and you are prepared to spend
15 a lot of time there, we could move forward with that.

16 JUDGE MOSS: Let me follow up with one point.
17 Based on what you are saying, but if there was a zero
18 change in rates, then the rebalancing would be, for all
19 practical purposes, ineffective and would have no
20 effect. We would still have the 106 or whatever it is.
21 Does the degree of rebalancing then depend directly on
22 the ultimate rate order? In other words, if there was
23 a rate -- what would happen, for example, if we got to
24 the end of this case and the rate increase that was
25 authorized was about half of what the Company has

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1 requested. Would this rate spread still produce
2 results that effect a reasonable balance between the
3 various interests of having customers pay the full cost
4 of service and the other interests that you indicated
5 went into your thinking and go into your analysis of
6 this proposal?

7 MR. LAZAR: I believe so, and I think
8 everybody else has to represent the --

9 MR. TAYLOR: Right. At any level of overall
10 revenue requirement change, this stipulation proposal
11 is going to bring all classes closer to parity cost of
12 service.

13 JUDGE MOSS: Do we have any more questions
14 right now? I believe this has come to us very
15 recently. Mr. Cedarbaum, I'll turn to you for this.
16 What sort of turnaround do we need to achieve here in
17 order to make this practically useful in terms of the
18 Commission giving a thumbs up, thumbs down, or thumbs
19 up with some conditions in terms of accepting this
20 stipulation as a reasonable resolution to the rate
21 spread issue? I know we've got your testimony coming
22 in on the 19th?

23 MR. CEDARBAUM: As currently scheduled. And
24 I guess that's a segue into a topic that we wanted to
25 inform you about before the close of the hearings.

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1 Part of the scurrying around in the hearing room
2 related to the stipulation on rate spread but also to
3 discussions that Staff, the Company, Public Counsel,
4 and ICNU have had with respect to whether or not there
5 is a common list of issues and principles and subject
6 matters that we would all agree would be something that
7 we could then try so negotiate a global settlement
8 around. We've had discussions along those lines, and
9 where we left it off this afternoon was that we were
10 going to try to come up with that list amongst
11 ourselves in the next day or two and that we would like
12 to have a status conference with you, Your Honor, on
13 Thursday to let you know where we are on that.

14 If we are successful in coming up with this
15 kind of issues list, we would then want to ask you to
16 reschedule the case with about a two-week or so lag in
17 each of the next stages along the way - prefiling
18 testimony and rebuttal hearings. Part of that would
19 be -- we can talk about the detail of that on Thursday,
20 if we need to, so at this point, we are trying to get
21 ourselves into a position where we could then ask for a
22 delay in the case, but we won't know that until
23 tomorrow or the next day, and we would like to inform
24 you of where we are at that point in time. I guess we
25 could let you know at that time.

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1 With respect to the rate spread issue, other
2 than these other contingencies, we would like a
3 decision sooner than later because our testimony is due
4 on the 19th. It might be worth in the next day and a
5 half or two days for us to let you know where we are,
6 but I think in any event, if we were to tell you on
7 Thursday that we just don't think we are going to be
8 able to negotiate any further, then we will just keep
9 the schedule the way it is. I think by the end of the
10 week would be a time frame in which we would need a
11 decision on the rate spread issue, so that leaves us
12 the following week to incorporate that into our cases.

13 JUDGE MOSS: So you would like to know by
14 close of business on Friday.

15 MR. CEDARBAUM: If possible, and I'm very
16 apologetic for springing this on the Commission without
17 a lot of notice, but that's just the way it worked.

18 JUDGE MOSS: This puts me in a little bit of
19 a difficult situation, so I think the best thing to do
20 would be to take a short recess, and the Bench can take
21 this matter under advisement. I may be making a
22 mountain out of a mole hill, and if the document is
23 sufficiently explanatory, then we can dispense with it
24 fairly quickly. Let's give ourselves a 10-minute
25 recess until five o'clock, and then I can give you an

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1 update.

2 MR. CEDARBAUM: What I could live with, and I
3 don't know about the other parties, but if not a
4 written supplemental order on this particular item by
5 Friday, at least an indication from the Bench that an
6 order will be issued in that respect. That's certainly
7 enough to go on.

8 JUDGE MOSS: I had anticipated that we would
9 simply give you an oral ruling from the Bench and then
10 incorporate it into the final order. It's something
11 you obviously can rely on if the Bench puts on the
12 record that it's going to accept or reject a settlement
13 agreement. Is that satisfactory to you, or do you feel
14 the need for a written order?

15 MR. CEDARBAUM: We could live with the oral
16 agreement.

17 JUDGE MOSS: Give us about 10 minutes,
18 please. We are off the record.

19 (Recess.)

20 JUDGE MOSS: We're back on the record after a
21 recess during which time the Commissioners have had an
22 opportunity to consider the stipulation regarding rate
23 spread that has been presented and is now part of our
24 record as Exhibit No. 268, and the Commission has
25 determined that it will accept the stipulation as a

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1 reasonable resolution of the rate spread issue in this
2 case, and with that, I believe we will eliminate the
3 necessity for some of our process.

4 Before we move on to other points, are there
5 any questions from the parties about that? I think we
6 established our understanding off the record. There
7 will not be a separate written order on this but that
8 you will rely on the oral ruling that is part of the
9 transcript, and then the Commission will incorporate in
10 any final order in the proceeding its acceptance of
11 this stipulation. Is that acceptable to all the
12 parties? I see indication that it is.

13 I think that completes our business with
14 regard to that. In terms of our additional process, we
15 still have some cross-examination. Let me ask you
16 whether it would be better to go ahead tomorrow and
17 finish the cross-examination. I guess Taylor will now
18 be waived, so we have about 10 minutes for Mr. Peterson
19 and about 55 minutes for Mr. Griffith. I'm perfectly
20 prepared to have us convene in the morning and take
21 care of that, or if there is some prospect that we
22 won't need that in light of the ongoing discussions,
23 perhaps we should defer that until Friday.

24 MR. CEDARBAUM: Staff's preference is to go
25 ahead and complete it tomorrow because we don't know

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1 really what's going to happen with our negotiations.
2 We have perhaps very limited cross for Mr. Griffith and
3 not much more for Mr. Peterson, so we won't take very
4 long.

5 MR. CROMWELL: Your Honor, I would just
6 refresh your recollection regarding Exhibit 235, and I
7 had apprised you prior to the prior hearing that we had
8 a dispute regarding the confidential status of that
9 exhibit, and I just wanted to reapprise you of that
10 ongoing disagreement and that I will be presenting that
11 to you.

12 JUDGE MOSS: 236?

13 MR. CROMWELL: I believe it's 235.

14 JUDGE MOSS: I don't have 235 as
15 confidential. I have 236 as confidential.

16 MR. CROMWELL: Perhaps I have the wrong
17 number.

18 JUDGE MOSS: Are you telling me you are going
19 to present a formal challenge or something?

20 MR. CROMWELL: Correct.

21 JUDGE MOSS: That is not something we can
22 take up this evening, is it?

23 MR. CROMWELL: No, it is not. I just wanted
24 to make sure you were aware of that in allocating time.

25 JUDGE MOSS: We can take that up whenever you

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1 are ready. I don't hear any strong preferences one way
2 or the other except what I've heard from Staff, so I
3 think we will go ahead and proceed with the witnesses
4 in the morning and get that wrapped up, and then you
5 all can go on with your discussions. Then do you want
6 a status conference on Thursday?

7 MR. CEDARBAUM: Yes.

8 JUDGE MOSS: Do we have any more substantive
9 business to conduct this evening? Apparently not. In
10 terms of our process then, what's best, nine o'clock?
11 You drive up from Portland.

12 Mr. Cromwell: I do; although, I'm not sure
13 I'm going to be here tomorrow. Nine o'clock would be
14 fine.

15 JUDGE MOSS: Let's go ahead at nine o'clock
16 tomorrow morning, and we'll get that part wrapped up,
17 and then you wanted a status conference with me on
18 Thursday?

19 MR. CEDARBAUM: I think that our hope that we
20 could inform you as to our progress, and if we are
21 still progressing, we would then talk about a new
22 schedule.

23 JUDGE MOSS: What time would you like to do
24 that on Thursday?

25 MR. CEDARBAUM: I was going to suggest in the

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1 afternoon, but I understand Mr. Cromwell has a conflict
2 in the afternoon, so I was then going to suggest a late
3 morning.

4 MR. CROMWELL: Perhaps right after lunch
5 would be possible. I just have commitments in another
6 docket in this Commission as well as internal agency
7 issues that have to be resolved Thursday.

8 JUDGE MOSS: Is that going to give you enough
9 time, or should we spill it over into Friday? Without
10 even looking in my calendar, I know that I'm available
11 Thursday and Friday this week; that I had some other
12 plans for work that I know would cause me no conflict
13 to adjust.

14 MR. CEDARBAUM: I don't think that we will
15 require that much of your time. It's the work ahead of
16 it that might require some time.

17 JUDGE MOSS: I'm concerned that you have
18 sufficient lead time.

19 MR. CEDARBAUM: If we were to do it early
20 afternoon right after lunch on Thursday, that would
21 work, and that would just be a telephone status
22 conference.

23 JUDGE MOSS: Does it need to be on the
24 record?

25 MR. CEDARBAUM: I wasn't thinking it would

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1 be.

2 JUDGE MOSS: So just an informal report to me
3 on Thursday, and then if we need to do something
4 formal, we'll know at that point in time, and we can
5 convene a prehearing conference or whatever we need to
6 do?

7 MR. CEDARBAUM: Or that I guess if we
8 required a new schedule, then the Commission could just
9 issue a letter continuing the dates and go with it that
10 way.

11 JUDGE MOSS: If you all could submit a
12 revised schedule as to which everyone agrees, that's
13 the easiest thing.

14 MR. CEDARBAUM: The schedule that we've been
15 contemplating still involved hearings, I think, if we
16 needed them, in the mid August time frame, and we
17 hadn't checked the commissioner's calendars, so that's
18 always the wild card.

19 JUDGE MOSS: I don't have that information
20 here tonight, but we will work it out. We'll make it
21 work somehow.

22 MR. CEDARBAUM: If we could have a status
23 conference with you by phone off the record, say, at
24 1:30 Thursday.

25 JUDGE MOSS: All right, sir. Do you all just

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1 want to make all the arrangements and call me at 1:30
2 and I'll be sure to be in my office?

3 MR. CEDARBAUM: Sure.

4 JUDGE MOSS: Because I think I can only call
5 three people at once. You will probably have to set up
6 some kind of conference.

7 Anything else we need to discuss this evening
8 before we depart for dinner?

9 MR. CROMWELL: I have one commitment at noon
10 tomorrow. If there is any possibility of my not doing
11 that, I need to call and cancel.

12 JUDGE MOSS: I can't see that. We are
13 starting at nine o'clock in the morning. These would
14 have to be wildly unexaggerated estimates of cross for
15 us to require that time. We should be finished by
16 11:00. Anything else we need to take up this evening?

17 MR. CEDARBAUM: Is the hearing tomorrow in
18 this room?

19 JUDGE MOSS: Yes. We did manage by hook and
20 crook to get this room tomorrow morning. We will not
21 have the teleconference bridge, so if you were planning
22 to participate by telephone tomorrow, Mr. Cromwell,
23 that will not be available in the morning, apparently.
24 I do not know, honestly, whether we can rig the room
25 for another phone line, so you may have to rise with

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1 the chickens again. Why don't we go off the record
2 then, and we'll see you all tomorrow morning.

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4 (Hearing recessed at 5:15 p.m.)

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