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BEFORE THE WASHINGTON

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UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)

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Complainant,)

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) Docket UE-141141

vs.)

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PUGET SOUND ENERGY,)

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Respondent.)

9

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SETTLEMENT HEARING, VOLUME II

11

Pages 15 - 73

12

ADMINISTRATIVE LAW JUDGE MARGUERITE FRIEDLANDER

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9:30 A.M.

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SEPTEMBER 30, 2014

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A P P E A R A N C E S (Continued)

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(05/23/14)

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1 OLYMPIA, WASHINGTON; SEPTEMBER 30, 2014

2 9:30 A.M.

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5 JUDGE FRIEDLANDER: Let's go on the
6 record. My name is Marguerite Friedlander, I am an
7 administrative law judge for the Washington Utilities
8 and Transportation Commission. This is the time and
9 place set for a settlement hearing in Docket UE-141141
10 PSE's 2014 Power Cost Only Rate Case. The Commission
11 has convened this hearing to examine the settlement
12 agreement that was filed on September 5th, 2014.

13 Let's go ahead and begin by taking
14 appearances, starting with the Company.

15 MS. STROM CARSON: Good morning, Your
16 Honor. Sheree Storm Carson with Perkins Coie
17 representing Puget Sound Energy.

18 JUDGE FRIEDLANDER: Thank you.

19 MR. COWELL: Good morning, Your Honor.
20 Jesse Cowell on behalf of the Industrial Customers of
21 Northwest Utilities.

22 JUDGE FRIEDLANDER: Thank you.

23 And Staff.

24 MS. BROWN: Sally Brown, Senior
25 Assistant Attorney General, appearing on behalf of

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1 Commission Staff.

2 JUDGE FRIEDLANDER: Thank you.

3 And Public Counsel.

4 MR. FFITCH: Simon ffitch, Senior
5 Assistant Attorney General, for Office of Public
6 Counsel.

7 JUDGE FRIEDLANDER: Thank you.

8 Is there anyone on the conference bridge who
9 would like to put in an appearance today?

10 Mr. Ball, could you maybe indicate that you
11 are still on the line.

12 MR. BALL: Yes, Your Honor, I am still
13 here.

14 JUDGE FRIEDLANDER: Okay, thank you.

15 MR. BALL: Commission Staff.

16 JUDGE FRIEDLANDER: Thank you.

17 Why don't we go ahead and discuss admission of
18 the exhibits. I know that the parties agreed in the
19 settlement to admission of all the exhibits. I would
20 like to include in that exhibit list Bench Request
21 Responses No. 1 and 2, the settlement agreement, which
22 has been listed as, I believe, Exhibit No. 3, the
23 supporting documentation, joint testimony, which is
24 Exhibit No. 4, and the potential Public Counsel public
25 comment exhibit, which is No. 5.

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1 Does anyone object to admission of these
2 exhibits?

3 MS. STROM CARSON: No objection, Your
4 Honor.

5 MR. FFITCH: Public Counsel has no
6 objection.

7 Your Honor, I am now able to advise that no
8 public comments have been received with regard to this
9 matter, by the Commission or our office. I'm not
10 aware of any comments that would need to be in the
11 exhibits.

12 JUDGE FRIEDLANDER: Then we will do away
13 with Exhibit No. 5. Thank you.

14 ICNU or Staff, any objections?

15 MS. BROWN: No, no objections.

16 MR. COWELL: No, Your Honor.

17 (Exhibit Nos. 1 - JAP-4 admitted.)

18 JUDGE FRIEDLANDER: Great, thank you.

19 Why don't we impanel the settlement witnesses,
20 with the exception of Mr. Ball at this time.

21 If you can remain standing and raise
22 your right hand.

23

24 KATHERINE BARNARD, BRADLEY MULLINS, LEA FISHER, JASON
25 BALL (via telephone), witnesses herein, having been

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1 first duly sworn on oath, were examined and testified
2 as follows:

3 MULTIPLE SPEAKERS: I do.

4 JUDGE FRIEDLANDER: Mr. Ball, I have to
5 assume that you also stood and took the oath?

6 MR. BALL: That is correct, Your Honor.

7 JUDGE FRIEDLANDER: Thank you.

8 All right. Are there any preliminary matters
9 that we need to address before I go get the
10 Commissioners?

11 All right. Hearing nothing. We have
12 impaneled the witnesses. I have already instructed
13 the parties that we will expect them to give a brief
14 statement on why they feel the settlement is in the
15 public interest, not to be repetitive of their joint
16 testimony filed, and then we will get into some
17 clarification questions that the Commission has.

18 We will be off the record for a moment.
19 Thank you.

20 (A brief recess.)

21 JUDGE FRIEDLANDER: Why don't we go back
22 on the record and begin with PSE, Ms. Barnard.

23 Before you begin, I should clarify, for the
24 record, I am now joined by Chairman David Danner and
25 Commissioners Jeffrey Goltz and Philip Jones. Thanks.

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1 MS. BARNARD: So I am Kathy Barnard, I
2 am representing Puget Sound Energy. We believe that
3 the settlement agreement as proposed is in the public
4 interest because it provides a rate decrease effective
5 immediately to customers. It allows us to move from
6 litigation to focusing on operations. Also the
7 element of the coal strip major maintenance treatment
8 will provide a benefit to customers because it
9 provides a natural smoothing with the use of deferred
10 and amortized treatment.

11 The agreement also provides for a final update
12 of power costs closer to implementation, if the
13 agreement is approved, which will allow us to have the
14 costs that are very close to the start of the rate
15 year.

16 JUDGE FRIEDLANDER: Thank you.

17 Mr. Mullins.

18 MR. MULLINS: Good morning,
19 Commissioners. My name is Brad Mullins, I am here
20 today on behalf of the Industrial Customers of
21 Northwest Utilities, in support of the stipulation in
22 Puget Sound Energy's Power Cost Only Rate Case.

23 ICNU views this to be a reasonable settlement
24 in light of the issues that we had identified in the
25 Company's filing. We did a pretty thorough review of

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1 their power cost modeling. While we identified issues
2 in addition to what was addressed by the stipulation,
3 we felt that this stipulation, in particular in
4 resolving an issue that we had addressed in the past,
5 related to coal strip O&M costs, was a reasonable
6 outcome. That's why we are here today in support of
7 the stipulation.

8 JUDGE FRIEDLANDER: Thank you.

9 And, Ms. Fisher.

10 MS. FISHER: Good morning,
11 Commissioners. Lea Fisher on behalf of Public
12 Counsel. Public Counsel believes the settlement is in
13 the public interest. Integral to this is a couple key
14 pieces that I will discuss briefly.

15 The overall rate decrease has been further
16 reduced from 5.4 million to approximately 14.9
17 million, it is overall a rate decrease of
18 approximately .7 percent. In addition, a really
19 important factor to Public Counsel was the agreement
20 on cost of capital. The parties agreed that the final
21 cost of capital will be determined in the PSE rate
22 plan remand proceeding and then applied to the 2014
23 PCORC rates.

24 In addition, Public Counsel is also in support
25 of the adjustment that removes expenses related to the

0030

1 2016 BPA rate case, that are not known how measurable
2 until the last two months of the rate year. Public
3 Counsel also is supportive of the additions to
4 Snoqualmie proposed IPSE above the 2013 PCORC level
5 that ultimately were not included in the settlement.
6 This allows for all the remaining upgrades to
7 Snoqualmie to be determined in a future proceeding and
8 for a prudence determination to be made at that time.
9 Public Counsel supports this effort to get away from
10 piecemeal prudence determination for a given project.

11 In summary, Public Counsel does believe that
12 this settlement is in the public interest and should
13 be approved.

14 JUDGE FRIEDLANDER: Thank you.

15 And on behalf of Staff we have Mr. Jason Ball,
16 who will be testifying via conference bridge.

17 Mr. Ball, can you give a brief public interest
18 statement?

19 MR. BALL: Of course, Your Honor. Thank
20 you very much. This is Jason Ball with Commission
21 Staff.

22 The primary reason Staff supports this
23 settlement are that it reflects changes in costs that
24 are measurable, it updates the costs of the Company to
25 reflect its current operating situation, and it allows

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1 for the amortization of costs across specific periods.

2 In Staff's opinion, this settlement is not
3 results-oriented, but rather a reflection of policies
4 that have either been agreed to in the past or are
5 based upon common regulatory principles. The
6 settlement allows ratepayers to receive a reduction in
7 overall rates while maintaining the Company's
8 opportunity to recover its costs. The result is rates
9 that are, in Staff's opinion, fair and reasonable and
10 a settlement which Staff supports and believes serves
11 the public interest.

12 JUDGE FRIEDLANDER: Thank you.

13 So the Commission did give the parties notice
14 of some topics for clarification. I would like to go
15 through those right now, beginning with the Centralia
16 Coal Transition PPA issues. I can read these into the
17 record, or since we have already got them -- we have
18 already had them noticed, I don't have to necessarily
19 go through it word by word. They are a bit
20 voluminous.

21 I believe that the first couple are directed
22 at PSE, but the parties certainly may chime in at any
23 time.

24 MS. BARNARD: This is Kathy Barnard for
25 Puget Sound Energy. Regarding the question on the

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1 December 1st, 2015 coal strip -- or, sorry, Centralia
2 Coal Transition adjustments, if the Company was to
3 include those, it would have to be through a PCORC.
4 If the Company was to file a PCORC, all adjustments
5 would be looked at, so it would be a complete PCORC
6 filing.

7 So the reference to KJB-7 had more to do with
8 if we were to have a compliance filing. In terms of
9 2016's increase, that's the one that will most likely
10 need to be either a compliance or a combination of a
11 compliance. If we think about the ERF and the
12 decoupling dockets, there is a mandatory rate case no
13 sooner than April of 2015, no later than April of
14 2016, which will have your rate years, depending upon
15 the timing, will include part of 2016 uptick in volume
16 and contract changes, but it wouldn't be reflecting
17 the exact rate year. So for that reason the 2016 will
18 likely have a compliance filing of some sort.

19 COMMISSIONER GOLTZ: So I understand the
20 compliance filing, I think. I understand the rate
21 case. What's the combination? Do you mean just the
22 compliance filing after the rate case?

23 MS. BARNARD: So if a rate case is filed
24 as early as April of 2015 -- I'll move the mike so I
25 can make eye contact. The rate year that would come

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1 out of an April 2015 rate case would commence in March
2 of 2016, and so it would only include three months of
3 the coal transition in the rate year. Are you
4 following me? Because a rate year from the GRC would
5 be March of 2016 through February 28th.

6 COMMISSIONER GOLTZ: Do you mean it
7 would not include three months?

8 MS. BARNARD: It would include three
9 months in the rate year of the December '16 change,
10 but then there would be the remainder of the '17 that
11 wouldn't be in there.

12 COMMISSIONER GOLTZ: And that's what you
13 are saying would be a -- after the rate case there
14 would be a subsequent compliance filing?

15 MS. BARNARD: Compliance filing to
16 address the nine missing months in the rate year. The
17 compliance filing would be timed close to December of
18 '16, when that contract change would occur.

19 COMMISSIONER GOLTZ: And so those would
20 just be updating for that period, then?

21 MS. BARNARD: Correct, for the piece
22 that was missing from the rate year.

23 COMMISSIONER GOLTZ: Okay.

24 MS. BARNARD: Only the cost changes
25 associated with the coal transition, less the market

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1 offset, whatever that market price is, embedded in the
2 baseline rates at that time.

3 COMMISSIONER GOLTZ: But that would not
4 contemplate an additional PCORC?

5 MS. BARNARD: Correct.

6 COMMISSIONER JONES: Ms. Barnard, on
7 that point, in Paragraph 16 of the settlement
8 agreement it says in a manner consistent with
9 presentation in your exhibit KJB-7. So what I'm
10 trying to get at is, is your exhibit -- is this
11 exhibit illustrative only or is it determinative of
12 how you are going to file?

13 MS. BARNARD: I would say in terms of
14 format it would be determinative in how we would file.
15 The item that would change is actually the market
16 price offset, which is Line 7 in my exhibit. Because
17 the volumes are set, the contract prices are set on
18 the coal transition, so it's really the market price
19 offset.

20 COMMISSIONER JONES: So the only --
21 and -- and I take your point. The only thing in KJB-7
22 that changes, obviously, is Mid-C market prices,
23 right?

24 MS. BARNARD: Correct. And the prices
25 that would be included in the compliance filing would

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1 be what was ever built into baseline rates. It comes
2 out of the AURORA model. For example, in the KJB-7
3 that's attached to the settlement, that's showing a
4 \$33.92 price on Line 7.

5 COMMISSIONER JONES: Right.

6 MS. BARNARD: That was based on the
7 Company's original filing and what came out of the
8 AURORA modeling. This number would obviously be
9 updated at compliance right now based on the
10 supplemental. I want to say it's \$35.32 or something.

11 COMMISSIONER JONES: Right.

12 MS. BARNARD: It would be in Mr. Mills's
13 testimony.

14 COMMISSIONER JONES: So that number on
15 Line 7, obviously, is illustrative only at the time
16 you filed, 33.92. That is going to change fairly
17 constantly, okay.

18 And then in response to Commissioner Goltz,
19 you said you will -- you intend to do a compliance
20 filing for 2016. So it's really not a combination,
21 it's going to be a compliance filing for nine months,
22 most likely.

23 MS. BARNARD: It could be. It may also
24 be a compliance filing for the 12-month period. So I
25 gave the example of if the Company was to file its

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1 general rate case as soon as 2015, April of 2015, if
2 we go to the other bookend, that would be a filing on
3 or before April 1st of 2016, which means that the rate
4 order would not come out until March of 2017. So we
5 would, in that case, file a compliance filing to
6 address the increase on December 16. It would only be
7 in effect for three months, but it would pick up the
8 entire year. And then that would be trued up, of
9 course, with the rate case outcome.

10 COMMISSIONER JONES: Okay. I think you
11 are clarifying this. Okay.

12 JUDGE FRIEDLANDER: So I guess maybe we
13 can go back to the first part of that first bullet,
14 where we are talking about both the settlement and
15 your Exhibit 7. You have mentioned that the format is
16 largely going to be determinative of the way that PSE
17 files. However, I guess what I am wondering is, we
18 have kind of raised the question of whether or not
19 interveners can propose adjustments, either costs or
20 benefits, that result from the transition PPA. Is PSE
21 opposed to that or are we locked into just this
22 format?

23 MS. BARNARD: I think the answer I have
24 is I'm not sure what other costs or benefits there
25 would be associated with the PPA.

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1 JUDGE FRIEDLANDER: Okay.

2 MS. BARNARD: Just because all that is
3 changing is the contractual volumes. And so my
4 understanding of the way the AURORA modeling works,
5 I'm not the AURORA expert per se, but what's happening
6 is our facilities are being used, and it is
7 economically dispatched. The only thing that the
8 Centralia contract is going to displace is the market
9 price.

10 JUDGE FRIEDLANDER: Okay.

11 MS. BARNARD: So I'm not sure what other
12 costs or benefits there would be. So this was a
13 simple way to address the fact that under the law, we
14 are allowed for a recovery of the Centralia costs, and
15 this was a way to update the price and contract
16 changes that were shaped, that provided benefits to
17 customers by doing it that way.

18 JUDGE FRIEDLANDER: It almost sounds
19 like a flow-thru, in essence. I mean we don't usually
20 do flow-thru. We don't usually call it that, but it
21 just seems like, if that's the only thing that's
22 changing...

23 MS. BARNARD: I think, based on the way
24 you are using that, I would agree. This was proposed
25 because in the Centralia order, we were required to

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1 propose a way to deal with the cost recovery. A cost
2 recovery mechanism was authorized, but it wasn't to be
3 deferrals, so we needed to come up with a way to
4 address the volume and the contract changes.

5 JUDGE FRIEDLANDER: And that's your
6 Exhibit 7.

7 MS. BARNARD: Correct.

8 JUDGE FRIEDLANDER: Okay.

9 MS. BARNARD: And there was also
10 testimony in my direct testimony on that as well.

11 JUDGE FRIEDLANDER: And that's the same
12 format that will be used in 2005 and 2006 filings?
13 The 2005 PCORC --

14 MS. BARNARD: It will be used for --

15 JUDGE FRIEDLANDER: Or 2015 PCORC.

16 MS. BARNARD: So in 2015, if we were to
17 pick up those increases, it would be done in a PCORC.

18 JUDGE FRIEDLANDER: Okay.

19 MS. BARNARD: Just like this 2014.

20 JUDGE FRIEDLANDER: Right.

21 MS. BARNARD: The first tranche, as I
22 like to call it, of the Centralia contract was built
23 into the PCORC, it was built into power costs. The
24 '15 would be done the same way. For 2016, there will
25 need to be some form of compliance filing --

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1 JUDGE FRIEDLANDER: Sure.

2 MS. BARNARD: -- and that element would
3 be simplistic, like KJB-7.

4 In the general rate case proceeding, then
5 everything would be being looked at. So it's a
6 question of either three months or nine months that
7 would be handled on this very simplistic approach.

8 JUDGE FRIEDLANDER: Okay. You had
9 nothing to add?

10 Okay. I think we can move into the revenue
11 adjustment for flow-thru taxes, unless the bench has
12 anything else to add.

13 MS. STROM CARSON: Your Honor, I guess I
14 did want to make one clarification based on some
15 questions that Commissioner Jones had.

16 JUDGE FRIEDLANDER: Sure.

17 MS. STROM CARSON: I just want to
18 clarify that when we are talking about the offset,
19 it's not the spot market at the time of the
20 compliance, but it's the amount that is built into
21 rates, into baseline rates, in terms of the offset. I
22 didn't know if there was some confusion there or not,
23 but it would be the baseline, the market price built
24 into baseline rates.

25 MS. BARNARD: Correct.

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1 COMMISSIONER JONES: Oh, I see. Are you
2 referring, Ms. Carson, to Exhibit 7 again?

3 MS. STROM CARSON: Yes.

4 COMMISSIONER JONES: So which line are
5 you referring to? I finally have that up before me
6 now. Thank you.

7 MS. BARNARD: She is referring to
8 Line 7.

9 COMMISSIONER JONES: Where it says,
10 "Example Mkt Price (Mid-C Flat)"?

11 MS. BARNARD: Correct.

12 COMMISSIONER JONES: Okay.

13 MS. BARNARD: But that Mid-C Flat number
14 that Ms. Carson is trying to clarify, that will come
15 out of whatever is in our baseline rates at the time
16 of the compliance filing.

17 COMMISSIONER JONES: Okay.

18 MS. BARNARD: I'm not saying '15 is
19 being done on a compliance filing, but for
20 illustrative purposes, if it was, it would be the
21 market price that is coming out of this case that will
22 be established in our December 1 rates. Right now,
23 based on supplemental, that's \$35.

24 COMMISSIONER JONES: And by "baseline
25 rates," you are referring to rates established in a

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1 GRC, in a general rate case.

2 MS. BARNARD: In the PCORC.

3 MS. STROM CARSON: Or PCORC.

4 COMMISSIONER JONES: Or a PCORC.

5 MS. BARNARD: Correct.

6 COMMISSIONER JONES: It could be GRC, it
7 could be a PCORC, whatever the baseline rate is.

8 MS. STROM CARSON: Correct.

9 COMMISSIONER JONES: Okay. That's
10 useful. Thank you.

11 JUDGE FRIEDLANDER: Thank you.

12 And so let's go to "Revenue Adjustment For
13 Flow-Thru Taxes" issues. I believe that we are
14 looking at Adjustments 3 and 4. There was a bench
15 request that was issued, and PSE responded to, and we
16 would like further clarification on how this is to be
17 treated. We have asked the parties to be prepared to
18 explain how "the lower revenue requirement impact
19 resulting from the exclusion of flow-thru taxes in
20 Adjustment 5" -- which is the Treasury Grant
21 adjustment -- "is deemed appropriate considering the
22 following."

23 So maybe we can begin with PSE.

24 MS. BARNARD: Certainly. I think first,
25 before addressing the specific questions, I wanted to

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1 make sure that it was -- it was important that we
2 remember that the PCORC, or the Power Cost Only Rate
3 Mechanism, was never intended to address any book tax
4 differences regarding flow-thru. So in a general rate
5 case, there is a tax adjustment, pro forma tax
6 adjustment, that picks up all of the Schedule M
7 adjustments. That is prepared by Mr. Marcelia,
8 typically, for the Company.

9 And so in a power cost only case, though, you
10 are really only dealing with the changes in the power
11 cost expense level. In terms of a treasury grant, we
12 need to make sure, too, we remember, the treasury
13 grant itself is not taxable, so there is no tax
14 benefit per se with the tax, or the nontax -- the cash
15 comes in the door, and there is no tax implication
16 because of the treasury grant. Where there is a tax
17 implication is on the fact that when you reduce rates,
18 the Company's revenues will be lower.

19 The bench request that we received, Bench
20 Request 1, brought up an inconsistency that we did not
21 recognize was in the case. The revenue for flow-thru
22 adjustment, it was based on the approach we took with
23 the Lower Snake River adjustment that was done in a
24 general rate case. The adjustment would have been
25 appropriate in the general rate case where there is a

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1 complete accounting of taxes. But because there isn't
2 in a power cost only case -- and in fact in preparing
3 that response, we went back and looked at previous
4 cases. In the 2007 case, there was -- the Company had
5 attempted to put through a flow-thru item, and it was
6 made very clear by the Staff witness in that case that
7 it didn't belong. So when responding --

8 COMMISSIONER JONES: Ms. Barnard, on
9 that point, but that was the Goldendale plant. That
10 was a natural gas combined cycle plant, right?

11 MS. BARNARD: It was actually to do with
12 the Tonaska flow-thru taxes. My understanding is
13 there was a difference between the book and the tax
14 amortization schedule.

15 COMMISSIONER JONES: My point was that
16 it wasn't classified as renewable per se with any
17 treasury grant associated with it, right? It's a
18 fossil-fire plant.

19 MS. BARNARD: It was a fossil-fire
20 plant, but I don't know that that makes --

21 COMMISSIONER JONES: Okay.

22 MS. BARNARD: -- a difference per se.

23 COMMISSIONER JONES: What I wanted you
24 to refer to was the October 31, 2011 filing on Wild
25 Horse, when you received the \$28.7 million treasury

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1 grant, right? And you filed in Schedule 95A and you
2 had a line item for the gross-up for FIT, right?

3 MS. BARNARD: In a tracker mechanism --

4 COMMISSIONER JONES: Right.

5 MS. BARNARD: -- a tracker is separate.
6 Everything has perfect ratemaking. So in a tracker,
7 all of the benefits and the costs are flow-thru and it
8 is exact.

9 COMMISSIONER JONES: Right.

10 MS. BARNARD: One of the things that was
11 modified with the 2013 PCORC, this was a concession
12 the Company made, was to take the treasury grants
13 associated with the hydro facilities and treat them as
14 a rate base offset. Basically, we are establishing a
15 regulatory liability that will be a reduction to our
16 rate base. We are providing that return here.

17 So when it is in a tracker, there is perfect
18 recovery, each year there is annual true-ups, and then
19 you are stepping down that rate. In a PCORC, just
20 like any general rate case, you are setting it at that
21 point in time for the rate year.

22 That's why there is a difference. That's why
23 we went and removed the flow-thru on the hydro
24 adjustments, because taxes don't belong in a PCORC.

25 COMMISSIONER JONES: When you say "the

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1 hydro adjustments," what are you referring to?

2 MS. BARNARD: I am referring to the book
3 tax difference.

4 COMMISSIONER JONES: Right. The book
5 tax difference on what?

6 MS. BARNARD: On the --

7 COMMISSIONER JONES: Snoqualmie or
8 Mt. Baker?

9 MS. BARNARD: On the Snoqualmie and
10 Baker hydro facilities.

11 So the treasury grant itself is not taxable,
12 however, there is a reduction in its tax basis. So a
13 portion of our book depreciation will never be
14 tax-deductible because of the value of the grant that
15 we received.

16 COMMISSIONER JONES: So is this -- does
17 Staff have a view on this? Who was the accountant
18 for -- that reviewed this for Staff?

19 MR. BALL: That is Jason Ball with
20 Staff.

21 COMMISSIONER JONES: Mr. Ball.

22 MR. BALL: I reviewed it. Our opinion
23 is mostly -- is very similar to the Company. What
24 we -- we came to basically the same conclusions, that
25 you can't -- in the PCORC the best method is to not

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1 address tax issues because it massively complicates
2 the issues. The PCORC isn't really designed to handle
3 these issues.

4 As far as the treatment under rate base goes,
5 that treatment -- the difference really here,
6 as Ms. Barnard pointed out, is between a tracker
7 mechanism and treatment as rate base. They are two
8 separate things, and they have two different types of
9 implications for taxes.

10 COMMISSIONER JONES: Right. This is
11 Commissioner Jones, Jason. But there are adjustments
12 that you made that you agreed to. In Adjustments 5
13 and 6, we have treasury grants and treasury
14 grants deferral, right?

15 MR. BALL: That is correct, yes.

16 COMMISSIONER JONES: And aren't there
17 tax consequences, even though the treasury grants of
18 course are not taxable, there are tax consequences
19 associated with the gross-up for flow-thru, right?

20 MR. BALL: Correct, but for flow -- I
21 think I am getting confused. Are you asking about the
22 gross-up factor, or are you asking about the
23 flow-thru?

24 COMMISSIONER JONES: I am asking about
25 the gross-up, the gross-up for FIT, federal income

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1 taxes.

2 MR. BALL: Correct. And that is applied
3 after the fact. The PCORC sets all of its rates on a
4 pretax basis and then grosses it up afterwards.

5 COMMISSIONER JONES: Okay. I'm still
6 confused. So we have a \$14 million adjustment in
7 Adjustment 5 for treasury grants, right?

8 MR. BALL: Correct.

9 COMMISSIONER JONES: So why did we
10 not -- I understand it is complicated, and it's not a
11 general rate case where we deal with the book tax
12 difference on flow-thru. Buy why did you -- what --
13 I'm a little confused by Staff's opinion. Why didn't
14 you carry it to the next step and make a further
15 adjustment for the gross-up for FIT? Is it just that
16 much more complex in a PCORC?

17 MR. BALL: Well, it is complex, correct,
18 but I don't believe that that would be necessary --

19 COMMISSIONER JONES: Okay.

20 MR. BALL: -- because it's a nontaxable
21 item.

22 COMMISSIONER JONES: And is that your
23 viewpoint, too, Ms. Barnard?

24 MS. BARNARD: Correct. The adjustment
25 is when the revenues are decreased.

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1 COMMISSIONER JONES: Okay. And what
2 about, I would like to hear from ICNU and Public
3 Counsel on this, Mr. Mullins and Ms. Daschel.

4 MR. MULLINS: I think maybe generally
5 speaking, for the purposes of this proceeding, the --
6 the treatment proposed by PSE, we find that to be
7 reasonable. Notwithstanding that, we do -- we don't
8 share I guess the same all-encompassing view that
9 taxes should not be considered at all within the
10 PCORC. You know, when you are adding and removing
11 capital in and out of rate base, when you are -- when
12 the Company is recovering those costs through
13 depreciation, there are real tax consequences of
14 those, and we don't think those should be disregarded
15 on a wholesale basis.

16 COMMISSIONER JONES: But your position
17 is the best forum in which to do this is a general
18 rate case rather than the PCORC? Because you do make
19 a good point on accumulated taxes as well. One day
20 the rooster is going to come home and roost here, when
21 these things go away, in my view, and then we are
22 faced with a decision. The Company is going to ask
23 for much more money. And so do we do that in a PCORC,
24 then, or do we do it -- or do we do it and force the
25 Company somehow, or ask -- it's the Company's decision

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1 to file a general rate case, and they can be accruing
2 all these benefits.

3 Just a question for you, more generally.

4 MR. MULLINS: Well, I think that is a
5 good question. You know, surely within the context of
6 a general rate case those issues would be resolved.
7 You know, I think we would, in future PCORC
8 proceedings, like to, you know, at a minimum reserve
9 the right to review those issues, and to sort of see
10 the magnitude of those.

11 COMMISSIONER JONES: Ms. Daschel -- I'm
12 sorry, Ms. Fisher.

13 MS. FISHER: I understood.

14 COMMISSIONER JONES: It's a bad morning.
15 I haven't had enough coffee yet. I'm sorry.

16 MS. FISHER: No problem.

17 Public Counsel generally agrees with what we
18 have heard from pretty much all three parties here,
19 Staff, the Company and ICNU. And we agree with how
20 the settlement addresses this issue. We think it will
21 make it more consistent going forward, and it solves
22 an issue that was identified in the 2013 PCORC. We
23 generally think that this is a good outcome.

24 CHAIRMAN DANNER: This is Dave Danner.
25 I just want to make sure that I understand. We are in

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1 the middle of a rate plan, and so the benefits don't
2 accrue until the next GRC. Are we -- I want to make
3 sure we are not creating a windfall here for the
4 Company, and that is going to be respected.

5 MS. BARNARD: So you were correct. Not
6 all -- this tax item, along with any other book tax
7 differences that are occurring on our turnaround on
8 other generation assets are not occurring. If you
9 look at this particular item in isolation, the
10 difference between approaches would have been about
11 \$700,000 difference in revenue requirement. That's
12 the only difference. We have removed approximately
13 1.1 million of revenue flow-thru on the plant side and
14 kept the treasury grant side out.

15 It is equal treatment. It does go to the
16 bottom line, but there are other risks associated as
17 well. Because now that we have taken a treasury grant
18 and done it as an offset, that's a discrete amount
19 that is dwindling over time, unlike other rate base
20 assets that can be -- you know, you have the churn.
21 Yes, there's deferred tax differences. General
22 ratemaking, general rate cases are not perfect
23 recovery, where a tracker is exact, no more and no
24 less. That is part of the difference.

25 I think the other thing to -- that we looked

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1 at, doing this, was we have spent the last year
2 working with the parties on a collaborative, and one
3 of the key messages that has come out is our mechanism
4 is too complicated. The simple way is to not
5 introduce income taxes for this particular item in
6 this case. That was why the Company approached it the
7 way we did.

8 CHAIRMAN DANNER: The other parties,
9 that is your view as well?

10 MR. MULLINS: Well, you know, I don't
11 think I would share the view that simplicity should
12 override accuracy per se. And so if the Commission --
13 well, I would just say, I think it is within the
14 Commission's -- well, I guess I would have to ask my
15 counsel this, but my understanding is it would be
16 within the Commission's purview to require the Company
17 to include those tax benefits.

18 MR. COWELL: I would just say that it
19 is -- we are actively looking into it with the PCA
20 mechanism and the PCORC collaborative process. We are
21 kind of airing out some things that we are hopefully
22 going to address, and we are addressing right now in
23 that process.

24 MS. STROM CARSON: I would agree with
25 that. I think it is also important to recognize that

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1 the way the mechanism, the PCA mechanism and the PCORC
2 are set up now, taxes are not included. These are
3 all, as counsel says, issues that can be addressed in
4 the collaborative that is ongoing. At this point in
5 time, that's the way the mechanism was set up, some
6 nearly 15 years ago, and it seems appropriate to
7 continue to follow that until we revise it otherwise.

8 COMMISSIONER JONES: So, Ms. Carson,
9 from a procedural standpoint, then, your advice or
10 your conclusion to the Commission is we could address
11 this in the next filing of a general rate case, that's
12 the most appropriate forum to deal with book tax
13 differences?

14 MS. STROM CARSON: That's correct.

15 COMMISSIONER JONES: And when is that
16 going to be?

17 MS. STROM CARSON: Well, sometime
18 between April 2015 and April 2016. I don't think the
19 Company is --

20 CHAIRMAN DANNER: If you would have been
21 here for the last workshop, you would have heard that.

22 COMMISSIONER JONES: So did you ask that
23 question at the last workshop?

24 CHAIRMAN DANNER: I did.

25 COMMISSIONER JONES: Okay.

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1 CHAIRMAN DANNER: And the answer was
2 identical.

3 COMMISSIONER JONES: Ms. Carson is
4 usually pretty good in defending the language in the
5 order, yes.

6 So it could be anytime in that one-year
7 period. So these book tax differences could be
8 growing bigger or they could be staying the same. As
9 you say, Ms. Barnard, the treasury grant is reduced by
10 10 percent per year -- or it is reduced over ten
11 years, right? Your point on the amortization --

12 MS. BARNARD: Actually, it is being
13 amortized over the life of the plant.

14 COMMISSIONER JONES: The life of the
15 plant.

16 MS. BARNARD: It was tied to the plant.
17 That was actually Staff's position.

18 COMMISSIONER JONES: Right, I recall
19 that. Now, is that -- we had a big discussion on that
20 for LSR-1, Lower Snake River 1, but I thought for Wild
21 Horse, we decided it was ten years.

22 MS. BARNARD: For both LSR and Wild
23 Horse, they were left at ten years. They were also
24 left in the tracker. These treasury grants, in terms
25 of the fact that they are the same from the IRS,

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1 that's true, but the difference, from the Company's
2 perspective, and why we were willing to consider this
3 was because treasury grants are to supplant PTCs, or
4 production tax credits.

5 The reality is, in terms of these hydro
6 upgrades, to qualify for the tax grant, you either
7 have to be incremental or not incremental. It was
8 like an on/off switch. And so there was never any
9 question that if it qualified for treasury grants,
10 that we were going to go with that option versus a
11 PTC. As you will probably recall with, I think, Wild
12 Horse and LSR, the concern is you have to have taxable
13 income to get the benefits of production tax credits.
14 We haven't had taxable income for several years.

15 The incremental hydro, and I don't recall the
16 exact amount, but it's something less than 10 percent,
17 so the treasury grants clearly provided a better value
18 in that it was 30 percent of the construction costs.

19 COMMISSIONER JONES: Okay.

20 JUDGE FRIEDLANDER: Okay.

21 MR. BALL: This is Jason with Commission
22 Staff. I would just like to jump in here real quick
23 and address a point.

24 The reason Staff really supports the treatment
25 of this using rate base treatment is because it is

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1 more closely aligned, the cost of the plant with the
2 benefits of the treasury grant. And it makes them
3 match more closely than we believe the tracker does.
4 I don't necessary agree that in this particular
5 instance, we are sacrificing accuracy for the sake of
6 simplicity. I believe what we are doing here is we
7 are saying that this is not a forum which has the
8 capability to handle the issue, simply because taxes
9 by themselves are something that needs to be taken on
10 a wholistic approach. They have pretty far-reaching
11 implication across the board and one adjustment in one
12 place can adjust everything else.

13 COMMISSIONER JONES: This is
14 Commissioner Jones. I think I agree with you on the
15 latter point. I don't necessarily agree with you on
16 the matching point. I think the matching point would
17 support some sort of an adjustment here to production.
18 But that's just a difference of opinion.

19 JUDGE FRIEDLANDER: All right. Any
20 other questions from the bench?

21 Okay. So I think --

22 COMMISSIONER JONES: I have a question
23 on another part of the settlement. Are we through
24 with this one?

25 JUDGE FRIEDLANDER: Well, I have a

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1 couple of other questions that deal with Attachment A
2 to the settlement agreement.

3 COMMISSIONER JONES: I would like to ask
4 a question on cost of capital, in Paragraph 15, if I
5 could.

6 JUDGE FRIEDLANDER: Okay.

7 COMMISSIONER JONES: My question here is
8 not so much on substance of it, but just how to
9 operationalize this paragraph, given what we are going
10 to hear this afternoon, and set up schedule for the
11 remand case.

12 So the effective -- and this is primarily for
13 ICNU and Public Counsel, Ms. Fisher and Mr. Mullins.
14 So we will be deliberating on that, setting a
15 schedule, and my view is we probably won't be making a
16 decision, final order, until sometime next spring.
17 These rates become effective in the PCORC
18 December 1st. So when the language says, The parties
19 further agree that the final cost of capital used in
20 calculating rates in the 2014 PCORC will be based on
21 and incorporate the Commission's decision, et cetera,
22 et cetera.

23 So there's going to be a lag here, I think.
24 And so could you give me your view on how we
25 operationalize this and match the two cases? Because

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1 these rates will become effective and the cost of
2 capital could go up; it could be go down, you know, in
3 the remand case. We just don't know yet.

4 MS. FISHER: This is Lea Fisher on
5 behalf of Public Counsel. I can try to give you our
6 understanding of how that would happen.

7 So as you said, the 2014 PCORC rates go into
8 effect December 1, 2014. So our understanding is when
9 we do get a final order in the PSE remand decision,
10 and whatever cost of capital is determined to be the
11 appropriate cost of capital in that proceeding, then
12 you would have to take that and reset the PCORC rates
13 based on that cost of capital.

14 And so how you do that is a good question. I
15 think there are different ways. There could be a
16 compliance filing that's made to address that.
17 Ultimately what needs to occur is that the 2014 PCORC
18 rates need to be reset going forward. They also need
19 to be adjusted to account for the time period lag that
20 you referred to, so from December 1, 2014, up until
21 when we get the final cost of capital and the rate
22 plan remand. You would need to figure out how much
23 those rates need to be adjusted.

24 So you would ultimately need to do a true-up.
25 And if the cost of capital is lower, you would have to

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1 do refunds or bill credits of some nature, or you
2 could do that in a different way. Ultimately,
3 whatever is overcollected from customers would need to
4 be returned to them in some manner.

5 COMMISSIONER GOLTZ: So I have a
6 question related to this as well. Ms. Fisher, you
7 said this is -- this rate of -- cost of capital issue
8 is one of the reasons why Public Counsel is, I guess,
9 approving of the settlement. So if we didn't have --
10 I'm asking about past practice. If we didn't have
11 this remand proceeding going on, would -- is the
12 general practice with PCORC to just default to the
13 last ROE decision from the last general rate case?

14 MS. FISHER: That's my understanding.
15 You would use the cost of capital to determine --

16 COMMISSIONER GOLTZ: And so but for the
17 fact that we have this remand pending, would it be
18 fair to say that this could have just defaulted? This
19 wouldn't be an issue, it would just default to the
20 last ROE from the last general rate case?

21 MS. FISHER: That's my understanding.
22 And the reason it's an issue --

23 COMMISSIONER GOLTZ: So is this all --

24 MS. FISHER: -- is because of the
25 remand.

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1 COMMISSIONER GOLTZ: All this does is it
2 basically recognizes that that ROE from the last
3 general rate case -- because the remand proceeding is
4 still in play, and we are just going to do whatever
5 that says; is that as simple as that?

6 MS. FISHER: Well, I think it is close
7 to that. I think it preserves the ability to go back
8 and open up the 2014 PCORC rates because they will
9 have gone into effect. We need to recognize that they
10 can't legally be set using the cost of capital that's
11 been determined to be illegal through the remand
12 proceeding. We need to make sure that we have the
13 ability to apply the correct cost of capital once that
14 is determined.

15 COMMISSIONER GOLTZ: I'm not sure that
16 it said the last ROE was illegal. It said that the
17 process that was used to set it was not proper.

18 MS. FISHER: I probably won't weigh in
19 further on the legality. I think that's as far as we
20 went in our settlement testimony, so I'll stop there.

21 COMMISSIONER GOLTZ: This means how much
22 fun we're going to have this afternoon.

23 But getting to Commissioner Jones's point, and
24 I guess I -- I'm not quite so pessimistic to think the
25 decision in that case is going to last until March. I

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1 would like to think it would be done by the end of the
2 year. I think there is a real question of whether it
3 will be done by January 1 -- by December 1.

4 And so let's assume that we decide that case
5 sometime in December, with an effective date of
6 January 1, 2015. These rates in the PCORC case are
7 effective December 1, 2014. So in my hypothetical, we
8 would have a one-month gap or lag. So we would put
9 these rates into effect with a 9.8 ROE, with an
10 asterisk by it, saying this is subject to change; is
11 that the way it would work?

12 MS. FISHER: That's Public Counsel's
13 understanding.

14 COMMISSIONER GOLTZ: And then the issue
15 of -- let's just assume hypothetically that the result
16 of the remand proceeding is a reduction of the ROE.
17 Okay, just assume that. Then the question of whether
18 or not that triggers refunds or not would still be --
19 that the decision in the remand case on refunds,
20 whether or not those are appropriate, or prospective
21 relief, that would all be done in that remand
22 proceeding. So in effect, you would also be
23 readjusting the PCORC order in that remand proceeding.

24 You don't have to answer this. I mean I'm
25 just thinking out loud.

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1 MS. FISHER: I think what the settlement
2 is trying to do is saying that you do need to have an
3 off-ramp to adjust the 2014 PCORC rates after they go
4 into effect.

5 COMMISSIONER GOLTZ: Okay.

6 MS. FISHER: Yes, it will be addressed
7 in the PSE remand proceeding. How we adjust those, I
8 think can also be addressed there as well.

9 COMMISSIONER GOLTZ: But Public Counsel
10 doesn't have -- my initial question was, normally we
11 default to the last ROE, the ROE set in the
12 immediately prior general rate case, and you are fine
13 with that.

14 MS. FISHER: No, we are not fine with
15 that in this case because --

16 COMMISSIONER GOLTZ: No, I understand
17 that.

18 MS. FISHER: Okay.

19 COMMISSIONER GOLTZ: But --

20 MS. FISHER: But generally --

21 COMMISSIONER GOLTZ: But as a general
22 principle, it is legally acceptable to default to the
23 prior rate case. In other words, with a PCORC, we
24 don't have to do a new --

25 MS. FISHER: If this remand proceeding

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1 wasn't happening, that's our understanding as well.

2 COMMISSIONER GOLTZ: Okay. And so as I
3 understand it, your proposed -- proposal in the remand
4 proceeding is to determine the ROE based on evidence
5 back in early 2013?

6 MR. FFITCH: Your Honor, I think we are
7 getting perhaps into the sort of areas of legal
8 questions that --

9 COMMISSIONER GOLTZ: That's fine.

10 MR. FFITCH: -- we can address. I would
11 be happy to address this afternoon, in terms of what
12 our recommendations are for time frames of ROE
13 determination.

14 COMMISSIONER GOLTZ: Basically, the
15 point was, is that the -- I guess I'm just questioning
16 whether this cost of capital settlement is anything
17 remarkable. It seems to me that all you are saying
18 is --

19 MS. BROWN: It's not remarkable.

20 COMMISSIONER GOLTZ: All we are going to
21 do is default to the last ROE in the last general rate
22 case, and because of the remand proceeding, that is a
23 little bit -- that's still in play. It's as simple as
24 that.

25 MR. FFITCH: I would agree with that,

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1 Your Honor.

2 COMMISSIONER GOLTZ: Okay.

3 MR. FFITCH: I think the only issue is a
4 mechanical one, which Commissioner Jones raised, which
5 because of the sequencing of the PCORC rates going
6 into effect, potentially, quite likely before the
7 remand is concluded, there would have been a true-up.

8 COMMISSIONER GOLTZ: So we may have to
9 retain jurisdiction over the PCORC -- assuming the
10 PCORC order comes out soon, before the remand order,
11 that it comes out in time to have the rates take
12 effect December 1, 2014, we would in effect have to
13 retain jurisdiction over the PCORC case, and in effect
14 finalize it concurrently with the remand case.

15 MR. FFITCH: That would be fine from our
16 perspective. I don't see a problem with that.

17 MR. COWELL: Commissioners, if I could
18 chime in from ICNU's perspective as well. In
19 Paragraph 7 we have the parties agree, accepting
20 Commission determination of ICNU's petition for
21 accounting, which I think our petition addressed a
22 deferral mechanism for that space between when we are
23 projecting a final decision in the remand case. So I
24 think that goes to another wheel in play of how the
25 mechanism might work.

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1 COMMISSIONER GOLTZ: Okay.

2 MS. BROWN: May I be heard, Your Honor?

3 JUDGE FRIEDLANDER: Yes, please.

4 MS. BROWN: This Sally Brown with the
5 Attorney General's Office. I just want to make it
6 clear that it is the parties' intention, to the
7 settlement agreement, that the decision to be made by
8 the Commission in the remand litigation is reserved to
9 the Commission with all discretion. There's nothing
10 binding or automatic or anything in terms of, for
11 example, retroactivity, time periods, anything like
12 that. And so we would ask that the Commission make an
13 affirmative decision and order affirmatively whatever
14 it is you so decide. I don't want you to draw any
15 inferences from this settlement agreement.

16 COMMISSIONER JONES: Ms. Brown, on that
17 point -- and I would like to hear from Counsel on
18 that. So by the fact that we have an all-party
19 settlement on the PCORC, and we have this exit ramp,
20 if that's the proper term that Ms. Fisher used, in
21 your legal view, there is going to be no issue of
22 retroactive ratemaking.

23 MS. BROWN: I think the point I am
24 attempting to make, probably feebly here -- although
25 that three-week vacation was grand -- is that --

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1 COMMISSIONER JONES: We are happy to see
2 you back.

3 MS. BROWN: Thank you very much for
4 that.

5 But there is no -- what was the question?

6 COMMISSIONER JONES: You have been on
7 vacation. Is there --

8 MS. BROWN: I think the answer to your
9 question was no, Your Honor.

10 COMMISSIONER JONES: As a legal matter,
11 based on either, you know, Washington state law or
12 whatever, you don't foresee any challenge or any issue
13 with retroactive ratemaking, in that we will have to
14 reset the PCORC rates, or we may have to reset the
15 PCORC rates.

16 I see my colleague nodding one way, but I
17 would like to hear from Counsel on this.

18 MS. BROWN: I'm going to say no, but I
19 am also going to reserve that to -- for argument this
20 afternoon with my cocounsel --

21 COMMISSIONER JONES: Okay.

22 MS. BROWN: -- Ms. Jennifer
23 Cameron-Rulkowski.

24 COMMISSIONER JONES: Mr. ffitch.

25 MR. FFITCH: Thank you, Your Honor. I

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1 do need to say for the record that in our view, the --
2 because of the decision in the Thurston County case,
3 the Commission cannot use the previously set and now
4 reversed cost of capital, to set rates in the 2014
5 PCORC case, absent this settlement, until there is a
6 decision in the remand. So from our perspective, this
7 is a compromise, allowing the PCORC to go forward and
8 be implemented with an interim or initial rate,
9 subject to true-up, if you will. That's our position.

10 But absent the agreement here, our position
11 would be that the 2014 PCORC rate would actually have
12 to await the determination of a correct and accurate
13 cost of capital for use, for the rates under the
14 PCORC.

15 COMMISSIONER JONES: But just to
16 clarify, with this settlement, you are okay with the
17 interim rate, what you call an interim rate, for the
18 PCORC going into effect December 1st?

19 MR. FFITCH: That's correct.

20 COMMISSIONER JONES: For ICNU?

21 MR. COWELL: I think I would largely
22 agree with Public Counsel. We were also involved in
23 the judicial review. I think that, as the language
24 here -- all the parties worked on this, that for
25 purposes of initial rate setting, we have that the

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1 parties further agree that the final cost of capital,
2 that's the end piece.

3 From ICNU's perspective, we are also raising
4 that -- in our petition for accounting, that, based on
5 our view of how we interpret the judicial review
6 opinion and order, that there should be a deferral
7 based on what we think the legal rate of return should
8 be.

9 COMMISSIONER JONES: And I think that's
10 up for discussion this afternoon.

11 Ms. Carson.

12 MS. STROM CARSON: From PSE's
13 perspective, this was a compromise for other parties
14 to come on board with the settlement because there was
15 this issue that's being addressed in the remand
16 proceeding. And so we worked closely to try to
17 preserve everybody's right to make their arguments
18 that they will make in the remand. It's not, as
19 Ms. Brown said, in any way intended to predetermine
20 where the Commission will go on this, but to leave
21 everybody's arguments and claims open.

22 COMMISSIONER JONES: Okay. That's all I
23 have.

24 JUDGE FRIEDLANDER: Thank you.

25 Any other questions from the bench?

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1 CHAIRMAN DANNER: I have just a quick
2 question with regard to prudence determination. What
3 specifically are you asking us to do? It looks like
4 you have agreed that the BPA transmission is prudent
5 and Point Roberts is prudent and Electron is prudent,
6 but you don't need a determination on Electron. Is
7 that -- have I captured that?

8 MS. STROM CARSON: That's correct. That
9 stems from our last PCORC, where it was agreed --
10 other parties in particular felt that a prudence
11 determination was not needed for Electron. That was
12 part of the consideration for the sale, was the PPA
13 terms, and that was being looked at separately. So
14 PSE had agreed with that. So to the extent a prudence
15 determination is needed, you know, the Commission
16 should say it is prudent, but it is seeing that
17 everybody agreed that it was not necessary.

18 CHAIRMAN DANNER: Okay.

19 JUDGE FRIEDLANDER: Thank you.

20 CHAIRMAN DANNER: Thank you.

21 JUDGE FRIEDLANDER: Okay. I guess I
22 would like to have, more than likely it's you,
23 Ms. Barnard, turn to Attachment A of the settlement
24 agreement. I am specifically looking at Page 2,
25 Line 23. I don't think we have addressed this

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1 question that we had for clarification on the sourcing
2 for the approximately one and a half million dollars.

3 MS. BARNARD: Correct.

4 JUDGE FRIEDLANDER: Could you go through
5 that for us?

6 MS. BARNARD: Yes, I would be glad to.

7 So the \$1,563,488 difference, that is made up
8 for -- \$489,792 is relating to the change in the
9 depreciation expense associated with the lowering of
10 the rate base to exclude -- to bring us back to the
11 2013 PCORC. The remaining two amounts are \$239,745,
12 which is the removing of the revenue adjustment for
13 flow-thru taxes associated with the Baker treasury
14 grant, and then \$833,951 for the Snoqualmie-related
15 revenue. And if you add those four together, it
16 should equal 1,563,488.

17 JUDGE FRIEDLANDER: Great, thank you.

18 All right. Does the bench have any further
19 questions?

20 Okay. I have one question that I think I am
21 going to direct to Ms. Carson, and that relates to the
22 Electron adjustment. Obviously, you are waiting for
23 an order from me on that. I know that when Mr. Kuzma
24 was appearing before me in that case, he indicated
25 that the agreement with Electron Hydro, LLC was

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1 contingent upon how quickly this might get addressed.

2 Do you have any further information on that,
3 or are we looking at some kind of tight time frame
4 that we are up against?

5 MS. BARNARD: Actually, Judge, I think I
6 can address that question.

7 JUDGE FRIEDLANDER: Thank you.

8 MS. BARNARD: My understanding is that
9 there was an additional amendment that was done to the
10 PPA, purchase power -- or the sale agreement, excuse
11 me, that would extend it to October 10th.

12 JUDGE FRIEDLANDER: Okay.

13 MS. BARNARD: So I think the Company and
14 Electron are anticipating that an order, based on the
15 original procedural hearing --

16 JUDGE FRIEDLANDER: Right.

17 MS. BARNARD: -- would be out roughly --

18 JUDGE FRIEDLANDER: Soon.

19 MS. BARNARD: -- around October 1st.

20 JUDGE FRIEDLANDER: Right, right.

21 MS. BARNARD: They allowed ten extra
22 days to allow time.

23 JUDGE FRIEDLANDER: Well, that means
24 tomorrow.

25 COMMISSIONER JONES: Tomorrow.

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1 JUDGE FRIEDLANDER: Well, I appreciate
2 the ten extra days. Okay. So I really just wanted to
3 clarify that point.

4 Do we have any other questions from the bench
5 on the settlement agreement or the attachment?

6 COMMISSIONER JONES: No.

7 JUDGE FRIEDLANDER: All right.

8 We don't need Public Counsel's public comment
9 exhibit, so I think we are good there. I have
10 admitted the exhibits.

11 Are there any other procedural matters that we
12 need to address before we adjourn?

13 MS. BROWN: Your Honor, may I say one
14 thing?

15 JUDGE FRIEDLANDER: Certainly.

16 MS. BROWN: Because I would like to have
17 a happy client. My client informed me that he thought
18 that my comments were, quote/unquote, wishy-washy.

19 I just would like to emphasize or draw the
20 Commission's attention to Paragraph 15 of the
21 settlement stipulation, which refers explicitly to the
22 Commission's decision on the remand. It goes to the
23 idea that currently, as we live and breathe, is it
24 9.8. You know, at least from Staff's perspective, we
25 don't view it as an interim rate, and that the

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1 Commission is going to have to make an affirmative
2 decision as to how it would like to see the matter on
3 remand unfold.

4 Is that better?

5 (Discussion off the record.)

6 MS. BROWN: And applied, A-P-P-L-I-E-D.

7 COMMISSIONER GOLTZ: You are referring
8 to the last sentence?

9 MS. BROWN: Yes.

10 Thank you. That's all I have.

11 CHAIRMAN DANNER: I think we know where
12 people stand.

13 JUDGE FRIEDLANDER: Thank you.

14 All right. If there's nothing further --

15 CHAIRMAN DANNER: I just want to make
16 sure, Paragraph 22, Publicity. It sounds like this is
17 binding on the parties but not on the Commission, we
18 can say anything we want; is that correct?

19 MS. BROWN: Yes.

20 CHAIRMAN DANNER: All right.

21 (Hearing concluded 10:33 a.m.)

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