Exhibit No. MGW-4CT
Docket UE-170717
Witness: Michael G. Wilding

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of PACIFIC POWER & LIGHT COMPANY, 2016 Power Cost Adjustment Mechanism	Docket UE-170717

PACIFIC POWER & LIGHT COMPANY

REDACTED REBUTTAL TESTIMONY OF MICHAEL G. WILDING

March 2018

TABLE OF CONTENTS

ATTACHED EXHIBITS

Exhibit No. MGW-5 – PacifiCorp Records Management Guide: Email

Q. Are you the same Michael G. Wilding who submitted direct testimony on behalf of Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony responds to the response testimony of Mr. Jason Ball, Staff of the Washington Utilities and Transportation Commission (Staff) and the response testimony of Mr. Bradley Mullins on behalf of Boise White Paper, L.L.C. (Boise). Both parties wish to update the Company's calculation of the Power Cost Adjustment Mechanism (PCAM) deferral for the 12-month period from January 1, 2016, through December 31, 2016 (Deferral Period). Specifically, I respond to issues raised by Staff and Boise concerning the following:

1. <u>Email Retention Policy</u> – I explain why the Company's email retention policy is appropriate. The Company bears the burden of providing documentation of prudent business expenses. The Company should not be forced to change its email retention policy when the policy itself is not the issue.

2. <u>Joy Longwall Abandonment and Recovery Costs</u> – I provide an overview and outcome of the Joy longwall abandonment and recovery costs included in similar PCAM type filings in the Company's other jurisdictions.

3. <u>Coal Production Costs</u> – I explain why the analysis of production costs at Bridger Coal Company (BCC) should include both the surface and underground mines. I also explain how there should be no adjustment for decreased production at the underground mine because the demand based on the Jim Bridger plant generation levels were met.

4. <u>Assets in Washington Rate Base</u> – I explain that the Joy longwall is not in the Washington rate base and that the purchase of the Joy longwall by BCC was a prudent business decision and not influenced by cost allocation methodologies.

Q. Do any other Company witnesses also provide testimony in response to issues raised by Staff and Boise?

A. Yes. Company witness Mr. Dana M. Ralston, Vice President, Coal Generation and Mining, provides testimony supporting the prudent operations surrounding the Joy longwall event, and Dr. Rob Thomas, Principal Engineer and Chief Executive Officer of RDP Consulting Group, discusses the prudency of the mining operations and recovery efforts related to the Joy longwall.

EMAIL RETENTION POLICY

Q. Please explain the Company's current records management policy.

A. The Company maintains a robust records management policy that includes very specific guidelines regarding the maintenance of Company records. Official company records are stored based on a retention schedule, which specifies time periods for specific company records. The Company maintains a specific policy on how email works within this retention policy. It states, "The email system is a communication tool. It is not a recordkeeping system and is not considered an acceptable long-term storage location for official company records."[1] The Company's email retention policy provides guidance on how to determine if an email is an official company record and when it should be stored elsewhere as a result. The storage timeframes for official company records vary and are maintained in a record retention schedule.

Q. Please explain Staff's proposed change to the Company's email retention policy.

A. Staff recommends the Company modify its email retention policy to retain for a period of three years, all decision-making emails, and their chains, related to expenses

[1] Exhibit No. MGW-5 (Records Management Guide: Email).

for which the Company may seek rate recovery.[2]

Q. Does the Company agree with this proposed change?

A. No. The Company maintains an email retention policy that covers all Company electronic communication, and already requires the maintenance of emails that could be official company records. Staff's recommendation could encompass a large swath of Company emails and may even require costly information technology (IT) changes. The Company's current records management policy provides robust and specific guidance that ensures official company records are maintained appropriately. It also provides guidance on the issue that Staff is concerned about: "Does the email provide evidence of an action taken? If the email provides evidence of an action taken and no other evidence exists elsewhere, then, the email should be considered an official company record."[3]

Once the email has been identified as an official company record, it must be maintained to its appropriate retention period. The policy specifies, "Email that is considered an official company record must be moved to an appropriate storage location prior to the end of this seven year period in the email system."[4] The Company's current records management policy ensures that records are kept for a time period and in a manner appropriate to that record. Staff's additional change to the Company's record management policy is both unnecessary and does not provide the same level of specificity when compared to the Company's records management policy.

---

[2] Staff Exhibit JLB-1CT, Response Testimony of Jason L. Ball, Page 23, Lines 4–6.
[3] Exhibit No. MGW-5 (Records Management Guide: Email).
[4] *Id*.

Q. Is it appropriate to propose a change to the Company's records management policy in this proceeding?

A. No. The PCAM is an inappropriate proceeding in which to change the Company's records management policy. If Staff questions the prudency of costs included in the PCAM, the Company bears the risk of authenticating such costs. However, it is unreasonable to force the Company to change its records management policies in this proceeding.

PRUDENCE OF JOY LONGWALL ABANDONMENT AND RECOVERY COSTS

Q. Has the Company sought recovery of the Joy longwall abandonment and recovery costs in other jurisdictions?

A. Yes. The Company has included the Joy longwall abandonment and recovery costs in similar filings to this one in all of its jurisdictions. Those proceedings have been resolved.

Q. Please summarize the proceedings you to which you are referring.

A. A summary of the dockets is as follows:

- Utah Energy Balancing Account
  - Daymark, consultants for the Division of Public Utilities (DPU), proposed disallowance of both the Joy longwall abandonment and recovery costs.[5]

[5] Docket No. 17-035-01, Exhibit No. DPU 1.0 Dir, Direct Testimony of Mr. David Thomson, Page 5, Lines 82–84.

- The Office of Consumer Services (OCS) and Utah Industrial Energy Consumers (UIEC) supported Daymark's proposal.[6,7]
- A settlement was reached between the Company, DPU, OCS, and UIEC for a $2.8 million refund to customers.[8]

- Wyoming Energy Cost Adjustment Mechanism (ECAM)
  - The Office of Consumer Advocate (OCA) filed testimony stating that the Joy longwall abandonment and recovery costs were not imprudent.[9] However, due to the size of the expense the OCA proposed the Company absorb 50 percent of the recovery cost before applying the sharing band. The OCA also proposed the Joy longwall be removed from Wyoming rate base.[10]
  - The Wyoming Industrial Electric Customers (WIEC), whom Mr. Mullins represented, filed testimony proposing disallowance of the abandonment and recovery costs. Additionally, WIEC proposed an adjustment to the production costs at the underground mine. WIEC also recommended disallowance of the Joy longwall depreciation expense.[11]

---

[6] Docket No. 17-035-01, Exhibit No. Beck Direct OCS – 1D, Direct Testimony of Ms. Michele Beck, Page 1, Lines 10–11.

[7] Docket No. 17-035-01, Exhibit No. UAE 1.0, Direct Testimony of Mr. Neal Townsend, Page 3, Lines 53–55.

[8] Docket No. 17-035-01, Order Memorializing Bench Ruling, Dated February 7, 2018.

[9] "Similar to the abandonment costs, I have no reason to suspect these costs are excessive or imprudent given the circumstances." Docket No. 20000-514-EA-17, Record No. 14696, Public Redacted Version of Pre-Filed Direct Testimony of Mr. Anthony Ornelas, Page 19, Lines 3–4.

[10] *Id.* Page 8, Lines 14–24.

[11] Docket No. 20000-514-EA-17, Record No. 14696, Corrected Public Redacted Version of Direct Testimony of Mr. Bradley Mullins, Page 9, Table BGM-2.

- A settlement was reached between the Company, OCA, and WIEC for a $1.25 million refund to customers.[12]

- Oregon PCAM
  - Staff of the Public Utility Commission of Oregon (Oregon Staff) proposed a disallowance of the abandonment and recovery costs.[13]
  - Industrial Customers of Northwest Utilities (ICNU), whom Mr. Mullins represented, filed testimony proposing a disallowance of the abandonment and recovery costs along with the depreciation expense and an adjustment to the production costs of the underground mine.[14] Mr. Mullins'ss testimony from the Wyoming ECAM was attached as an exhibit for ICNU. However, since removing these costs from the PCAM would have no impact to rates because of the large deadbands, Mr. Mullins recommended that the Public Utility Commission of Oregon make no determination of the prudence of NPC in the PCAM.[15]
  - A settlement was reached between the Company, Oregon Staff, and ICNU that recommended that the Public Utility Commission of Oregon not make a prudence determination of the Joy longwall costs.[16]
- California Energy Cost Adjustment Clause
  - The California Public Utilities Commission approved the ECAC as

[12] Docket No. 20000-514-EA-17, Order Approving Stipulation, Dated February 16, 2018.
[13] Docket No. UE 327, Public Redacted Version of Direct Testimony of Mr. Scott Gibbens, Page 11, Lines 5–7.
[14] Docket No. UE 327, Public Redacted Version of Direct Testimony of Mr. Bradley Mullins, Page 3, Table 1
[15] Id. Page 5, Lines 6–7.
[16] OPUC Order No. 17-524, Dated December 27, 2017, Page 4.

filed, including the state's allocation of Joy longwall costs. However, the office of ratepayer advocates reserved its right to audit the filing until a future date at which time it could propose changes.[17]

- Idaho ECAM
  - No party opposed the Joy longwall costs in Idaho. Idaho Public Utilities Commission Staff filed comments stating that the ECAM was the appropriate mechanism for the recovery of the Joy longwall costs because the Company would share in the expense, the ECAM was a refund to customers so the expense could be absorbed without a rate increase, and it was an extraordinary expense.[18]
  - The Idaho Public Utilities Commission approved the recovery of the Joy longwall costs in the ECAM.[19]

PRODUCTION COSTS AT BCC

Q. Please describe parties' proposed adjustments to BCC production costs.

A. Both Staff and Boise propose to reduce Washington-allocated NPC by approximately $6.6 million and $5.3 million, respectively, which they represent are the costs associated with decreased production at the underground mine at BCC.

Q. Please provide some background on BCC and its relationship with the Jim Bridger coal plant.

A. BCC consists of two mines, the surface mine and the underground mine, which provide coal to the Jim Bridger coal plant. Because BCC is owned by the Company,

[17] Application 17-08-005, Decision 17-12-017, Dated December 14, 2017.
[18] Case No. PAC-E-17-02, Comments of the Commission Staff, Page 7.
[19] Case No. PAC-E-17-02, Order No. 33776, Dated May 31, 2017.

the coal costs of the coal delivered by BCC to the Jim Bridger plant are the operating costs of BCC.[20] In other words, the BCC operating costs are included in NPC as part of the coal fuel expense of the Jim Bridger plant. This arrangement means the BCC coal costs are fluid and can fluctuate depending on the needs of the Jim Bridger plant within reasonable operation constraints.

The BCC assets are included in the Company's rate base and a "return on" these assets is recovered through base rates. All operating costs including depreciation and operations and maintenance (O&M) are included in NPC.

Q. Why does the BCC cost per ton of coal change when production changes?

A. As noted in my direct testimony, the BCC cost per ton are the total costs spread over the tons of coal produced.[21] Therefore, if fewer tons are produced the cost per ton of BCC coal increases as the total costs are spread over fewer tons. The opposite is also true, as more tons are produced the cost per ton decreases. This is because certain components of BCC operation costs do not fluctuate with the changes in production. An example of these costs is the depreciation expense of certain assets.

Q. What drives the production at BCC?

A. BCC production is driven by the generation at the Jim Bridger plant. As stated in my direct testimony, the decreased generation at the Jim Bridger plant resulted in an increased cost per ton at BCC.[22] The Jim Bridger plant is fueled by two sources, the BCC and a coal supply agreement (CSA) with Black Butte Mine. The Black Butte CSA provides the Jim Bridger plant with a fixed amount of coal at a fixed price and

[20] Docket No. UE-170717, Rebuttal Testimony of Mr. Dana Ralston, Page 3, Lines 21–23.
[21] Exhibit No. MGW-1T, Page 13, Line 3.
[22] *Id.*

allows for very little flexibility. This allows BCC to be a flexible resource within reasonable business parameters for a mine, and coal deliveries from BCC are responsive to the needs of the Jim Bridger plant.

Q. Are there any flaws in the adjustment to the BCC production cost proposed by Staff and Boise?

A. Yes. There are two inherent flaws in both Staff's and Boise's adjustment to the cost per ton of coal from the underground mine. First, neither Staff nor Boise consider the demand and supply relationship of the Jim Bridger plant and BCC. The proposed adjustment looks at the production of the underground mine without considering the demand of its product. The Jim Bridger plant drives the demand for both of the BCC mines. As the flexible fuel source, the production at BCC can and does adjust to the generation levels at the Jim Bridger plant. As noted in my direct testimony, generation at the Jim Bridger plant was down 21 percent compared to Base NPC and BCC deliveries were down 29 percent.[23]

Second, both proposed adjustments look at the underground mine in isolation without regard to the pricing relationship between the surface and the underground mines. While lower generation levels at the Jim Bridger plant resulted in decreased demand from BCC, some of the decreased production from the underground mine was offset by greater production at the surface mine. The increased production at the surface mine allowed fixed costs to be spread over higher volumes thus decreasing the cost per ton of coal, creating savings. Therefore, the reduction at the underground mine had a direct result of savings at the surface mine.

---

[23] *Id.*

Q. Did either Staff or Boise consider the Jim Bridger generation levels in their analysis of the production volumes at BCC?

A. No. In discovery, Boise states, "[t]he actual generation from Jim Bridger is irrelevant because coal from the underground mine can be stockpiled to Jim Bridger's coal inventory".[24] Boise's reasoning for ignoring the Jim Bridger generation levels is flawed because there is a limit to the amount of coal that can be placed in the BCC mine and Jim Bridger plant stockpiles, and the coal volumes calculated by Boise would have exceeded that limit. Operating at or near maximum both stockpile limits increases risk by limiting the Company's ability manage production and demand. Therefore, matching production to demand is a prudent action.

Q. Has the Company ever discussed the fact that the Jim Bridger generation levels drive the production volumes at BCC?

A. Yes. In Oregon, the Company has held workshops with parties concerning the long term fuel plan at the Jim Bridger plant. In those workshops it has been discussed multiple times that the expected generation levels of the Jim Bridger plant drive the fuel needs and thus the BCC production.

Q. Has the Company calculated the increased coal costs due to decreased generation at the Jim Bridger plant?

A. Yes. In my direct testimony I explained in detail how approximately $19.4 million, total company, of the increased coal fuel expense at the Jim Bridger plant was due to spreading costs over the reduced volume of coal produced. This is less than both Staff's and Boise's proposed adjustment. Staff does challenge this number but Staff's

[24] Exhibit DMR-9, Page 5.

analysis only considers the underground mine and ignores the surface mine. Boise did not challenge this amount, and neither Staff nor Boise present evidence to support their assumption that the decreased production was driven by anything other than decreased demand.

Q. What is the relationship between the increased coal costs at the Jim Bridger plant and other components of NPC?

A. As BCC is a flexible fuel source (within reasonable business parameters) it allows the Jim Bridger plant more flexibility in its operations in response to market conditions. This is because the plant does not have to worry about common CSA provisions that force a buyer to take a minimum amount of coal or pay liquidated damages if minimums are not met. This flexibility allows the Company to respond to market conditions. For example, compared to base NPC Jim Bridger generation was down 21 percent, but natural gas generation was up eight percent while natural gas costs were down 25 percent. On a dollar per megawatt (MWh) basis natural gas generation was down $12.07, or 31 percent. Additionally, electric market prices for purchases on average were 28 percent below base NPC. The flexibility of the Jim Bridger plant allowed the Company to take advantage of historically low natural gas prices and low electric market prices in 2016 while still providing safe and reliable energy to its customers.

In short, the Company economically dispatched the Jim Bridger plant and its other resources, which resulted in reduced generation from all its coal fired plants in 2016 and lower NPC so that customers could benefit from lower cost market alternatives. Notably, the generation output from coal fired plants in 2016 was lower at every plant relative to base NPC.

Q. Please respond to Boise's statement that natural gas prices are irrelevant to production levels at the underground mine.

A. Boise states natural gas market prices were "irrelevant" to production levels of the underground mine.[25] In developing its proposed adjustment, Boise has disregarded the reduced demand for coal given attractive alternatives in the market (lower natural gas and power prices) that benefited customers. Operating in a manner Boise suggests would have been imprudent and not in the best interests of customers.

Q. What operational decisions did the Company make at the Jim Bridger plant in response to the market conditions?

A. Based on the market conditions at the time, the Company made a business decision to burn high-ash coal at the Jim Bridger plant during parts of 2016. The market conditions in 2016 provided a unique opportunity where the full capacity of the Jim Bridger plant was not needed to serve load and the cost of the replacement energy for the lost capacity was less than the fuel costs of Jim Bridger. Therefore, the Company determined the least-cost option was to derate[26] the Jim Bridger plant and burn the high-ash coal that had already been mined and was being held in inventory. This decision allowed the Company the ability to retain the needed flexibility of the Jim Bridger plant to safely and reliably serve load while also taking advantage of lower priced energy from other resources. Alternatively, if the Company had not adequately managed the high-ash coal inventory it would have resulted in increased costs. For

[25] Exhibit DMR-9, Page 7.
[26] To reduce the maximum capacity of a generating unit.

example, costs would have been higher if the high-ash coal was burned during a time that the cost of replacement energy was higher than Jim Bridger fuel cost, or if the high-ash inventory was not burned but instead written-off as unusable.

Q. Based on the generation levels did the Jim Bridger plant have to acquire extra fuel from the market?

A. No. The combination of coal delivered to the plant from BCC and the Black Butte Coal Company met the Jim Bridger plant generation requirements for 2016.

Q. Concerning the second flaw in the proposed adjustment, why did Boise and Staff ignore the cost savings at the surface mine in its analysis of the production costs at the underground mine?

A. Staff's reason for only analyzing underground mine costs was because the underground mine experienced prices higher than budget, while the surface mine experienced prices lower than expected.[27] In discovery, Boise states, "Any cost savings at the surface mine are unrelated to the cost of the longwall failure".[28]

In short, by failing to recognize the pricing relationship between the underground and surface mines and analyzing the underground mine in isolation both Staff and Boise have arrived at false conclusions.

Q. Is Staff's statistical analysis describing the relationship of coal production costs to volume valid?[29]

A. No. Staff attempted to describe the cost to volume relationship at the underground mine from years 2006 to 2016 using nominal historical data. This analysis was not

[27] Exhibit DMR-8C, Page 3.
[28] Exhibit DMR-9, Page 5.
[29] Staff Exhibit JLB-1CT, pages 27-28, lines 6–7.

valid because Staff failed to adjust costs for inflation, predicted a current price from nominal data, and ignored the inter-relationship between underground and surface mine costs. When asked to clarify in a data request,[30] Staff did not adjust their data for inflation to focus on the relationship between cost and volume in each year instead of year over year. However, Staff has understated the imputed cost of $44 million by not accounting for inflation. Additionally, a single variable regression analysis cannot be used to explain or predict coal costs at Bridger Coal because there are too many other variables to be considered. Choosing to focus on only the higher costs at the underground mine due to reduced production volume but ignoring the benefit of cost savings at the surface mine that occurred from higher production volumes is problematic. An analysis of the Bridger Coal Company must focus on the total mine results, not just the underground or surface since the two mines are interrelated and share common administrative functions and reporting.

Q. Is Staff's comparison of the BCC coal costs to the Black Butte mine coal costs appropriate?

A. No. Staff quotes the Company's testimony from its 2014 general rate case (Docket UE-140762) where it was stated that the BCC and Black Butte coal are comparably priced. However, the Company did not testify that the surface mine and the underground mine were each independently comparable to Black Butte. Just because the BCC costs were higher than the Black Butte costs, it does not mean that the BCC costs are unreasonable. While it is true that the total BCC coals were higher than Black Butte, the surface mine costs were actually lower. Staff uses the total BCC

[30] Exhibit DMR-8C, (Data Request No. 4).

costs to justify the adjustment but only adjusts the costs of the underground mine to be equal to Black Butte prices.

When comparing the price per ton of coal at BCC and Black Butte, volumes are a critical component. Additionally, the price per ton in a CSA agreement typically has the same relationship with volumes as the BCC, i.e., if the volumes in the CSA are reduced, the cost per ton of coal increases. Therefore, the coal supplier CSAs typically will include minimum take provisions or liquidated damages if minimum coal deliveries are not met.

Q. Please respond to Boise's comparison of the BCC coal costs to the Company's budget.

A. Boise's adjustment implies that any variance from the Company's budget is imprudent, but only if the variance is unfavorable. Market conditions changed drastically between the summer of 2015, when the 2016 budget was developed, and early 2016 which resulted in a [redacted] decrease in generation at the Jim Bridger coal plant compared to the 2016 budget. The decreased generation was a business decision made in response to the market conditions resulting in lower NPC. The challenges associated with the Joy longwall were not a driver of the decreased generation at the Jim Bridger plant.

Q. Is an adjustment to the Jim Bridger fuel costs appropriate?

A. No. Adjusting the Jim Bridger fuel costs because the production cost of the BCC underground mine were higher than expected is not appropriate. The proposed adjustment is, in essence, double dipping because it does not consider the lower than anticipated cost at the surface mine. The adjustment also does not consider the dynamic capabilities of the Company's system, which was able to take advantage of unique market conditions to lower NPC.

Q. Please respond to Boise's discussion of recovering Joy longwall costs if they are removed from NPC.

A. Boise states, "if the Commission requires PacifiCorp to exclude the extraordinary costs of the Joy Longwall Costs, PacifiCorp will still be allowed to recover $6,189,652 or 63.2% of the extraordinary Joy Longwall costs as a result of applying the deadband and sharing bands."[31] This statement is nonsensical because the PCAM is used to true up prudently incurred actual NPC to base NPC in rates, not to recover costs that are not included in NPC. The deadbands and sharing bands do not function to offset components of NPC deemed imprudent but rather to apportion risk equitably between ratepayers and shareholders and motivate management to effectively manage or even reduce NPC.[32]

ASSETS IN WASHINGTON RATE BASE

Q. Please respond to Boise's discussion of earning a return on two longwalls when only one longwall is currently in base rates.

A. Boise states, "PacifiCorp never actually removed the existing DBT longwall from rate base, providing it with the ability to earn a return on two longwalls within the BCC mine at the same time, even though it never used more than one at any given time."[33] This statement is incorrect for two reasons. The first is that the Company never included the Joy longwall in rate base. As can be seen in Exhibit SEM-3, page 8.11

[31] Boise Exhibit BGM-1CT, Response Testimony of Bradley G. Mullins, Page 4, Lines 5–8.
[32] WUTC v. PacifiCorp, Docket UE-050684, Order 04 at Paragraph 96 (April 17, 2006).
[33] Boise Exhibit BGM-1CT, Response Testimony of Bradley G. Mullins, Page 20, Lines 6–9.

of the Company's 2015 limited-issue rate filing (Docket UE-152253), the Company included the historical balance for the 12 months ending June 2015 in its rate base in the last rate case. Therefore, the Joy longwall is not included in Washington rate base and this is a fact that was provided to Boise in discovery.[34] Additionally, this statement contradicts an earlier statement in Boise's testimony where Boise states the Joy longwall had never been considered by the Commission to be included in rate base.[35]

The second reason this statement is incorrect is because the DBT longwall should not be removed from rate base if it is an asset the Company uses. In discovery the Company responded that the DBT longwall was temporarily idled starting July 27, 2015, after completing the 13th Right panel, but was not taken out of service. In fact, BCC had planned to use the DBT longwall to mine the eastern reserves of the underground mine even if the Joy longwall had not been abandoned. The DBT longwall is currently operational and mining.[36]

Q. Please respond to Boise's accusation that the Company is padding rate base through the Jim Bridger power plant.

A. Boise states, "PacifiCorp had the ability to recover approximately 115% of any costs incurred related to the Jim Bridger power plant, making it more attractive for PacifiCorp to invest in rate base through the Jim Bridger power plant than other coal facilities."[37] This accusation is unfounded; the Joy longwall system was purchased for the purpose of improving the quality of the coal mined in the Western reserves and

---

[34] Boise Data Request 002.
[35] Boise Exhibit BGM-1CT, Response Testimony of Bradley G. Mullins, Page 2, Lines 18–20.
[36] Boise Informal Data Request 004(t).
[37] Boise Exhibit BGM-1CT, Response Testimony of Bradley G. Mullins, Page 20, Lines 3–6.

received regulatory approval from Oregon, California, and Idaho Commissions. The Joy longwall system was acquired by BCC in an arm's length transaction because of its operational efficiency and ability to operate areas of the mine with low seam heights.

Q. Did the Company file an Affiliated Interest Filing in Washington when BCC purchased the Joy longwall from Deer Creek?

A. Yes, the Company provided notice of an affiliated interest transaction with BCC on July 9, 2015.[38]

Q. Was acquiring the Joy longwall a prudent business decision?

A. Yes. Staff states the decision of BCC to purchase the Joy longwall system to be a prudent business decision.[39]

Q. Does the Company have different allocation methodologies for different states?

A. Yes. Washington uses the West Control Area inter-jurisdictional allocation methodology (WCA), which is a different allocation methodology than the other five states in which the Company has jurisdictional operations. Under the WCA, Washington is allocated approximately 23 percent of costs in the west control area instead of being allocated approximately nine percent of the Company's whole system.

Q. Did the differing allocation methodologies influence BCC's decision to purchase the Joy longwall?

A. No. There is no basis to Boise's inference that BCC purchased the Joy longwall for any reason other than the fact that it made good business sense. Boise's implication

[38] Docket UE-151412 (July 9, 2015).
[39] Staff Exhibit JLB-1CT, Response Testimony of Jason L. Ball, Page 8, Line 4.

that the Company is intentionally increasing west control area resources to over recover its costs is unfounded.

Q. Does this conclude your rebuttal testimony?

A. Yes.