

Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981 and UE-180778 (Consolidated) - Vol. V

WUTC v. PacifiCorp d/b/a Pacific Power & Light Company

August 24, 2020



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BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	Docket Nos. UE-191024,
TRANSPORTATION COMMISSION,)	UE-190750, UE-190929,
)	UE-190981, and UE-180778
Claimant,)	(Consolidated)
)	
vs.)	
)	
PACIFICORP d/b/a PACIFIC)	
POWER & LIGHT COMPANY,)	
)	
)	
Respondent.)	

TELEPHONIC SETTLEMENT HEARING, VOLUME V

Pages 83-227

CHAIR DANNER, COMMISSIONER RENDAHL AND
COMMISSIONER BALASBAS

August 24, 2020

9:30 a.m.

Washington Utilities and Transportation Commission
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1 LACEY, WASHINGTON; AUGUST 24, 2020

2 9:30 A.M.

3 --o0o--

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

5

6 JUDGE O'CONNELL: Let's be on the record.

7 Good morning. It is Monday, August 24th, 2020. The
8 time is approximately 9:35 a.m.

9 My name is Andrew O'Connell. I am the
10 administrative law judge with the Washington Utilities
11 and Transportation Commission, and I will be presiding
12 in this matter along with the Commissioners who have
13 joined us via video.

14 We are here today for a settlement hearing
15 in consolidated Dockets UE-191024, UE-190750, UE-190929,
16 UE-190981, and UE-180778, which is PacifiCorp's electric
17 general rate case, the accounting petitions, and
18 depreciation petition.

19 Let's take short appearances on the record
20 starting with PacifiCorp.

21 MR. KUMAR: Thank you, Your Honor.
22 Appearing on behalf of PacifiCorp, it's Ajay Kumar. And
23 additionally in this docket, Matthew McVee, Carla
24 Scarsela for the Company along with Katherine McDowell
25 of the law firm McDowell, Rackner, Gibson. But on this

1 call, only I will be appearing.

2 JUDGE O'CONNELL: Okay. Thank you.

3 And for Staff.

4 MS. CAMERON-RULKOWSKI: Appearing on --
5 appearing on behalf of Commission Staff, Jennifer
6 Cameron-Rulkowski, Assistant Attorney General. And we
7 do have other AAGs from our office in the case; however,
8 for the purposes of the settlement hearing today, it
9 will just be me.

10 JUDGE O'CONNELL: Okay. Thank you.

11 And for Public Counsel.

12 MS. SUETAKE: For Public Counsel, I am Nina
13 Suetake, Assistant Attorney General, for -- and we also
14 have in this docket Ann Paisner, but for the purposes of
15 this hearing, I will only be appearing.

16 JUDGE O'CONNELL: Okay. Thank you.

17 For Packaging Corporation of America.

18 MR. PEPPLER: Good morning, Commissioners.
19 Tyler Pepple for Packaging Corporation of America and
20 with me is Corinne Milinovich.

21 JUDGE O'CONNELL: Okay. Thank you.

22 And for The Energy Project.

23 MR. FITCH: Good morning, Commissioners.
24 This is Simon Fitch, appearing on behalf of The Energy
25 Project.

1 JUDGE O'CONNELL: And for Walmart?

2 MS. BALDWIN: Good morning. This is Vicki
3 Baldwin, appearing on behalf of Walmart.

4 JUDGE O'CONNELL: Okay. Thank you.

5 The parties have stipulated to the admission
6 of all the prefiled testimony and exhibits and no party
7 objects to PacifiCorp's motion to allow the errata
8 exhibits filed on August 11th, 2020. The testimony
9 exhibits are admitted and PacifiCorp's motion is
10 granted.

11 (Prefiled exhibits admitted.)

12 JUDGE O'CONNELL: We will -- or I will
13 provide a copy of the finalized exhibit list to the
14 court reporter so that it can be made a part of the
15 record.

16 Now, Ms. Suetake, how long -- I want to talk
17 about the public comments exhibit briefly. How long
18 does Public Counsel need to compile any public comments
19 received regarding this proceeding?

20 MS. SUETAKE: Thank you, Your Honor. I
21 believe we had spoken about this at the public comment
22 hearing, and we had agreed that a week would be fine
23 after this hearing. So I think we have it calendared
24 for the 31st right now.

25 JUDGE O'CONNELL: Okay. I think that will

1 be acceptable. So we will designate that as Bench
2 Exhibit 2, or BE-2. It will be filed in the docket by
3 the end of the day Monday, August 31st, 2020.

4 MS. SUETAKE: Thank you, Your Honor.

5 JUDGE O'CONNELL: Are there any motions --
6 before we begin, any motions or requests from any of the
7 parties? Okay. Thank you.

8 Let's talk about the schedule for today's
9 hearing. So the Commissioners have joined me via video,
10 and after we are done discussing the schedule, I will
11 invite a presenter from the settling parties to present
12 its opening statement in support of the settlement. At
13 that time, only the Commissioners, myself, and the
14 presenters should have their video turned on.

15 Then we will have a settlement panel to
16 answer questions from the bench. All witnesses should
17 turn their video on for the entirety of the segment of
18 the hearing and should only unmute the microphones to
19 speak.

20 While all the dockets in this proceeding
21 have been consolidated, there are two unopposed
22 settlement documents. One resolves all disputed issues
23 at PacifiCorp's depreciation filing, Docket UE-180778.
24 The other resolves all disputed issues in the general
25 rate case and the remaining documents and incorporates

1 the depreciation settlement. So for purposes of this
2 hearing, we are going to address the settlements at the
3 same time, and we intend to ask questions regarding the
4 depreciation settlement while we have all witnesses on
5 the panel.

6 Last, we will hear any last comments from
7 the parties and address any outstanding procedural
8 matters.

9 Are there any other questions before we get
10 started? Okay. Seeing none, Chair Danner, Commissioner
11 Rendahl, and Commissioner Balasbas have joined us, and
12 now we have an opportunity for opening statements on
13 behalf of the settling parties. And I'd like to ask
14 that Mr. Wilding and Ms. Kopliha turn on their video and
15 we will give the stage to them to present their opening
16 statement.

17 And one other thing, Ms. -- Ms. Karen
18 Schubert, can you please turn off your video?
19 Ms. Schubert, one more time if you can hear me, will you
20 please turn off your video by selecting the turn camera
21 off button on the popup menu when you move your mouse?

22 Okay. Let's -- let's go ahead and proceed.
23 Mr. Wilding, I will turn it over to you.

24 MR. WILDING: Thank you. Good morning. My
25 name is Mike Wilding. I am the director of net power

1 costs and regulatory policy for PacifiCorp and
2 appreciate the time to present a -- all issue, all party
3 settlement in the Washington -- in PacifiCorp's
4 Washington general rate case.

5 Good morning, Chair Danner, Commissioner
6 Rendahl, Commissioner Balasbas. Appreciate this time
7 this morning, again, to present this settlement --
8 summary of our settlement.

9 I would like to start off by saying that
10 PacifiCorp is very appreciative of the engagement and
11 hard work done by parties to reach this stipulation.
12 This is PacifiCorp's first general rate case in
13 approximately five years, and it included a number of
14 very complex and difficult issues. However, through the
15 diligence of all parties involved, we feel we've been
16 able to come to a settlement that is beneficial to
17 PacifiCorp's customers in Washington.

18 Parties believe that this stipulation is in
19 the public interest and we request that the Commission
20 approve it. This stipulation provides for continued
21 rate stability for customers over the next three years
22 and update PacifiCorp's revenue requirements to reflect
23 the Company's operations and the significant investments
24 in renewable energy.

25 The main provisions of this stipulation

1 include the rate stability as mentioned, the overall
2 result of the stipulation of a rate decrease of
3 approximately .06 percent, which is approximately 55
4 cents per month for the average residential customer.

5 Additionally, as part of this stipulation,
6 the Company will not file a rate case that would have a
7 rate effective date before January 1 of 2024; however,
8 this stipulation does require two proceedings next year.

9 The first is a limited issue rate filing to
10 review certain pro forma generation and transmission
11 investments that are included in rates subject to refund
12 as far as the stipulation. This limited issue rate
13 filing will provide the opportunity for stakeholders and
14 the Commission to review the actual costs of these
15 investments.

16 Second, is a power cost only rate case that
17 updates the net power cost baseline to reflect the
18 changes to day ahead scheduling that are currently being
19 implemented by the Company. This stipulation also
20 provides for the return of all tax benefits from the Tax
21 Cuts and Jobs Act including the 2020 deferred current
22 tax benefits, the nonprotected excess deferred income
23 taxes, or EDIT, and protected EDIT through the end of
24 2020.

25 Additionally, the stipulation maintains

1 PacifiCorp's existing capital structure and cost of
2 equity, which strikes a balance between rate stability
3 for customers and provides the Company with the access
4 to financing to support the continued capital investment
5 that is necessary for PacifiCorp's transition to a
6 cleaner energy future.

7 Additionally, a part of this stipulation is
8 the approval of the Washington Interjurisdictional Cost
9 Allocation Methodology, which we refer to as WIJAM, and
10 also the 2020 protocol which dictates the cost
11 allocations among PacifiCorp's service territory.

12 The WIJAM was the result of two years of
13 work with Staff, Public Counsel, and Packaging
14 Corporation of America and provides for the inclusion of
15 cost and benefits of all of PacifiCorp's nonemitting
16 resources in the rates for Washington customers. This
17 allows Washington customers the benefits of PacifiCorp's
18 geographic diversity and including the significant
19 investment in wind generation included in this case.
20 PacifiCorp looks forward to continuing to work with
21 these parties through our multistate process for
22 continuing to resolve cost allocation issues.

23 The stipulation also settles the rate spread
24 and rate design. It maintains PacifiCorp's current
25 basic charge and flushes the tiered energy rates by 25

1 percent for residential customers to provide for a
2 number of innovating pricing pilots.

3 Finally, the stipulation requires an
4 increased reporting for customer disconnections and
5 creates a low income advisory group to examine the low
6 income bill assistance with dates set for which that
7 committee will report back on proposed updates and
8 improvements.

9 Overall, this stipulation strikes a fair
10 balance and provides rate stability for customers, and
11 over the next three years, the parties recommend that
12 the Commission approve this stipulation.

13 And thank you for your time today.

14 JUDGE O'CONNELL: Mr. Wilding, before you
15 turn off your camera, can you clarify for us that the
16 accounting petitions from Dockets UE-190750, 190929, and
17 190981 that those are resolved by the settlement?

18 MR. WILDING: Yes, that is correct. This
19 is -- all -- all issues are resolved in this settlement.

20 JUDGE O'CONNELL: Okay. And when the
21 parties say that the settlement resolves every issue in
22 dispute in the consolidated dockets, does this mean that
23 the Company's position in its initial filing for the
24 three accounting petitions is accepted or otherwise
25 unchallenged?

1 MR. WILDING: Yes, that's correct.

2 JUDGE O'CONNELL: Okay. Thank you.

3 I'd like to invite Ms. Kopliha to give her
4 opening statement for the settlement in the depreciation
5 Docket UE-180778.

6 MS. KOPLIHA: All right. Good morning. So
7 I'm Nikki Kopliha. I'm the chief financial officer for
8 PacifiCorp, and I was part of not only the rate case but
9 the depreciation case. So my summary provides an
10 overview of the key terms of the depreciation settlement
11 stipulation that's before the Commission today.

12 The stipulation is the result of many
13 meetings held between February of 2019 and June of 2020
14 involving the parties in this docket. Additionally,
15 there were meetings with parties involved in the
16 Company's depreciation proceedings in Utah, Idaho,
17 Oregon, and Wyoming, and we believe that this
18 stipulation is in the public interest.

19 On September 13th, 2018, PacifiCorp filed an
20 application requesting authorization to update
21 depreciation rates effective January 1st, 2021, based on
22 the study that was performed under my direction by
23 Mr. John Spanos.

24 On July 17th, 2020, the Company submitted a
25 settlement stipulation that was signed by PacifiCorp,

1 Staff, Public Counsel, and the Packaging Corporation of
2 America. The stipulating parties agree that the
3 depreciation study should be approved and results in a
4 reduction of approximately 1.48 million to Washington
5 allocated depreciation rates relative to the initial
6 filing.

7 Parties have agreed to a number of changes
8 to certain generation, transmission, and distribution
9 accounts, which are specified in my joint testimony and
10 the stipulation. Additionally, as PacifiCorp develops
11 or requires new solar and/or battery storage assets
12 before the Company files its next depreciation study,
13 the Company will use a 25-year life span for solar
14 facilities with corresponding depreciation rates. And
15 PacifiCorp has agreed to provide additional information
16 and collect additional data on the FERC Account 390
17 [inaudible] in Utah.

18 Respectfully, I ask the Commission to issue
19 an order approving, one, the terms and commission --
20 excuse me, the terms and conditions of the stipulation;
21 and two, the depreciation rates submitted in attachment
22 three to the stipulation on July 17th, 2020. Thank you.

23 JUDGE O'CONNELL: Okay. Thank you.

24 Let's at this time ask that all the
25 settlement panel witnesses turn on their video.

1 And, Mr. Wilding, you can rejoin the video.

2 MS. KOPLIHA: Can I actually note, so
3 Mr. Wilding and I are actually in the same room since I
4 don't have a camera on my computer, so I can flip it
5 back to him. We're, of course, trying to stay six feet
6 apart, and we won't both necessarily be on the camera at
7 the same time.

8 JUDGE O'CONNELL: That will be fine and we
9 will direct our questions or -- or if we ask a question
10 that is better answered by one of you than the other,
11 please indicate that to us and we can take a moment for
12 you to switch the camera.

13 Okay. To all witnesses, I'm waiting to make
14 sure I see everyone and I think I do. Okay. So to all
15 witnesses, will you please raise your right hand?

16 (Witness panel sworn.)

17 JUDGE O'CONNELL: Okay. Thank you.

18 Let's have each of the witnesses introduce
19 themselves for the record, spelling their last name
20 beginning with PacifiCorp, Mr. Wilding.

21 MR. WILDING: Yes, my name is Michael
22 Wilding, W-i-l-d-i-n-g.

23 MS. KOPLIHA: I am Nikki Kopliha, N-i-k-k-i,
24 K-o-p-l-i-h-a.

25 JUDGE O'CONNELL: Thank you.

1 And for Staff?

2 MR. BALL: This is Jason Ball with
3 Commission Staff, B-a-l-l.

4 JUDGE O'CONNELL: And for Public Counsel?

5 MR. DAHL: This is Corey Dahl. First name
6 is C-o-r-e-y, last name D-a-h-l.

7 MR. EARLE: This is Robert Earle for Public
8 Counsel. Last name is spelled E-a-r-l-e.

9 JUDGE O'CONNELL: Thank you.

10 And for Packaging Corporation of America?

11 MR. KAUFMAN: This is Lance Kaufman for
12 Packaging Corporation of America. My last name is
13 K-a-u-f-m-a-n.

14 JUDGE O'CONNELL: Thank you.

15 And for The Energy Project.

16 MR. COLLINS: Shawn Collins, S-h-a-w-n,
17 C-o-l-l-i-n-s.

18 JUDGE O'CONNELL: Thank you.

19 And for Walmart.

20 MR. KRONAUER: Good morning. Alex Kronauer,
21 K-r-o-n, as in Nancy, a-u-e-r. I'm the senior manager
22 on the energy servicing in Walmart.

23 JUDGE O'CONNELL: Okay. Good morning to you
24 all. Thank you. Okay. I will start us off with the
25 first question. We will ask specific follow-up

1 questions in our effort to understand the settlement,
2 but first, the bench needs more clarity from the parties
3 on the content and workings of the settlement in
4 general. And we are giving you the opportunity first
5 before we get into our very detailed follow-up questions
6 to better explain how the various elements of the
7 settlement work together, power costs, the nodal pricing
8 method, the agreed reductions to power cost, and the
9 October 2020 update.

10 Please explain what the parties envision as
11 part of the limited proceedings and the PCORC in 2021
12 which issues will be included and what issues will be
13 excluded.

14 Also we want to hear more from what ways
15 this settlement sets rates using the WIJAM and the 2020
16 protocol and what is the Commission being asked to
17 accept with regard to the WIJAM and the 2020 protocol.
18 For instance, how would our acceptance of the WIJAM and
19 2020 protocol affect future Commission decision-making.

20 So let's start back at the beginning of my
21 question. Please take this opportunity to better
22 explain the contents and workings and how different
23 elements fit together in the settlement. Who would like
24 to start?

25 Mr. Wilding, I would like to invite you as a

1 representative from the Company.

2 MR. WILDING: Yeah, thank you. Yes, I'd be
3 happy to start. So there's a lot there to -- a lot of
4 questions you asked there, and so I'll -- I'll start
5 with the -- the net power cost proceeding in this case,
6 and then what it will look like next year with the power
7 cost only rate case.

8 This year at PacifiCorp, we used our grid
9 model to fork out pro forma net power costs for 2021 and
10 then those are allocated to Washington customers under
11 the WIJAM methodology. Those costs were updated using a
12 December 31st of 2019 official forward price curve, and
13 that's just because of the timing and setting and filing
14 of the rate case.

15 So we've now agreed that we will update
16 those costs, that power cost baseline, for a final
17 update in October of -- October 15th of 2020, and we
18 will use the September 30th official forward price curve
19 that will obviously come out the two weeks before that
20 update. So that will give us the most up-to-date market
21 conditions that we have for those -- for the net power
22 cost baseline in 2021.

23 And then in 2021, we've agreed to do an
24 additional update to our net power cost baseline. So as
25 part of the MSD process in the 2020 protocol and the

1 WIJAM, the Company agreed that we would move to a nodal
2 pricing model for purposes of allocating cost to the
3 different states.

4 And the reason why we've -- we've gone down
5 the path is because under the current 2020 protocol, we
6 still share amongst all of our six states a dynamic
7 resource portfolio where all resources are -- are shared
8 amongst all states. But moving forward, once that
9 protocol expires, the goal is to get to a place where
10 each state will have its own unique resource portfolio
11 that serves loads based on that state's energy policy
12 and the resources that it wants to serve.

13 And so in order to get to the place where we
14 can have state-specific energy portfolios, the parties
15 at -- in MSD and as to the 2020 protocol including
16 Washington Staff, Public Counsel, and Packaging
17 Corporation all agreed to the nodal pricing MOU. And so
18 what that nodal pricing does is it agrees that we should
19 implement that nodal pricing on a dispatch basis, or a
20 day ahead scheduling basis rather, next year in 2021 so
21 that we can gain experience and learn how it works and
22 really refine -- refine it before we start using it for
23 cost allocation methodology in 2024.

24 And so we're currently working with the
25 California ISO to implement that as part of our actual

1 operations and as part of our front office to implement
2 that day ahead dispatch based on a nodal dispatch.

3 And so we have agreed that as part of this
4 case, we would update next year, update our net power
5 cost baseline to capture those changes in the dispatch
6 the best we can through our forecast model. And to do
7 that, we are currently working on moving from our
8 in-house brig model that's about 20 years old that we've
9 been using in regulatory proceedings all during that
10 time to -- to the Aurora model, which will have some --
11 entire functionality and different capabilities that
12 would allow us to potentially capture that day ahead
13 dispatch that we're implementing in our actual
14 operations.

15 So that is the purpose of that PCORC or that
16 power cost only rate case filing is to update that
17 baseline with the most up-to-date information next year
18 and also with using the new model that the Company is
19 currently working on to forecast its regulatory net
20 power cost to include that as the new baseline of next
21 year in a power cost only rate case.

22 So I'm -- I'm happy to move on and -- and
23 dive deeper into the 2020 protocol and the WIJAM, but
24 I'm also happy to stop there to see if there's any
25 further questions about net power cost and how all of

1 those things are -- are related.

2 JUDGE O'CONNELL: Commissioner Rendahl?

3 COMMISSIONER RENDAHL: Good morning. So
4 just so I can understand what you've just described, so
5 when you come in for the update in 2021, you will be
6 planning to use the Aurora model, not a nodal pricing
7 model because you'll be in transition; is that the
8 intent?

9 MR. WILDING: Partially. The intent is to
10 move -- so right now, and including this case, we -- we
11 use our grid model is what's the name of it, and so
12 we're moving from the grid model to the Aurora model.

13 The nodal pricing model is a cost allocation
14 term that we developed through our MSP, our multistate
15 process negotiations, as a method for allocating the --
16 allocating the net power cost, so that does have a piece
17 of it that is -- so there's that accounting piece that's
18 the allocation, but there's also the dispatch piece
19 where we are engaging with CAISO and contracting with
20 CAISO to provide us a day ahead schedule on an -- at a
21 nodal level that we will then follow and then use to
22 allocate the net power cost to states.

23 That -- so that first piece where we are
24 contracting with CAISO, we are working on that right
25 now, and that is being implemented in January. And --

1 and we are on track, the last report I got, and so that
2 day ahead dispatch signal from CAISO will be in place in
3 2021, but the actual cost allocation, that piece, that
4 accounting piece, is not -- is not agreed to until 2024,
5 once we move to this new cost allocation methodology
6 that also includes -- that includes state-specific
7 portfolios.

8 And I say -- I give that term "agreed to"
9 loosely because it's agreed to that nodal pricing seems
10 like it should be able to solve the problem that should
11 be able to fairly allocate the net power cost amongst
12 states under that scenario, but there's still lots of
13 questions and lots of items that still need to be worked
14 out over the next couple of years, but contracting with
15 CAISO and getting that first dispatch solution, that's
16 the first step in -- in first getting the data and the
17 experience necessary to answer some of the other
18 questions.

19 And so next year when we come in for the
20 power cost only rate case, we will switch to the Aurora
21 Model, because the Aurora model has the better
22 functionality to capture what we will be doing in the
23 dispatch, but the allocation of the net power cost still
24 will not use that nodal pricing model yet because it's
25 not fully developed and we don't expect the allocation

1 piece to be fully developed until closer to 2024, and as
2 we work stakeholders in all of our jurisdictions to
3 fully develop that allocation.

4 COMMISSIONER RENDAHL: Thank you.

5 JUDGE O'CONNELL: Commissioner?

6 COMMISSIONER BALASBAS: Thank you. So just
7 to follow up on that, so, Mr. Wilding, I think what I
8 heard you say is that for purposes -- for setting the
9 baseline for power cost, we will continue to use -- or
10 we -- or the Company will transition from the grid model
11 to Aurora for purposes of dispatch and the cost
12 associated with that. At the same time, then,
13 Washington will be -- you will be using the nodal
14 pricing model kind of, I guess for lack of a better
15 term, as maybe more like a parallel or a shadow kind of
16 way of deciding what costs -- power costs are and how
17 they could be allocated under that method; did I
18 understand that correctly?

19 MR. WILDING: I -- I think mostly. I would
20 just maybe just correct a few -- a few things.

21 First, the Aurora model will not be used for
22 dispatch. The Aurora model is simply a forecasting tool
23 that will be used for regulatory purposes. That
24 dispatch and that day ahead schedule, that's what we're
25 contracting with CAISO to provide us, and CAISO will

1 actually use their market models to give us that day
2 ahead dispatch. And so Aurora will just be used in a
3 ratemaking setting like a rate case or a power cost only
4 rate case to set that baseline.

5 And then -- and then as far as -- yes, we
6 will have that in place with CAISO over the next couple
7 of years the -- as you pointed out, to gather the data
8 to gain experience to help us answer the questions on
9 exactly how we can use it that allocate those net power
10 costs to our different jurisdictions.

11 JUDGE O'CONNELL: Okay. Thank you. I think
12 you did a pretty good job covering most of the topics I
13 asked you, Mr. Wilding. I would like to ask a follow-up
14 for the general question to Mr. Ball.

15 Perhaps you can add some clarity to us about
16 what the Commission is being asked to accept as far as
17 the WIJAM and the 2020 protocol if we accept the
18 settlement and what effect might that have on future
19 Commission decision-making.

20 MR. BALL: Thank you, Judge O'Connell. I'm
21 happy to do that, but I believe Chairman Danner had his
22 hand raised.

23 CHAIR DANNER: Yes, thank you. Yeah, you
24 know, I did have a question for Mr. Wilding before we
25 move on. I just -- we had a couple of definitions. You

1 know, we're talking about a limited issue filing and
2 that's one where I want to talk about pro forma
3 adjustments and then we talk about PCORC. Of course,
4 PCORC was something we did in a -- in a settlement in
5 another utilities rate case.

6 And so just to be clear, because I didn't
7 see real good definitions, although your descriptions
8 were really good this morning, I just want to be -- I
9 want to be clear that we don't start bringing in
10 ancillary issues in that.

11 And insofar as we don't have typed
12 definitions, are you -- is it your understanding that
13 the Commission would be able to scope those proceedings
14 to make sure that they are focused on what you described
15 this morning and don't go beyond that so to bring in
16 ancillary or unrelated issues?

17 MR. WILDING: Yes, that is my understanding.
18 And, in fact, in the stipulation on page 6 of the
19 stipulation, when we talk about the pro forma capital
20 additions, those are actually identified which assets
21 would be eligible for this limited issue rate filing,
22 and so absolutely agree with that, that those --
23 those -- both of those proceedings, the limited rate
24 filing for those certain assets and the net power cost
25 resetting of the baseline are intended to be very

1 specific and narrow cases and -- and --

2 CHAIR DANNER: And that was my understanding
3 too. I just want to make sure that we don't have any --
4 any scope [inaudible] and just want to make sure that
5 it's your understanding that we can -- we can scope in
6 this [inaudible].

7 MR. WILDING: Yeah, absolutely.

8 MS. BALL: Good morning, Chairman, good
9 morning, Commissioners. Jason Ball with Commission
10 Staff. The -- to address Judge O'Connell's general
11 questions, I'm going to try not to repeat the majority
12 of what Mr. Wilding just said, but I do want to add a
13 little bit of color to a couple of pieces.

14 The first is in October, we're having a
15 power cost update. Generally speaking, that's just to
16 provide newer information than what was initially filed
17 in the case or included in the supplemental filing. A
18 component of the stipulation was that if that new
19 information comes in and it causes rate -- or it causes
20 a change to rates such that there -- that there is no
21 longer a refund in the base revenue requirement, the
22 parties agreed respectively to grab some money that's
23 already built into the deferral of the power cost
24 mechanism to help maintain this settlement as a rate
25 refund over the next three years.

1 So we were concerned that if the power cost
2 baseline -- or excuse me, the power cost update that
3 came out in October happened to represent higher power
4 costs than were protected now, then that -- there might
5 be -- it might cause the rate refund to no longer be a
6 refund.

7 So that was one of the things we built into
8 that mechanism to -- to -- to deal with those forecasts
9 and the differences between a forecast in the future and
10 a forecast now.

11 So that was what happened in October. Then
12 in January, on January 1, rates from the entire case go
13 into -- would go into effect. That includes a multitude
14 of different pieces. That's the -- the accounting
15 petitions, the depreciation rates, the base rates, the
16 tax benefits, all those things were timed so that we can
17 get them going at the same time to prevent rates from
18 causing a yo-yo in -- in what customers' bills look
19 like.

20 Then sometime after January 1, we see this
21 new filing from PacifiCorp, and this new filing is a
22 limited issue filing to deal with pro forma plant that
23 was brought to our attention included in the rate, but
24 we didn't feel like we could review it in sufficient
25 time for a hearing of -- or for the rate effective

1 period. And that is looking at very specific plant, as
2 Mr. Wilding identified, it was included in the
3 stipulation and identified what plant would be subject
4 to that filing. And that that plant also, because it
5 was included in the rates set in January 1, the revenue
6 requirement was included in January 1, but the prudence
7 determination wasn't necessarily. Those rates were
8 then -- that revenue associated with those plants were
9 then subject to refund.

10 Assuming that there is no issue and that the
11 case comes in and all the parties have a chance to look
12 at it and they all say yes, we think this is all good,
13 nothing changes to rates after that filing.

14 Then sometime later in the year, we have
15 what we call the PCORC, which is a power cost only rate
16 case. Power cost only rate cases, as the Chairman
17 alluded to, were originally designed as a settlement for
18 PSE back I believe in the early 2000s. PCORCs had
19 different components to them that were specific to PSE
20 based upon how their power cost mechanisms work.

21 However, the nomenclature, the -- the power
22 cost only rate case as a nation, was really important
23 for us because what it implied was that we're only
24 looking at power costs.

25 So that new filing that comes into play in

1 the later half of next year is just about resetting the
2 baseline using the new information available to us from
3 the nodal pricing model.

4 On that note, so the nodal pricing model,
5 the reason why -- one of the main reasons why Staff
6 supported the nodal pricing model and continues to
7 support it is because we believe it is both a far more
8 transparent and effective just examination of the
9 Company's power costs as well as we believe it will --
10 both the dispatch that they are engaging in through
11 CAISO and the modeling of that dispatch through the
12 Aurora model will result in a reduction of the power
13 costs. That's what we believe right now based on the
14 information that we have. We can't be absolutely
15 certain about it because we don't have it physically in
16 front of us, but based on the information we have,
17 that's what we believe.

18 So we wanted to get the Company onto that
19 new model now, especially because they were going to
20 start -- they are working with CAISO to switch over
21 their dispatch, and that way the power costs in 2022
22 will match the way they are actually adjusting -- or
23 excuse me, match the way they are actually dispatching
24 their power under the CAISO dispatch methodology. So
25 that's all the proceedings in the plant and the power

1 costs.

2 Then the question was about the WIJAM and
3 the 2020 protocol. So the WIJAM was a negotiation
4 between Staff, the Company, PCA, and Public Counsel to
5 examine the existing allocations of rates to Washington
6 by PacifiCorp. The WIJAM is not an agreement between
7 PacifiCorp, Washington, and the other five operating
8 jurisdictions that PacifiCorp works in, it's only an
9 agreement between Washington and PacifiCorp.

10 And what it does is it incorporates a
11 variety of new elements and changes a few things that
12 historically have been allocated to Washington based
13 upon new information that's available to us as well as a
14 better understanding of the cost causation that these
15 assets provide.

16 Another big key of the -- to the WIJAM was
17 the Idaho Asset Exchange that occurred back in 2015 and
18 was a part of the 2015 rate case, pieces of it were,
19 that are now being fully resolved as a part of this
20 settlement. The Idaho Asset Exchange opened up some
21 transmission capability between the Company's east and
22 western operating areas, which is one of the reasons why
23 we believe this WIJAM now better reflects the actual
24 operations the Company engages in on a dispatch basis.

25 The WIJAM has an effect on cost allocations.

1 It includes all of transmission plant across both
2 PacifiCorp East and PacifiCorp West. It includes all of
3 renewable resources both of PacifiCorp East and
4 PacifiCorp West. Neither of those things have happened
5 before.

6 The WIJAM is meant to be a permanent change
7 to the western control area methodology that we have
8 historically used in Washington. It's meant to be a
9 standalone agreement between Washington and the Company
10 on how to assign cost, and it is also meant to meet the
11 Commission's test, which is whether or not resources
12 provide quantifiable, direct, or indirect benefits to
13 Washington ratepayers commensurate with their costs. We
14 believe that the WIJAM meets that test.

15 The 2020 protocol is a slightly different
16 animal. What it does is it outlines specific cost
17 allocations that are agreed to by all of Washington --
18 of PacifiCorp operating jurisdiction, not just
19 Washington, but it doesn't finally resolve them. What
20 it says is here are the ones we've agreed to, here are
21 the ones we're still working on, one of them which is
22 the assignment of power costs using the nodal pricing
23 model, which is what Mr. Wilding was just talking about,
24 and it says we're still working on those, give us three
25 years, and then we'll have a final version. We'll

1 figure -- we'll have this all figured out.

2 The WIJAM is incorporated into that as by
3 ref- -- by -- as an appendix. And it basically says
4 this is the way Washington's doing it, but the WIJAM is
5 also separate in that it includes a provision if the
6 2020 protocol gets to 2024 and the states can't agree on
7 anything, then we just continue going forward with the
8 WIJAM. It can stand alone.

9 If, however, we get to 2024 and the -- all
10 the states have agreed on something and Washington's
11 been a part of those negotiations and we've agreed to
12 something as well, we would come to this Commission with
13 a new allocation methodology that incorporates what
14 components of the WIJAM needed to be incorporated and
15 what pieces don't.

16 So --

17 JUDGE O'CONNELL: Mr. Ball, let's take a
18 pause right there for some questions.

19 CHAIR DANNER: This is Dave Danner. I
20 just -- thank you for the discussion. Can you just
21 clarify for me what -- is Washington -- did we sign onto
22 all of the 2020 protocol or just certain components of
23 it?

24 MR. BALL: Staff signed onto all of 2020
25 protocol and all of the WIJAM. However, the 2020

1 protocol is very explicit in which sections apply to
2 Washington and which ones don't. And by incorporating
3 the WIJAM, we basically said this is the way we're doing
4 it and these other sections, they apply in the manner in
5 which they can be applied.

6 Does that make sense?

7 CHAIR DANNER: Well, yeah. I mean, I was
8 thinking about, you know, what we had agreed to in the
9 2020 protocol is we were going to continue to work on
10 the framework issues, I think we're going to work on the
11 bringing out the coal and making sure that we're in
12 compliance with state laws there.

13 So -- so let me just ask this question since
14 I have -- I have you here. Is -- is it -- are you
15 confident that under this new methodology that only
16 resources that would meet the used and useful test are
17 being brought into Washington rates?

18 MR. BALL: Yes.

19 CHAIR DANNER: Okay. So things that were
20 formerly excluded now you're saying well, wait a minute,
21 that's -- that's important because that is going to help
22 us achieve our CETA objectives or CETA just -- it's a
23 recognition that what in the past we had excluded was in
24 fact benefitting Washington?

25 MR. BALL: Not -- I wouldn't quite put it

1 that way, because that would imply that the previous
2 methodology was incorrect and that's not what we're
3 saying.

4 What we're saying is that the circumstances
5 changed, and because those circumstances have changed,
6 we can now include these new assets into rates. For
7 instance, or to provide a little color, one of the key
8 pieces of this was the Idaho Asset Exchange. Prior to
9 that exchange, the transmission assets that connected
10 Jim Bridger to the western control area, physically
11 connected us to the western control area, were very
12 limited in how they could operate. And it meant that
13 power really could not physically flow very often from
14 the eastern control area to the western control area
15 except under specific conditions.

16 That change, when the Idaho Asset Exchange
17 updated those agreements and turned them from legacy
18 contracts into FERC open access tariffs, now there was
19 not the limitation that these transmission lines be
20 solely used by Jim Bridger, it was now what could happen
21 is those transmission lines could be used however they
22 needed to be used.

23 So we looked at that and we said okay, we
24 now have access to a whole host of resources. Which of
25 those resources can meet our used and useful test, which

1 of those resources can meet the benefit commensurate
2 cost test, and that's what we identified in the WIJAM as
3 the renewable resources, the transmission assets because
4 those resources are all commensurate with the cost.

5 CHAIR DANNER: And when you say the words
6 "can be used," do you mean will be used or is there some
7 uncertainty about that?

8 MR. BALL: Well, there's only so much un- --
9 the uncertainty that I referred to is you can't
10 color-code electrons. The -- the assets will be
11 dispatched to meet PacifiCorp's load obligations, and
12 they will continue to do that in a manner that they
13 believe -- that is least cost and is under the rules of
14 economic dispatch.

15 So to the extent that you can say a Wyoming
16 wind plant is being used to meet Washington load, it's
17 not as -- it's not that we can suddenly specifically
18 identify those assets as providing direct power to
19 Washington, it's that we now know that they have the
20 ability to do it whereas before we were almost certain
21 they didn't.

22 COMMISSIONER BALASBAS: So good morning,
23 Mr. Ball.

24 MR. BALL: Good morning.

25 COMMISSIONER BALASBAS: Good morning. So

1 just to make sure that I heard what you were saying
2 correctly, and I appreciate the explanation you gave
3 about both the WIJAM and the 2020 protocol, but I want
4 to summarize what I think I heard you say and I want you
5 to respond to that to make sure that I think I
6 understood this correctly.

7 So what we're being asked to do via this
8 settlement is -- is not only to approve the use of the
9 WIJAM, but also the parts of the 2020 protocol that have
10 been agreed to and specifically applied to Washington
11 State. First is, I guess, did I understand that
12 correctly?

13 MR. BALL: Yes, that is correct.

14 COMMISSIONER BALASBAS: All right. And so
15 then I think I heard you say that as the framework
16 issues and other things in the 2020 protocol, as
17 discussions continue between the Company and all six
18 states, by I believe it's 2024, if there is agreement,
19 then -- then the Company and other parties will come to
20 the Commission and effectively propose a new cost
21 allocation method based on what has been agreed to?

22 MR. BALL: Correct.

23 COMMISSIONER BALASBAS: And in the event
24 there is not an agreement among those framework issues
25 and any other outstanding issues, then we will continue

1 to operate under the auspices of the WIJAM?

2 MR. BALL: Correct.

3 COMMISSIONER BALASBAS: All right. Thank
4 you.

5 MR. BALL: I -- I didn't have anything else
6 actually. That was the end of my answer to the Judge
7 O'Connell's question.

8 JUDGE O'CONNELL: Thank you, Mr. Ball. I'm
9 learning that I should pause after someone finishes
10 speaking just to make sure that there -- there isn't
11 more to come from someone else before I jump in. So
12 thank you for your response.

13 Is there anything from any of the other
14 witnesses that was not included in either Mr. Wilding's
15 or Mr. Ball's explanation that, you know, the other
16 settling parties would like to explain? And this is
17 regard- --

18 MR. EARLE: So --

19 JUDGE O'CONNELL: I'm sorry, I apologize.
20 This is regarding my general how this all fits together
21 question. So there will be more time and opportunity
22 for more specific questions. So, I'm sorry, I
23 interrupted someone who was about to speak. Go ahead.

24 MR. EARLE: This is Robert Earle for Public
25 Counsel. I just wanted to add that the framework for

1 the net power cost having the adjustments in the hole
2 and then having the PCORC moving to the nodal -- nodal
3 pricing model, Aurora, from our point of view is going
4 to be very beneficial because it will echo what CAISOs
5 do we use, dispatch and will likely lead to a much more
6 accurate estimate of the net -- net power cost going
7 forward. And that, of course, is important for the
8 accuracy of rates, the stability of rates going forward.

9 JUDGE O'CONNELL: Thank you.

10 Commissioner?

11 COMMISSIONER RENDAHL: So you mentioned
12 going to this new nodal pricing model and the CAISO
13 dispatch model will provide more transparency. Now, I
14 would assume that the nodal pricing method and CAISO's
15 dispatch model are proprietary and maybe not available
16 to other parties in cases going forward. And so I ask
17 the parties if there's any concerns going forward, and
18 maybe my assumption is not correct, that parties to
19 future cases would have access to those models to
20 understand what is going on assuming you all say that
21 there's more transparency.

22 MR. WILDING: This is Mike Wilding from the
23 Company, if I can jump in and answer that first,
24 Commissioner. As part of the 2020 protocol, one of the
25 first things we agreed to was to further investigate the

1 nodal pricing model and to start reaching out to
2 CAISO -- or we had already reached out, but to begin
3 working with CAISO to implement the day ahead
4 scheduling. And one of the provisions in there is that
5 we will provide training in all settlement documents
6 that we can.

7 However, your point is well, taking the --
8 the CAISO model themselves are proprietary; however, all
9 the outputs that the Company receives from CAISO we will
10 share with the Company, and then our models will be
11 shared -- or sorry, share with the Company and the
12 Company will share with parties, and that our model,
13 including the Aurora model, the input and the output of
14 that, I know some parties have access to Aurora already,
15 but that will be shared with parties in any regulatory
16 proceeding.

17 COMMISSIONER RENDAHL: Thank you.

18 Are there -- are there any other folks who
19 want to comment on that?

20 MR. BALL: This is Jason Ball with Staff if
21 I may. I just want to echo what Mr. Wilding said, which
22 is that the CAISO model and the CAISO -- or the CAISO
23 model itself, which is, as you said proprietary, that
24 will be used for actual system dispatch. When it -- and
25 so we will see the output of that and see what they

1 actually did. When it comes to setting rates and
2 setting the baseline rates and determining what goes
3 into the -- the baseline revenue requirement, that will
4 be based right now off the Aurora model, which we have
5 full access to. We have Aurora power cost modelers
6 staff and we have our own independent license.

7 If in 2024 -- or as part of 2020
8 negotiations as we re-examine -- or as we examine how to
9 do nodal pricing going forward, I can't speak for the
10 other parties, but at least for Washington, that will be
11 a -- Washington Staff, that will be an incredibly
12 important component of whatever methodology is used to
13 assign baseline rates, that it be fully transparent,
14 that we can examine the model and all of its inputs
15 regardless of how actual dispatch occurs on the back end
16 using the CAISO proprietary version.

17 COMMISSIONER RENDAHL: Thank you.

18 MR. EARLE: This is Robert Earle for Public
19 Counsel, if I can add that I think that provision of the
20 inputs and the outputs, the ability Staff has to run
21 Aurora is important. I think thinking forward to 2024,
22 it will be important to think about transparency of
23 assumptions and exactly how -- how the model works. And
24 I think that sort of information is possible to get
25 without necessarily having CAISO's model in -- in hand.

1 These things work in fairly standard ways,
2 and knowing what the assumptions are that go into it is
3 often much more important than understanding well,
4 what's behind the linear program or the -- or the mixed
5 integer program that goes into this -- into the specific
6 dispatch.

7 So I think, you know, particularly for 2024,
8 we'll want to think about the types of information,
9 being assured that that's going to be available. But I
10 don't feel particularly concerned that that's an
11 impossibility. I think that, you know, that is sort of
12 more fairly normal and that can be dealt with in due
13 course.

14 JUDGE O'CONNELL: Thank you, Mr. Earle.

15 Mr. Pepple, I -- I saw that you wanted to be
16 recognized, and I have seen your explanation of why you
17 were wanting to be recognized in the chat. We'd like to
18 use that for technical issues only, but to answer your
19 question, as far as it pertains to any legal components
20 of how the WIJAM and the 2020 protocol will interact
21 with the settlement, we are going to have an opportunity
22 for the attorneys to explain that perspective after we
23 hear from the settlement panel. And that will be one of
24 the things that can be addressed by the attorneys when
25 we come to the end of the hearing and allow for each

1 representative to make comment or explain some legal
2 aspects that we touched on in this proceeding.

3 Okay. So with that, let me turn over to the
4 Commissioners for any more follow-up questions on this
5 topic. Chair?

6 CHAIR DANNER: So I have a few discreet
7 questions. I -- Mr. Wilding, I wanted to know, the
8 Bridger Coal Company Reclamation Trust Fund is something
9 you're including in power costs and I was wondering if
10 you could explain that.

11 MR. WILDING: Yes. Yeah, part of the -- the
12 stipulation, we wanted to point out what we've already
13 recovered as part of the -- as part of power costs. So
14 that's -- if those funds, those reclamation funds, have
15 always been included in the coal cost of the Jim Bridger
16 plant, which, of course, comes from the Bridger Coal
17 Mine, and so that's historically how it's been -- been
18 done.

19 And so in this case, we've -- we've
20 recognized what's been included thus far in rates, and
21 then there's an incremental portion that we will have to
22 collect from Washington customers over a shorter time
23 period as they will be -- have pullout of rates. And
24 so -- and I apologize, I -- and so that piece, that
25 incremental piece that is associated with -- with the

1 shorter life is included in base rates, but then is --
2 so included in base rates, but not as part of coal
3 costs. And then that is amortized over ten years,
4 consistent with the stipulation.

5 CHAIR DANNER: And then -- thank you.
6 Another question is, in Ms. Lockey's testimony, she said
7 that the limited realignment may allocate to Washington
8 Chehalis plant because that would help with CETA,
9 greater flexibility in CETA compliance, and I was
10 wondering if you could expand on that, tell me why that
11 Chehalis gas plant would be helpful for CETA compliance.

12 MR. WILDING: Yeah, thank you. So what
13 Ms. Lockey is referring to, that limited realignment is
14 one of the framework issues of the 2020 protocol, and so
15 that's an open issue that's currently being worked on by
16 stakeholders from all six of our service territories.
17 And one of the ideas, one of the proposals is a limited
18 realignment of resources that would put Chehalis and
19 Washington rates, fully allocate Chehalis to Washington
20 customers.

21 And the reason why that would potentially
22 help with CETA compliance is that it gives Washington
23 control over the single thermal unit in PacifiCorp's
24 fleet that is within -- geographically located within
25 Washington. And so -- and then other states' policies

1 would not affect what happens at Chehalis because it
2 would be fully allocated to Washington customers at the
3 time.

4 But, again, this is one piece of what
5 potentially could be lots of moving pieces in the 2020
6 protocol. As we try to resolve those framework issues,
7 that -- that is something that we are investigating and
8 that we are researching and analyzing as we go forward
9 over the next [inaudible].

10 CHAIR DANNER: All right. Thank you.

11 COMMISSIONER BALASBAS: All right. So
12 this -- this question is for either Mr. Wilding or maybe
13 Mr. Ball. It has to do with power costs and the October
14 baseline -- or October 2020 update. So what I want to
15 understand is, is the ten and a half million dollar
16 adjustment to the power cost baseline in the settlement,
17 is that effectively what is assumed to be already in the
18 baseline when the October 2020 update arrives or is that
19 an estimate of what the October 2020 update will be?

20 MR. WILDING: This goes back to one of the
21 clarifying points that Mr. Ball made earlier. That's an
22 estimate of what we think the October baseline will be.
23 Of course, until we get the September price curve and we
24 run the models, we won't exactly know. And then we have
25 a few other modeling adjustments that we already agreed

1 to that we know will upgrade that power cost up, down.
2 And then if it's not at that -- that level at the
3 September baseline, then -- or in the October update,
4 sorry, then as Mr. Ball stated, we will use the PCAM
5 balance to bring it down to that level agreed to in this
6 stipulation.

7 COMMISSIONER BALASBAS: So is the -- so is
8 the other things that have been mentioned such as the
9 1.4 million of black box adjustments, time loss savings,
10 and reliability cost savings, are those part of the ten
11 and a half million dollar estimate or are they in
12 addition to that?

13 MR. WILDING: As part of the ten and a half
14 million dollars.

15 COMMISSIONER BALASBAS: All right. And
16 then, I think, Mr. Ball, you mentioned earlier in your
17 prior -- in your previous comments that in the event
18 that that ten and a half million dollar estimate is
19 perhaps less than what it is, then the settlement, my
20 understanding, proposes to use what is currently in
21 PacifiCorp's PCAM deferral balance to -- to offset that
22 amount?

23 MR. BALL: Correct. That's -- the point was
24 to try and preserve the base rate reduction to the
25 extent possible by dipping into those funds, but if --

1 if October comes around and it's at ten and a half or
2 it's at negative 11, we don't have to.

3 COMMISSIONER BALASBAS: So the -- so
4 effectively, then, everyone is expecting that it will be
5 at least ten and a half million dollar reduction, at
6 least that is the hope?

7 MR. BALL: Correct.

8 COMMISSIONER BALASBAS: All right. And then
9 so if that -- if it's greater than ten and a half
10 million dollars, then it will be whatever that number
11 is?

12 MR. BALL: Correct.

13 COMMISSIONER BALASBAS: All right. And, I
14 guess, is there any -- is there any concern or maybe --
15 or worry among any of the parties that -- that the
16 baseline adjustment estimate will be so much less than
17 ten and a half million that it will exceed whatever is
18 in the PCAM deferral balance?

19 MR. BALL: I -- I -- I will ask Mr. Wilding
20 to answer that question after me, but from Staff's
21 perspective, no. The PCAM balance that exists right now
22 is pretty high. So in order for it to fully exhaust and
23 then some, that PCAM deferral balance, it would have to
24 cause a very large swing in power costs sufficient that
25 there would be a lot of other questions raised.

1 COMMISSIONER RENDAHL: So this is
2 Commissioner Rendahl, and I just got a message from
3 Judge O'Connell. He is having technical issues and
4 actually has dropped off, so he's asked that we take our
5 mourning break right now, and I would say that would
6 be -- I would assume is ten minutes sufficient? Come
7 back at -- what time is it? Let's say 10:55 we'll come
8 back on the record. So we'll be off the record.

9 (A break was taken from
10 10:44 a.m. to 10:56 a.m.)

11 JUDGE O'CONNELL: Let's be back on the
12 record. We're back on the record after our morning
13 break. It is approximately 10:55 in the morning.

14 Let's have questions -- [phone
15 interference].

16 COMMISSIONER RENDAHL: Commissioner
17 Balasbas, did you finish your line of questioning?

18 COMMISSIONER BALASBAS: I believe I did. I
19 think I have one more and then I'm ready to turn it back
20 to my colleagues for other questions.

21 So just to finish on the -- actually, no, I
22 think I am done for now and then I will have more later.
23 So I will turn it to my colleagues for other questions
24 on power costs or any other issues.

25 COMMISSIONER RENDAHL: Chair Danner, do you

1 have a question? Because I have one, but if you have
2 one, I'll defer to you.

3 CHAIR DANNER: Go ahead, Commissioner.

4 COMMISSIONER RENDAHL: Okay. So related to
5 the -- this is still on power costs. In the joint
6 testimony and in Mr. Wilding's testimony, there are
7 references to net power costs being allocated using a
8 spreadsheet method that reflects assets included in
9 Washington rates, and it also references the grid model
10 to forecast net power costs. So just to clarify terms,
11 we've now got the grid model and the Aurora model and
12 now the spreadsheet method.

13 So can you explain what is the spreadsheet
14 method and how it interacts with the grid model or
15 Aurora and the proposed nodal pricing method? Clearing
16 that up would be very helpful.

17 MR. WILDING: Thank you. The spreadsheet
18 method is -- it existed prior to this case and it was
19 the way that we allocated our actual net power costs to
20 Washington. And so we -- we modified that a little bit
21 and now fit in with the new WIJAM allocation
22 methodology, and so maybe -- maybe easiest to explain
23 how it was before and then going forward why the change
24 was necessary.

25 So prior to using the WIJAM method under the

1 WTA method, only -- only the generation assets located
2 in PacifiCorp's west balance area authority were
3 recognized in Washington rates. And so for pro forma
4 net power costs in a rate case, what we would do is we
5 would run the grid model of just the west side of our
6 system and the west side load.

7 Now, with the change to WIJAM, we've
8 incorporated all nonemitting resources into Washington
9 rates, and -- and all of the transmission assets as
10 Jason pointed out as well. So now that grid model
11 includes a fully optimized system run of the Company's
12 net power cost. And so -- so includes both Pac West and
13 Pac East balancing area authorities.

14 And then we start -- we -- but because of
15 the WIJAM, not all assets are included in Washington
16 rates, we take that fully optimized system run from grid
17 and then -- then we use the spreadsheet method to
18 allocate it to allocate the net power cost to
19 Washington.

20 So this is very similar to the way we used
21 to start off in actuals with our actual net power cost,
22 solar companies power cost to allocate it to Washington.
23 And the way that works is we first take the allocation
24 percentage of all the assets that are in Washington
25 rates and allocate those, both the dollars and the

1 energy, to Washington, and then we look at the load and
2 resource balance for Washington based on that allocation
3 and then we make an adjustment to the market purchases
4 and sales that balance that out. We either -- if
5 Washington has -- has excess energy based on all of its
6 resources, then the system sales are adjusted -- or no,
7 excuse me, the system percentages are adjusted, and if
8 too little energy, the system sales are adjusted.

9 So we can still tie it back to that fully
10 optimized grid run, but then to do the allocations, we
11 have to make some adjustments to get to Washington. And
12 that's the spreadsheet.

13 COMMISSIONER RENDAHL: Thank you. That is
14 a -- that's a helpful missing piece.

15 Any -- any further comments from any other
16 witness?

17 MR. BALL: This is Jason Ball with
18 Commission Staff. I just want to make sure it's
19 abundantly clear why we have spreadsheet method versus
20 nodal pricing method versus grid and all that. So the
21 grid and spreadsheet method exists because we have to do
22 something for 2021. We don't have access right now to
23 the Aurora nodal model and the CAISO dispatch method and
24 all that is still being worked out and negotiated with
25 the Company.

1 So once they get that finalized and the
2 Aurora model finalized, that's -- will come into play in
3 the PCORC proceeding next year, but we're not
4 anticipating that happening until six or eight months
5 into the rate effective period. So we need something to
6 fill that gap and the grid and the spreadsheet model are
7 what we have historically used as Mr. Wilding just
8 stated, modified for the changes under the WIJAM and
9 that will be used to fill that gap until we can fully
10 transition to the nodal pricing model.

11 CHAIR DANNER: I think we may have lost
12 Judge O'Connell again.

13 JUDGE O'CONNELL: I'm -- I'm here.

14 CHAIR DANNER: Oh, good, okay.

15 COMMISSIONER RENDAHL: So more on power
16 costs, so for us to figure out exactly what is going on
17 with power costs before we get to the October update,
18 maybe, Mr. Wilding, or any other party, can you identify
19 where in the settlement or the documents what resources
20 are being included in the settlement's calculation of
21 power cost and if -- and were those the resources that
22 were historically allocated to Washington?

23 MR. WILDING: Yes, one second. I believe
24 the -- my testimony -- and I'm just verifying the
25 exhibit. My Exhibit 2, MGW-2, is the WIJAM and that

1 specifies that nonemitting resources are system
2 allocated to Washington and then perhaps -- well, the
3 other place to look is my MGW-3, which is the Washington
4 allocated net power cost, and you can see the list of
5 all resources there. And if there are dollar amounts,
6 those are allocated to Washington; however, maybe the
7 easier thing to do might be for the Company to provide a
8 list to the Commission of all the assets that are
9 included in Washington rates under the WIJAM.

10 COMMISSIONER RENDAHL: I think that might be
11 helpful, and so, Judge O'Connell, for our purposes, I
12 think a bench -- bench request identifying a specific
13 listing of the assets in addition to what is in
14 Mr. Wilding's exhibits would be helpful for identifying
15 what is -- what is in power costs as a base before we
16 get to the October update.

17 And so those -- those were the -- so I guess
18 what would also be helpful, then, is to update your
19 exhibit, and I think you were referring to MGW-3. If
20 there's anything in the settlement that updates what was
21 in MGW-3 so that we have a clear indication of what
22 might have changed in the settlement for the power
23 costs; does that make sense, Mr. Wilding?

24 MR. WILDING: Yes. Yes, we can -- we can
25 provide that.

1 COMMISSIONER RENDAHL: Okay. Thank you.

2 And I will defer to my colleagues if they
3 have other power cost or other questions.

4 JUDGE O'CONNELL: Before we move on, for the
5 benefit of the parties and for our organization, I'm
6 going to send any -- a list of any bench requests that
7 we make via email to the parties at the conclusion of
8 this hearing so that the parties are very clear about
9 any bench requests that we ask for during this hearing.
10 Thank you.

11 COMMISSIONER BALASBAS: All right. Thank
12 you. So maybe this -- I'll start this question to
13 Mr. Wilding and if Mr. Ball or other parties have any
14 other comments, please add them.

15 So if you could just briefly explain how the
16 power cost baseline was derived in this settlement and
17 how that is connected or aligned with the 2020 protocol,
18 the WIJAM, and the nodal pricing method MOU.

19 MR. WILDING: Yes, thank you. The baseline
20 settlement in this -- sorry, the baseline net power cost
21 in the settlement was a negotiated outcome. The
22 starting point for those negotiations was the net power
23 cost that the Company filed as part of -- of -- we filed
24 as part of our direct filing in December and then we had
25 an update with some corrections and some updates in --

1 as part of our filing in April.

2 So that was the -- the starting point for
3 the negotiations, and then as we -- as the parties
4 worked through the settlement in arriving at that
5 balance outcome that kept rates flat, and then the -- is
6 how we got to the baseline for net power cost. So that
7 included certain modeling adjustments that are in --
8 that are identified in the stipulation for the black box
9 settlement and the line loss statements.

10 Of those, it was based on certain parties'
11 analysis of where they think net power costs are going
12 as far as what market prices have been -- have been
13 doing since the time that we filed the case. And -- and
14 so the update will include -- useful and used grid model
15 will include those modeling adjustments will improve the
16 black box settlement. And then if it does not get to
17 that ten and a half million, that's when we'll use the
18 PCAM. And then the grid model will become the basis for
19 that, which will then use the spreadsheet method to get
20 to the Washington [inaudible] up from the grid model.

21 And then next year we will use the Aurora
22 model that will take into account the CAISO day ahead
23 scheduling that we're currently implementing at the
24 conclusion that was agreed to in the nodal pricing MOU
25 as part of 2020.

1 COMMISSIONER BALASBAS: All right. Thank
2 you.

3 If anyone has anything to add, if not, I
4 will turn the floor back to my colleagues.

5 COMMISSIONER RENDAHL: Chair Danner, do you
6 have a question? Because I have a follow-up, not -- to
7 an earlier question that Chair Danner asked about the
8 Bridger Coal Company Reclamation Trust Fund.

9 There's a workshop that is discussed in the
10 settlement stipulation at paragraph 27, and just a
11 question whether that is a workshop that the parties
12 expect the Commission will initiate. If not, who's
13 going to initiate, what's the -- is it just for the
14 parties? A little more detail about that workshop and
15 what's expected from that workshop and when it might
16 take place would be helpful. Thank you.

17 MR. WILDING: Yeah, thank you. The workshop
18 is anticipated to be held in the fall of 2020 for the
19 stipulation, and I think PacifiCorp envisions -- I mean,
20 there's certain things here that -- in the stipulation
21 that will be addressed about historical contribution to
22 Bridger Coal Company costs, although their costs are
23 reflected in rates and in what amount, and the estimated
24 remaining of the reclamation costs for Washington
25 customers.

1 And so those are all things that we -- we've
2 already stipulated to -- to cover. I think PacifiCorp,
3 we intend to reach out to parties as it gets closer and,
4 you know, collaboratively work on the scope of that
5 workshop, what needs to be -- what questions they have.
6 We want to make sure that as we're hitting on these
7 topics, that we are answering the specific questions,
8 that we have the right people at the workshop.

9 I think the -- the stipulation does agree
10 that the workshop is with parties, and so PacifiCorp
11 could take the lead to get that scheduled with parties;
12 however, I don't think we would be opposed if that's
13 something that the Commission wanted to attend and turn
14 into a Commissioner workshop. The Company would not be
15 opposed to that, but absent that requirement, it would
16 be something that the Company would work with the
17 parties to facilitate and to accomplish this.

18 COMMISSIONER RENDAHL: And -- and is the --
19 the intent to have all six states represented or is this
20 just a Washington-specific workshop that PacifiCorp will
21 be organizing similar to maybe some of the protocol
22 meetings that it has organized?

23 MR. WILDING: Yes, it will be a Washington
24 only workshop. This is not intended to be an all
25 six-state party workshop. This is just for Washington.

1 And not that these won't be addressed based on these
2 same issues, will obviously be discussed in the
3 multistate process with parties, but for purposes of
4 this stipulation, there will be a Washington only
5 workshop on this.

6 COMMISSIONER RENDAHL: Okay. And this is
7 just for this one specific issue, there are no other
8 issues in the settlement that are also going to be
9 discussed or is it a larger issue than just the
10 reclamation issue?

11 MR. WILDING: There are other items where we
12 have agreed to, you know, work with parties
13 collaboratively to -- such as power costs. And before
14 we filed the -- the PCORC, that we would meet with
15 parties to work collaboratively, fair, and things that
16 we've talked about, you know, trading and transparency
17 and data pitfalls. But this is just specifically for
18 the Bridge Coal Reclamation cost, this workshop.

19 COMMISSIONER RENDAHL: Okay. But there will
20 be other workshops related to -- or other meetings
21 related to preparing for the October update and other
22 issues in the settlement that still need to be resolved?

23 MR. WILDING: Yes.

24 COMMISSIONER RENDAHL: Okay. Thank you.

25 CHAIR DANNER: And -- and just to be clear,

1 Mr. Wilding, these are meetings that you -- your company
2 is going to convene, this is not a Commission workshop,
3 right?

4 MR. WILDING: That is correct. Unless
5 directed otherwise.

6 CHAIR DANNER: Okay. So I want to change
7 the subject a little bit to talk about the production
8 tax credits.

9 PacifiCorp's testimony talks about PTCs as a
10 benefit -- as one of the benefits of the WIJAM, but,
11 Mr. Kaufman, you stated some concerns about the
12 expiration of these. I was wondering if you can expand
13 on that a little bit.

14 MR. KAUFMAN: Yes, the -- the concern is --
15 is just related to the -- the magnitude of the impact of
16 the expiration, and in addition to that, there is a
17 number -- other components associated with the cost, but
18 I expect that to change substantially over the next few
19 years. For example, the large depreciation expense will
20 be drawing down rates substantially, and so we just
21 wanted to keep the door open to carefully review the
22 issue and assure that one-off type of rate treatment is
23 appropriate there.

24 CHAIR DANNER: But you're not saying this is
25 so substantial that it would offset the benefits of the

1 PTC?

2 MR. KAUFMAN: I don't have a -- I guess a
3 specific -- specific numbers in mind or whether --
4 whether there's an offset one way or the other, which
5 one would be greater in terms of change of cost and then
6 the removal of the PTCs. I'm not sure if I totally
7 understand your question, whether you're asking about
8 the changes in the revenue requirement that time or the
9 benefits of the PTCs currently.

10 CHAIR DANNER: Yeah, I was just referring to
11 your testimony where you said given the number of PTCs
12 acquired, both the repowering and through the EP 2020
13 projects, the costs are likely to be substantial. And
14 cost increases attributed to the large amount of PTCs
15 expiring in ten years should be recovered in a rate
16 case. And I'm just trying to figure out what kind of
17 magnitude possible we're talking about here.

18 MR. KAUFMAN: Chairman, I would have to
19 apologize, I don't have the -- the number off the top of
20 my head as -- as to the annual dollar impact that the
21 production tax credit. The main -- the main -- or the
22 general concern is, is that when the PTCs expire, there
23 may be an associated cost increase associated with those
24 expirations, but at that time, there will also have been
25 a lot of other changes to PacifiCorp's operation.

1 And to the extent that PacifiCorp requests a
2 reprieve associated with the expiration, it would be
3 appropriate to apply that rate increase or investigate
4 that rate increase within the context of a general rate
5 case. And I can get back to you if you want on the
6 question of magnitude for the expiration of the PTCs.

7 MR. WILDING: Chair Danner, perhaps I can
8 jump in. [Inaudible] opening testimony shows that on
9 the WIJAM allocation methodology of Washington customers
10 are -- are allocated to \$119 million of PTC benefits.

11 CHAIR DANNER: All right. Thanks.

12 COMMISSIONER BALASBAS: All right. So
13 following -- following up on questions related to PTCs,
14 the settlement agreement talks about surcharges,
15 potential surcharges of PTCs. Is this more of a timing
16 issue related to the fact that the PTCs -- the benefits
17 of the PTCs are being put into rates in advance of
18 knowing and because some of this is hardly subject to
19 refund? Is that what is meant by potential surcharge of
20 PTCs? And I will maybe start with Mr. Wilding and if
21 Mr. Ball or any of the other parties want to comment on
22 that, please go ahead.

23 MR. WILDING: Thank you. The -- the
24 settlement implements a PTC tracker, a production tax
25 credit tracker, and so what that means is that customers

1 will receive the actual PTC benefits that are produced
2 by the wind release. So if the wind is -- is favorable
3 in a -- in a certain area or we produce more than what
4 we forecast in this case, those PTCs will be passed back
5 to customers as a reduction to their rate. And if the
6 wind in the reverse history is still symmetrical, so if
7 the wind is less than what we forecast, those -- there
8 would be a surcharge to -- to customers based on the
9 fact that benefits and base rates are greater than the
10 actual benefits.

11 And this -- so this allows for customers to
12 receive the actual PTCs based on the actual fluctuation
13 in the generation from the wind and then also allows to
14 capture any changes in the PTC rates that may occur
15 between rate cases.

16 COMMISSIONER BALASBAS: And so does the --
17 okay. So then do you expect this to be addressed as
18 part of the limited rate filing?

19 MR. WILDING: The limited rate filing -- the
20 production tax credit tracker is part of this
21 stipulation; however, there -- there could be some
22 interplay with the limited rate filing if one of the
23 wind assets -- or if there's any change to what is
24 allowed in the rates, then the cost and benefits and
25 those benefits would -- could flow through. We have the

1 mechanism in place now, the PTC tracker, for those
2 benefits to flow through. So as far as knowing there's
3 a path into the cost of benefits, there is an interplay,
4 but I don't expect the PTC tracker to be a big part of
5 that limited issue.

6 COMMISSIONER BALASBAS: Okay. All right.
7 Thank you. And then just to -- just to clarify that,
8 the -- there is -- the proposed tracker would be an
9 annual true-up on June 15th of each year; is that
10 correct?

11 MR. WILDING: Yes, that is correct.

12 COMMISSIONER BALASBAS: All right.

13 COMMISSIONER RENDAHL: So just concerning
14 the energy vision 2020 projects and the -- the COVID-19
15 pandemic, has there been any impact on the projects that
16 are not already in service? Has the pandemic impacted
17 the expected late 2020 completion dates? And if so, to
18 what extent beyond the Q4 completion dates are we
19 anticipating these projects to go into service?

20 MR. WILDING: Yeah, that's a great question,
21 and that information is being constantly updated and
22 being updated every day. We have -- so maybe I will
23 just run through the projects.

24 Cedar Springs turned out expected to be
25 online as anticipated at the end of the year. Ekola is

1 also expected to be online as well as TB Flats 1. And
2 that now leaves TB Flats 2 and then Pryor Mountain.
3 And -- and I'll just -- before I talk about those two,
4 I'll get back to all of the repowering is also either
5 already online or expected to be online by the end of
6 the year.

7 So TB Flats 2 and Pryor Mountain, we did
8 experience some delays with asbestos and the
9 components -- delivery of the components of the wind
10 turbine. We've worked through those where we will have
11 all of the parts, and now we are working with our -- our
12 balance of plan contractor to come up with a new
13 schedule to get those plants online.

14 And so we don't have final estimates yet as
15 we're continuing to work with that contractor, but we
16 are estimating that there could potentially be some
17 delays into 2021 for Pryor Mountain and TB Flats 2.

18 But like I said, that's kind of evolving
19 daily and -- and so as -- they'll have all of the
20 information. We don't have all of the information yet
21 as we're continuing to work with contractors and -- and
22 finalize a schedule.

23 COMMISSIONER RENDAHL: So would then that
24 have an impact on the production credits associated with
25 those resources?

1 MR. WILDING: Yes. The production tax
2 credits, and if those were delayed into 2021, either
3 fully delayed or a portion, we -- we believe that worst
4 case scenario, we'll still be able to have a portion of
5 those plants online, but then that would cause -- any
6 delay into 2021 would cause that production tax credit
7 that's included in rates to be too large as what we
8 projected in this case.

9 And then also that limited issue, it would
10 be subject in that limited issue refund -- or sorry, in
11 that limited issue case where we would review the
12 prudence of those plants and those costs. Of course if
13 it was not used and useful, if it was not online, that
14 any amount between January 1, that rate effective date,
15 and the actual online date would be subject to refund
16 for customers because of it not being online yet.

17 And then the other important note is that
18 they will still be -- and going back to your production
19 tax credit, and maybe this is what you were asking,
20 Commissioner, is that the IRS did issue a notice that it
21 extended the eligibility for 100 PTCs through the end of
22 2020. So in the event that they are delayed or
23 partially delayed, they will still qualify for those 100
24 percent PTC benefits.

25 COMMISSIONER RENDAHL: Okay. So thank you

1 for that, and I think you also answered my next question
2 which is, if there is any adjustment to what has been
3 included in the settlement and net power cost, that that
4 would be adjusted out in the limited issue rate case or
5 limited issue filing?

6 MR. WILDING: Yes.

7 COMMISSIONER RENDAHL: Okay. Thank you.

8 COMMISSIONER BALASBAS: So I want to turn
9 back to the -- the WIJAM generally, and I want to ask
10 this question here as, you know, all of the parties
11 testified one of the benefits of moving to the WIJAM is
12 that it improves PacifiCorp's CETA compliance position.
13 And if the resources are included in WIJAM that were
14 previously not allocated to Washington are not found to
15 be compliant with CETA, I guess this first question is,
16 would the benefits of moving to the WIJAM still equal or
17 exceed the cost of implementation?

18 MR. WILDING: I want to make sure I
19 understand your question right. So if anything that is
20 being allocated to Washington under the WIJAM is found
21 not to be compliant with CETA and the environmental
22 targets set by CETA, and when we say "compliant" meaning
23 that it qualifies to meet those environmental targets,
24 then would it still be cost effective for Washington
25 customers? Unfortunately, I have to say I don't know.

1 Most likely what that does is it would take away the
2 benefits that are protected under the CETA compliance
3 position.

4 However, we did show in my testimony that
5 there's substantial benefits for net power costs and
6 just the zero fuel cost energy that's being added to the
7 system drives that power cost down, there are
8 substantial benefits for production tax credits. It's a
9 true-up of about \$10 million. There's additional
10 wheeling revenues that are provided to Washington
11 customers, which are an offset to our revenue
12 requirement. So there's still substantial benefits for
13 all of those reasons.

14 However, I will just say that when we were
15 working through this with Staff and with Public Counsel
16 and Packing Corporation, we had CETA in mind, and
17 everything that we allocated, everything that was
18 previously on the east side of our -- or that's located
19 on the east side of our system that was not previously
20 allocated to Washington that has now been allocated to
21 Washington, was done with the -- the intention that
22 those would qualify for CETA compliance. And upon
23 reviewing, you know, the -- the newly passed law that
24 says all nonemitting resources would be eligible to
25 fulfill that environmental compliance obligation.

1 So yes, there is still benefits even if for
2 whatever reason they end up not being eligible for CETA
3 compliance. However, I am confident based on my
4 understanding of CETA that what we are allocating, the
5 new resources that are being allocated to Washington are
6 eligible and will be eligible through CETA.

7 COMMISSIONER BALASBAS: So are you saying,
8 then, that the -- I guess, one of the primary
9 motivations in the development of the WIJAM was CETA
10 compliance?

11 MR. WILDING: Yes.

12 COMMISSIONER BALASBAS: All right. And are
13 you asking this Commission in any way to preapprove CETA
14 compliance through this settlement or through the
15 WIJAM -- or through the WIJAM?

16 MR. WILDING: No.

17 COMMISSIONER BALASBAS: All right.

18 MR. BALL: Commissioner, this is Jason. I
19 would just like to add a little bit of color, which was
20 that Mr. Wilding's absolutely correct, that while we
21 were going through those negotiations, CETA was a very
22 big component of all that. And the potential -- or
23 compliance with CETA was a very big concern that a lot
24 of parties -- or a lot of people had. However, that
25 did -- that was, I would argue, weighted by and equal to

1 our concern with establishing a cost allocation
2 methodology that meets the Commission's prior standards
3 for how cost allocations need to occur in Washington.

4 So it wasn't just about here's this new
5 renewable obligation, this new law we have to comply
6 with, it was also we have an existing standard that the
7 WCA meets, this new methodology has to continue to meet
8 that standard.

9 COMMISSIONER RENDAHL: So, Mr. Ball and
10 Mr. Wilding, when -- and any other party who wishes to
11 weigh in, as you were constructing the settlement and
12 talking about the CETA benefits, were you just simply
13 looking at the renewable nonemitting resource
14 requirements or were there other elements of CETA that
15 you were also contemplating as providing benefits to
16 Washington from -- from this settlement?

17 MR. BALL: This is Jason again. I will take
18 a first whack at that. We were looking at it from a
19 total portfolio perspective, which is that the
20 combination of transmission access across all
21 PacifiCorp's service territory gives us access to
22 potential new sites for a new plant if that is required
23 to meet Washington compliance.

24 The new assignment of nonemitting resources
25 gives us a greater share of plant that we believe could

1 meet compliance obligations under CETA. And the WIJAM
2 sets up a -- a -- or positions the cost allocation
3 framework in such a way that it can enable further
4 negotiations under the 2020 protocol, whereas if we had
5 continued with the WCA allocation, certain components of
6 the 2020 protocol, for instance, I believe the Chairman
7 mentioned the Chehalis transfer, would have been much
8 more difficult under the historic WCA allocations.

9 So it was the combination of multiple
10 factors, and they were all -- I would argue not any one
11 was weighted more than the other, it was a truly
12 portfolio approach.

13 COMMISSIONER RENDAHL: Okay. Well, I guess
14 I will ask specifically, there are other provisions with
15 CETA that are unrelated to resource acquisition or -- or
16 resource mixed portfolio, and so were the parties
17 looking at all at the provisions of Subsection 040, sub
18 8, which are the, you know, equitable distribution of
19 benefits, was -- was that a part of it or was it really
20 primarily the resource mix, resource portfolio issues
21 that the parties were discussing when they mentioned
22 CETA benefits and CETA compliance?

23 MR. BALL: From Staff's perspective, I
24 believe it was primarily the portfolio and the resource
25 components. The equity -- the questions around equity,

1 we've been -- at the time, they were still -- there was
2 I believe when we were doing these negotiations that was
3 prior to some Commission workshops on equity, so there
4 was a lot of uncertainty around how that would work and
5 how that would operate.

6 So we weren't -- we weren't focused in on
7 that component so much as just the -- just the
8 generation and the resource portfolio piece, but there
9 was -- as you mentioned, there are other aspects of
10 CETA, for instance, resource adequacy and viability, and
11 one of the big pieces of the 2020 protocol is how the
12 Company is going to plan to meet those obligations and
13 what steps it takes to plan to meet state specific
14 requirements. And we believe that the WIJAM was an
15 enabling factor to continue those negotiations under the
16 2020 protocol.

17 COMMISSIONER RENDAHL: Thank you.

18 Mr. Wilding, do you have anything to add?

19 MR. WILDING: No, no, I -- I agree with what
20 Mr. Ball has stated there and he summarized it well.

21 COMMISSIONER RENDAHL: And any other party
22 have any other thoughts on this topic? Okay. Thank
23 you.

24 So I have a question about the discussion of
25 the transmission allocation and specifically the

1 testimony talking about the Company presenting a method
2 for excluding the cost and benefits of all transmission
3 voltage radio lines connecting resources not otherwise
4 included in Washington rates to PacifiCorp's
5 interconnected network transmission system. It was
6 at -- starting at page 17 and going to page 18.

7 So, I guess, Mr. Wilding, can you explain to
8 us what -- what is meant by the radio lines? What do
9 you -- how do you define "radio lines"?

10 MR. WILDING: Yes, thank you. And in this
11 piece of the WIJAM, what we're trying to identify there
12 is there are still certain generation assets that are
13 not in Washington, like our thermal fleet on -- it seems
14 like our thermal fleet on the east side of our service.

15 However, transmission costs are system
16 allocated, but we've identified or we need to identify
17 any lines that -- whose sole purpose is to connect that
18 thermal unit that is not included in Washington rates to
19 the larger transmission system. And if there are lines
20 that that is their sole purpose. That is what we're
21 trying to identify here, and that's what we're -- what
22 we're talking about.

23 COMMISSIONER RENDAHL: So if I can
24 paraphrase, maybe this is -- these are lines in the Pac
25 East balancing area that serve the Pac East load, but

1 don't contribute to transfer capability of the Pac East
2 system; is that another way to describe it?

3 MR. WILDING: No, not necessarily, because
4 the transmission system provides benefits for the entire
5 system, allows us to move energy back and forth that, as
6 you pointed out, but there are certain lines that, for
7 example, may -- their sole purpose may just be to
8 connect that generating resource to the larger
9 transmission system. And then once it gets on that
10 transmission system, then we say that transmission
11 system provides benefits to the entirety of PacifiCorp's
12 system.

13 But to the extent that a line's sole purpose
14 is to connect a thermal resource and PacifiCorp be
15 [inaudible] to the transmission, then that's -- that's
16 what we're describing here in this part of the WIJAM and
17 in this testimony.

18 COMMISSIONER RENDAHL: Okay. So -- so will
19 the incremental cost of those lines be subject to refund
20 in Washington rates once this is all sorted out?

21 MR. WILDING: Yes.

22 COMMISSIONER RENDAHL: Okay. Okay. So
23 currently under the WCA formula, Washington pays about
24 22 percent of the costs of the Jim Bridger transmission
25 assets, correct?

1 MR. WILDING: That's correct.

2 COMMISSIONER RENDAHL: Okay. So under the
3 WIJAM formula, it appears Washington will pay 8 percent
4 of the total Pac East transmission costs. So under the
5 settlement, is Washington still paying 22 percent of the
6 Jim Bridger transmission costs or will it pay based on
7 the WIJAM formula?

8 MR. WILDING: So based on the WIJAM. So all
9 transmission is now system allocated, so it's
10 approximately 8 percent of all transmission costs are
11 allocated to Washington.

12 COMMISSIONER RENDAHL: Okay. So then the
13 rates proposed in this settlement reflect that cost
14 of -- of rolling in the transmission costs in the
15 eastern part of the system that previously hadn't been
16 reflected in the WCA, correct?

17 MR. WILDING: That is correct.

18 COMMISSIONER RENDAHL: Okay. So over the
19 three-year period of the settlement -- I'll stop. I'll
20 stop there for now.

21 COMMISSIONER BALASBAS: I'd like to -- I'd
22 like to switch topics here and talk about the
23 accelerated depreciation and the exit order components
24 that are included in the settlement.

25 So, Mr. Wilding, I just want to confirm that

1 in your direct testimony that the Jim Bridger and
2 Colstrip depreciation rates will be allocated to
3 Washington customers and will continue to be allocated
4 on a WCA basis; is that correct?

5 MR. WILDING: That is correct.

6 COMMISSIONER BALASBAS: All right. And in
7 the settlement, it has -- includes Jim Bridger and
8 Colstrip depreciation accelerated to December 31, 2023.
9 And my question -- couple of questions related to that.
10 First, hypothetically, if those two plants are
11 reassigned to other states after the Washington share is
12 fully depreciated, are we talking about just fully
13 depreciating Washington share of those assets?

14 MR. WILDING: In Washington rates, yes.

15 COMMISSIONER BALASBAS: All right. So -- so
16 could you maybe talk about, then, how it's in the public
17 interest for Washington customers to pay accelerated
18 depreciation if those plants are reassigned to other
19 states in the future?

20 MR. WILDING: Well, I'll say first -- couple
21 things, but first I want to point out Jim Bridger is a
22 four-unit coal plant. Jim Bridger 1 will be closing
23 December 31, 2023. That's the current date anticipated
24 in the 2019 IRP. And so that aligns well with what we
25 have in Washington rates.

1 And then as far as the 2023, the other piece
2 of that is, it is two years earlier than required by
3 CETA, which requires coal to be out of Washington rates
4 by December 31, 2025. And so we, of course, will remove
5 those out of Washington rates no later than that date as
6 stated by CETA.

7 And then as far as it being in the public
8 interest, this allows flexibility with the portfolio as
9 we move forward in the NSP negotiations and on
10 negotiation reassignment and realignment of the other
11 cases -- or with the other states, excuse me. And it's
12 in the public interest because Washington customers have
13 benefitted from the Jim Bridger and Colstrip plant over
14 its useful life. The useful life for Washington, it
15 will be no later than 2025 or perhaps 2023 depending on
16 how things shake out in -- in negotiations and with
17 realignment there, but it is -- yeah, Washington
18 customers have benefitted from these plants, and it is
19 in the public interest that they -- they pay the cost
20 and as they receive those benefits forward.

21 COMMISSIONER BALASBAS: Go ahead, Mr. Ball.

22 MR. BALL: Thank you. I would just like to
23 add that it -- let's assume that we get to 2023 and we
24 don't have a negotiation -- but we don't have an
25 agreement about a new protocol. Well, then what has

1 happened is Washington has just -- Washington customers
2 have paid for their -- historically their allocated
3 share of those plants and they're two years ahead of
4 schedule. And either the Company's going to close them
5 down because that's what their IRP says to do or they --
6 we wait two years and we get undepreciated power.

7 If, however, we have negotiated through
8 in -- through that 2020 protocol something to do with
9 those plants, for instance, transferring those plants to
10 another state, the depreciation reserve is absolutely
11 part of that negotiation. And so whatever new
12 allocation protocol is presented to the Commission for
13 approval, it will discuss here's the plant value we
14 transferred and here's the depreciation value
15 transferred and here's what we got in return. And you
16 will absolutely be able to make a judgment at that point
17 whether thought -- whether you think we got a good deal
18 and whether that deal is in the public interest.

19 COMMISSIONER BALASBAS: All right. Thank
20 you. Thank you for that. I appreciate that
21 clarification.

22 So, Mr. Wilding, just to confirm, that if
23 the Commission approves the settlement and the proposed
24 accelerated depreciation dates for Jim Bridger and
25 Colstrip, that would constitute under the 2020 protocol

1 an exit order by this Commission; is that correct?

2 MR. WILDING: Yes, approval of this
3 settlement would approve the 2020 protocol, which then
4 establishes an exit order and starts the process for
5 other states to look at and consider any potential
6 reassignment or realignment of the stipulation.

7 COMMISSIONER BALASBAS: Okay. So then does
8 Washington -- or do Washington customers then remain
9 liable for any decommissioning and remediation costs
10 related to the generation from those plants after that
11 exit order date?

12 MR. WILDING: My -- the settlement and my
13 testimony outlines the balancing account for which the
14 decommissioning costs will be tracked and reevaluated at
15 each rate case, will be updated for actual
16 decommissioning costs. And then once those actual
17 decommissioning costs are -- are known, then Staff and
18 parties will be able to review those, Commission will be
19 able to review those for prudence at that time, but we
20 will -- we will establish a balancing account to track
21 those.

22 COMMISSIONER BALASBAS: Okay. I understand
23 that. But I guess what I'm asking is, what is
24 Washington -- or what is Washington's cutoff date for
25 liability for decommissioning and remediation costs?

1 MR. WILDING: I -- I wonder if you can
2 clarify for me exactly what you mean by -- by
3 "liability." I just want to make sure I understand.

4 COMMISSIONER BALASBAS: Well, so -- so let's
5 assume for the moment that that -- the December 31, 2023
6 date is when Washington customers would fully depreciate
7 their value and share of Jim Bridger and Colstrip, and
8 those are then, for sake of argument, here no longer in
9 Washington rates. So are customers then liable for any
10 decommissioning and remediation costs that would be
11 incurred after that date?

12 MR. WILDING: And I'm sorry to -- to think
13 about this and to pause a minute. I just want to --
14 maybe I can answer it this way. The Washington
15 customers will be liable for any decommissioning costs,
16 for actual decommissioning costs subject to a prudence
17 review.

18 Maybe the best example I could -- could
19 think of is, is maybe after -- after Washington
20 customers quit using that plant and that plant is
21 removed from Washington rates, maybe there's new costs
22 that -- new requirements and no, Washington customers
23 would not be responsible for those -- for those new
24 requirements. They would only be responsible for the
25 actual requirements at the time that they -- based on

1 benefits.

2 CHAIR DANNER: So -- so this is Dave Danner.
3 Just to be clear, so if there -- let's say there are
4 unknown liabilities that become apparent five years
5 after 2023 and those are so great that they exceed
6 what's available in the trust fund, are you going to be
7 coming back to Washington ratepayers to fund that
8 remediation that's unknown to us at this time?

9 MR. WILDING: I think it depends on the why
10 those were unknown. Were they unknown because it's a
11 new regulation or is it -- was that unknown because when
12 we dug into the ground to remove the coal pile of the
13 Jim Bridger plant, we had to dig three feet deeper than
14 we had anticipated before. So I think the answer is I
15 don't know. It depends on -- on maybe why those were
16 unknown and -- and that would be a -- something that we
17 would need to -- to evaluate in the future.

18 But the WIJAM and my understanding in CETA
19 is that Washington customers would be responsible for
20 the actual closure costs of coal plants.

21 CHAIR DANNER: Okay. So I take that answer
22 as yes, it's possible that there could be new
23 liabilities in the future that you would come back to
24 us?

25 MR. WILDING: Yes, in a future date and, of

1 course, those would be subject to a prudence review and
2 those would be tracked in the balancing account.

3 CHAIR DANNER: All right. Thank you.

4 MR. BALL: Commissioner and Chairman, this
5 is Jason. I just wanted to add that this is an issue
6 that a lot of -- that the other states in the 2020
7 protocol are very concerned with and Washington also
8 is -- Washington Staff is party to that protocol and
9 those negotiations we're also very concerned with. I
10 fully anticipated absolutely being one of the terms that
11 is negotiated as a part of the new 2020 protocol, so
12 there's two -- two kinds of tracts that can occur here.

13 One is let's say nothing happens. We don't
14 get a new negotiation -- we don't get a new protocol and
15 we are stuck with the WIJAM. Well, then everything that
16 Mr. Wilding just said is absolutely true. They come in
17 for a prudency review based on the actual costs of those
18 decommissioning remediation, post the four liabilities
19 related to the operation of the plant prior to when we
20 stopped assigning the plant to Washington rates.

21 If, however, there's a new protocol, then
22 that new protocol absolutely is going to have to discuss
23 this issue and is going to have to identify how
24 decommissioning and remediation is shared amongst the
25 states for trans- -- plants that are transferred or not

1 transferred have historically been allocated. And so
2 you'll have your opportunity in 2023 to review that
3 system on how to -- how those costs are apportioned.

4 COMMISSIONER BALASBAS: And so regardless of
5 the amount of the decommission remediation costs, I want
6 to clarify, those will -- those costs will be --
7 continue to be allocated on a WCA basis; is that
8 correct?

9 MR. BALL: Correct, assuming there's no new
10 allocation protocol, yes.

11 COMMISSIONER BALASBAS: All right. Thank
12 you.

13 CHAIR DANNER: All right. Could I ask about
14 EIM costs, just I want to make sure that it's clear that
15 the EIM costs and benefits are reflected in the
16 settlement; is that correct?

17 MR. BALL: Yes, that is correct.

18 CHAIR DANNER: Okay. Are there any EIM
19 costs or benefits that are left for discussion or
20 resolution in the PCORC or are they all dealt with here?

21 MR. BALL: They are all dealt with here. So
22 what is happening is in the last -- the expedited rate
23 filing from about four or five years ago, we had certain
24 capital costs through EIM that were not included in base
25 rates but were instead included in the PCAM, and we were

1 ordered in that case to include them in the PCAM until
2 we filed a rate case and could include them in base and
3 in our normal base rates.

4 And so we've done that in this case, and the
5 then EIM benefits are now reflected and will be
6 reflected in our update, and then we have agreed that we
7 will, if there is an investigation or any party wants an
8 investigation into EIM benefits, that we will not -- the
9 Company will not oppose it. But they are included in
10 this baseline for net power costs, they will be included
11 in October update, and they will -- and EIM benefits
12 will be included in the PCORC next year as a reduction.

13 CHAIR DANNER: Okay. Mr. Earle, that's your
14 understanding?

15 MR. EARLE: Yes, it is.

16 CHAIR DANNER: Okay. Thank you.

17 COMMISSIONER RENDAHL: So I have a few
18 questions about Colstrip 4 and Colstrip 4 maintenance.
19 So for the what would be the 2021 PCORC, have the
20 parties come to an understanding on what can and cannot
21 be included in the PCORC?

22 MR. WILDING: The settlement is -- provides
23 for a deferred accounting treatment of major maintenance
24 expenses at Colstrip Unit 4. And so I think that is
25 something that will obviously be in the PCORC, but won't

1 be included in rates until the next general rate case.
2 And that will be part of that kind of prefilings meeting
3 where we will work collaboratively with parties to
4 identify what we plan to include and see if there's any
5 issues there.

6 COMMISSIONER RENDAHL: Okay. So for the
7 major maintenance expense for Colstrip Unit 4 that's
8 proposed to be in review in the 2021 PCORC,
9 understanding you all are going to be having some
10 conversations, so for the Company, is it your thinking
11 that this -- this is routine maintenance or is it major
12 maintenance that would be needed to extend the life of
13 the plant?

14 MR. WILDING: No, this is would be routine
15 maintenance planned at -- I -- my understanding is there
16 is a planned overhaul during that time, and but it's
17 routine. It's not intended to extend the life.

18 COMMISSIONER RENDAHL: And is that the
19 understanding of the other parties?

20 MR. BALL: This is Jason, yes, that was
21 my -- that was Staff's understanding as well.

22 MR. EARLE: And this is Robert Earle for
23 Public Counsel. It's my understanding as well.

24 COMMISSIONER RENDAHL: Sorry, I don't have
25 any further questions about this topic. I was on mute,

1 sorry.

2 JUDGE O'CONNELL: Okay. I think we've come
3 to a good stopping point for lunch. Let's plan to take
4 a break and reconvene back at 1 o'clock in the
5 afternoon. We still have a few more bench questions
6 that we'd like to pose to the parties, and then after
7 those questions, we will have some time to allow any of
8 the attorneys who wish to address some of the legal
9 issues that have been raised, those attorneys will have
10 a chance to address those on behalf of their respective
11 parties.

12 Any questions before we go off the record
13 and take our lunch break any -- from any of the
14 attorneys? I'm going to pause just a moment to give you
15 a chance to get on the video if you have anything you'd
16 like to say before we take our break.

17 Okay. With that, let's be off the record.

18 (A luncheon break was taken
19 from 11:58 a.m. to 1:00 p.m.)

20 JUDGE O'CONNELL: Let's be back on the
21 record. We are back on the record in the PacifiCorp
22 general rate case and accounting petitions and
23 decoupling petition. The time is approximately 1:00
24 p.m. on August 24th, 2020, and we are going to resume
25 with some bench questions for our panel of witnesses,

1 and after those questions, which we expect to take
2 somewhere between 30 minutes and an hour, we're going to
3 allow the attorneys to have an opportunity to provide
4 any legal comments regarding the issues that have been
5 raised. And then we will address any procedural matters
6 and we will adjourn for the afternoon and for the case.

7 So with that, let me turn it over to the
8 Commissioners. Commissioner Rendahl will be asking our
9 first question.

10 COMMISSIONER RENDAHL: Good afternoon. So
11 this is a follow-up question from this morning about the
12 nodal pricing method. And just -- just to clarify
13 that -- that the parties in this settlement aren't
14 asking the Commission at this time to approve the nodal
15 pricing method, correct? Just that the use of it for I
16 guess as Commissioner Balasbas referred to it as sort of
17 a comparer, a shadow price? So I guess that's the
18 threshold question.

19 And then if so, are we approving the cost
20 and allocation of the cost associated with the tool at
21 this point? So maybe, Mr. Wilding, you can start off
22 with that.

23 MR. WILDING: Yeah, thank you. The
24 Commission -- we are not asking the Commission to
25 approve the nodal pricing model at this point. That

1 will be still one of the framework issues in the 2020
2 protocol. There's still pieces that need to be
3 determined. There are still outstanding questions that
4 need to be worked through with not only the Washington
5 parties but parties from all states.

6 So yes, at this time, we are not asking for
7 the nodal pricing model to be -- and the allocations
8 associated with the nodal pricing model to be approved.
9 That will come in a future proceeding. We're only
10 asking for approval for as part of this stipulation to
11 do a PCORC next year that would take into account the
12 operational impact of using the CAISO for day ahead --
13 for the Company's day ahead schedule.

14 COMMISSIONER RENDAHL: Okay. So for the
15 CAISO day ahead scheduling, you're looking at sort of a
16 share of the -- I guess like the licensing cost of that,
17 plus some other expenses, but that would be the
18 Washington share based on WIJAM?

19 MR. WILDING: Yes, that is correct.

20 COMMISSIONER RENDAHL: Okay. All right.
21 And then one other question and I'll turn it over to my
22 colleagues. So for renewable energy credits, in the
23 joint testimony, the parties state that the stipulation
24 supports the Company's proposed treatment for RECs and
25 that the \$300,000 REC one-time purchase should be

1 amortized but tracked for true-up in the existing
2 mechanism over three years. And so just to clarify
3 what's meant by the existing mechanism, do the parties
4 mean that that is the Schedule 95 tracker or some other
5 mechanism?

6 MR. WILDING: Yes, that is correct. It's
7 the Schedule 95 mechanism. That -- that is what was
8 meant by existing mechanism.

9 COMMISSIONER RENDAHL: All right. Thank
10 you. I turn it over to my colleagues for their
11 questions.

12 JUDGE O'CONNELL: Chair Danner, we can't
13 hear you. Looks like your mic's muted.

14 CHAIR DANNER: Can you hear me now?

15 MR. WILDING: Yes, thank you.

16 CHAIR DANNER: All right. Thank you. I
17 wanted to ask about the monthly decoupling deferral
18 calculation. And I don't know if -- if you --
19 Mr. Meredith, maybe you have direct testimony of
20 Mr. Meredith in front of you?

21 MR. WILDING: Yes, it'll take me a minute to
22 find it, but I have it.

23 CHAIR DANNER: You may not need it. I have
24 one question about it.

25 MR. WILDING: I got it. I'm there.

1 CHAIR DANNER: Turn to page 63 if you would.

2 MR. WILDING: Okay.

3 CHAIR DANNER: And you'll see on this page,
4 this is -- so Mr. Meredith presents the proposed tariffs
5 changed to step eight and step nine for calculating the
6 monthly decoupling deferral and decoupling tariff. And
7 in step eight, the actual base revenue is calculated by
8 subtracting revenue from the nonbase adjustment
9 schedules from the total actual nonweather adjusted
10 monthly revenue. But the current tariff does not adjust
11 for nonbased adjustment schedules.

12 So why is it appropriate or why are you
13 adjusting for nonbased adjustments scheduled in the new
14 methodology but not in the existing methodology?

15 MR. WILDING: Sorry, just one minute. I
16 want to read this.

17 CHAIR DANNER: Sure, it's line 16 through
18 18.

19 MR. WILDING: Okay. Both the adjustments
20 that were made into the decoupling mechanism is -- is to
21 get to the correct level of revenue to account for the
22 actual revenues received by the Company. And so
23 that's -- that's the motivation and the reasoning for
24 the changes here.

25 CHAIR DANNER: So the current -- the current

1 methodology does not capture that and -- and so do
2 you -- do you feel you need to make that change?

3 MR. WILDING: Yes, to capture the actual
4 revenue. The current methodology is not as precise as
5 what we are -- are proposing in this settlement.

6 CHAIR DANNER: All right. And anyone else
7 want to weigh in on that?

8 MR. BALL: This is Jason. I -- I fully
9 agree with the way Mr. Wilding characterized it and I
10 just want to add that I think a portion also was the
11 potential impact that could occur from any one of the
12 pilot programs that are coming into play. So they're --
13 we're just trying to make sure that the revenue that is
14 decoupled is the correct revenue amount for customers
15 that experience decoupling.

16 CHAIR DANNER: Okay. Well, yeah, I think we
17 have some questions about the -- the pilot inside the
18 decoupling as well, but thank you for the answer.

19 COMMISSIONER BALASBAS: All right. I -- I
20 want to turn to the time of use pilot and specifically
21 in relation to the decoupling mechanism. So my first
22 question is, why is the Company proposing to include the
23 time of use pilot schedules in the decoupling
24 mechanisms?

25 MR. WILDING: Some of these more technical

1 questions regarding time of use and some of the rate
2 design and -- and new pilot programs are probably best
3 answered by Robert Meredith. I think he might be
4 available if he'd like to talk now or we could respond
5 on a bench request. I apologize, but some of the more
6 technical aspects, probably require Bob.

7 COMMISSIONER BALASBAS: Okay. Yes, that --
8 that's fine if -- if Mr. Meredith is available in the
9 next few minutes. If not, then yeah, we can --

10 MR. MEREDITH: This is Robert Meredith. I
11 am on the line. Can you hear me okay?

12 COMMISSIONER BALASBAS: Yes, I can. Thank
13 you, Mr. Meredith.

14 MR. MEREDITH: I'm on the line. I don't
15 have video here and I think your question -- maybe you
16 can rephrase that again. It was around just the
17 interactions between the time of use pilots and the
18 decoupling mechanism; is that --

19 CHAIR DANNER: Judge O'Connell, do you need
20 to swear Mr. Meredith in?

21 JUDGE O'CONNELL: Yes, thank you.

22 Sorry, let me interrupt you, Mr. Meredith.
23 Will you please raise your right hand wherever you are?

24 (Robert Meredith sworn.)

25 JUDGE O'CONNELL: Okay. And would you

1 please identify yourself, your name, position, who you
2 work for, and spell your last name, please.

3 MR. MEREDITH: Sure. My name is Robert M.
4 Meredith. I'm the director of pricing and cost of
5 service for PacifiCorp. My last name is spelled
6 M-e-r-e-d-i-t-h.

7 JUDGE O'CONNELL: Okay. Thank you very
8 much. Go ahead, Mr. Meredith.

9 MR. MEREDITH: Sure. So let me just make
10 sure I understand the question. So I think you're
11 wondering why we wanted to have the decoupling mechanism
12 modified for these time of use pilots, and I don't know
13 that it's all entirely because of the time of use
14 pilots, it's just our current method of calculating
15 actual revenue is not actual revenue. What it actually
16 is right now is it's just looking at specifically what
17 was the average price in the test period for the rate
18 case and applying that by rate schedules to megawatt
19 hours within the actual period, the actual energy.

20 And so it wasn't actually a very precise way
21 of determining actual revenue, and so what we're
22 proposing instead is to actually get that actual
23 revenue. And that's why we're removing those items that
24 are not related to actual revenue and getting to that
25 actual base revenue, so that way it corrects for a

1 number of things. Not only the time of use pilots or
2 anything could be part of it, but just how actual
3 revenue may vary within an actual year. This could be,
4 you know, higher load factor or low -- lower load
5 factor, a commercial customer, for example, or it could
6 be, you know, just a result of different types of
7 customers using energy differently and incurring actual
8 charges that are different than what the actual was that
9 was set in the base period.

10 And from the discussions with Staff, this is
11 my understanding is that this would be an improvement to
12 what we're doing right now, and so it is in response to
13 discussions that I've had with Staff in the past about
14 ways to make the decoupling mechanism more accurate than
15 it is right now.

16 COMMISSIONER BALASBAS: Okay. So I
17 understand all that, Mr. Meredith, and thank you for
18 that. But how does including the time of use pilot
19 address that issue you just talked about?

20 MR. MEREDITH: Yeah, so I think, then, if
21 there are -- let's say that we do have a bunch of
22 customers adopt time of use, which is -- is our hope,
23 is that it does have a decent level of participation and
24 customers are able to move their energy consumption to
25 off peak periods. What we would see then is that that

1 actual revenue would be -- would be -- would be less,
2 okay? And so making sure that the -- it's truly
3 capturing the actual revenue, it would more accurately
4 reflect what the Company's revenue collected was during
5 the decoupling period.

6 COMMISSIONER BALASBAS: So I -- but my
7 understanding of the settlement is that the number of
8 people in the residen- -- at least in the residential
9 time of use pilot is capped, I believe, at 500
10 customers; is that correct?

11 MR. MEREDITH: It is. So that is a fairly
12 limited amount, but we also have an irrigation pilot.
13 We also have a nonresidential pilot as well. And so
14 there is -- there are caps, but I think there's still --
15 you know, that's only -- and I don't know what the
16 magnitude of this is, but it -- it would affect the
17 Company's revenue.

18 COMMISSIONER BALASBAS: So -- so I
19 understand that all three time of use pilot programs
20 have a cap in them, but I guess my -- my -- my question
21 still remains is, why not -- why not exclude the time of
22 use pilot until those pilots are concluded and then we
23 can talk about whether they should be included in the
24 decoupling mechanism at that point instead of now?

25 MR. MEREDITH: Sure. I think that's a very

1 fair question. I think that putting them in the
2 decoupling mechanism gives the Company the right
3 incentives to encourage them and get customers to
4 participate without having to take -- and I'm not saying
5 that we would take this per se, but, you know, being
6 more threatened by time of use pilots or time bearing
7 rate options.

8 I think just in general across this history,
9 I think that if there isn't something like this in
10 place, I think a lot of utilities just historically have
11 been very conservative and very, quite frankly,
12 concerned about the revenue impacts of time of use
13 pricing. And I think there's a lot of great potential
14 with -- with time of use and with getting customer
15 behavioral changes.

16 COMMISSIONER BALASBAS: All right. So I
17 want to address the question -- I'm sorry, go ahead.

18 MR. BALL: I was just wondering if I
19 could --

20 COMMISSIONER BALASBAS: Well, Mr. Ball, I
21 was actually about to address the same question to you
22 and also to either Mr. Dahl or Mr. Earle from Public
23 Counsel why you are supporting inclusion of time of use
24 as a decoupling mechanism.

25 MR. BALL: I read your mind.

1 So from Staff's perspective, the primary
2 purpose of the time of use pilot is to measure the
3 potential price that -- the potential that price signals
4 have for encouraging and incentivizing consumer behavior
5 that reduces peak and contributes to better load curves
6 and lower overall system costs. A key component of that
7 price signal is a decoupling mechanism because we're
8 operating under the assumption that the decoupling
9 mechanism will continue.

10 And in regards of whether we have 500
11 customers or 5,000 or 50,000 customers, that's not
12 necessarily true. It could be that ten years from now
13 or five years from now the Commission rolls back the
14 decoupling mechanism for PacifiCorp. But in the event
15 that it doesn't, that piece is still a really important
16 component of the overall price signal that those
17 customers need to have in order to make sure that we
18 understand how effective the program is.

19 COMMISSIONER BALASBAS: All right. Then I
20 will ask the same question of Public Counsel, why -- why
21 you are supporting inclusion of time of use -- the time
22 of use pilot in the decoupling mechanism.

23 MR. DAHL: Yeah, this is Corey Dahl. I
24 would say as a general matter, the decoupling component
25 of the settlement and more specifically the time of use

1 pilot was not one of the major issues that we looked at
2 in terms of our petition to join the settlement. As I
3 indicated in testimony, you know, we view the settlement
4 as a complete package and in the public interest. So
5 that's -- that's just as, you know, a general statement.

6 And, you know, the incorporating time of use
7 pilot in the decoupling mechanism, you know, we want to
8 understand more about the impact of that type of rate
9 design on customer behavior before it's implemented on a
10 broader scale. But I guess the bigger takeaway from the
11 answer is just, you know, our view is looking at the
12 settlement as a whole versus, you know, one -- one small
13 component.

14 COMMISSIONER BALASBAS: All right. Thank
15 you. And then one last question on this and maybe I'll
16 pose this one to Mr. Ball. You touched on this a little
17 bit in your answer just a few minutes ago. But I'm
18 wondering, what other factors should we be looking at as
19 we evaluate the time of use pilot particularly if it is
20 included in the decoupling mechanism?

21 MR. BALL: Do you mean -- let me make sure I
22 understand your question -- in general or as it relates
23 to decoupling?

24 COMMISSIONER BALASBAS: I would -- I would
25 say both. If you could talk about what factors we

1 should be evaluating both in general and also
2 specifically as if it's part of the decoupling
3 mechanism.

4 MR. BALL: If it's part of the decoupling
5 mechanism, I think one of the key components to examine
6 with regards to the time of use is what the response was
7 in relation to the price signal and what the effect it
8 was on the different types of -- of customer groups.
9 Especially when it comes to residential, we want to be
10 especially focused on vulnerable populations and, for
11 instance, low income groups to understand how time of
12 use is benefitting them and whether or not it's
13 benefitting them.

14 And so it's a combination of both program
15 design and program evaluation that yields this -- yields
16 a good overall pilot project, and I believe the
17 stipulation actually outlined that Staff is going to
18 work with the Company over the next few months to come
19 up with certain evaluation protocols so that there would
20 be more certainty about how the program was ultimately
21 judged.

22 COMMISSIONER RENDAHL: So I'm glad to hear
23 you refer to that because in prior testimony in the
24 prior proceeding, you had some ideas about how to go
25 forward with setting up pilots and reporting, and so it

1 sounds like the details for this pilot will be fleshed
2 out as time goes on.

3 But it seems particularly there's very
4 little there in the settlement about how many low income
5 or vulnerable customers are going to be included, how to
6 identify, what the outreach is, all of those various
7 questions, which you have keyed up before.

8 So maybe you can -- is it the expectation
9 that that will all be developed before this goes live
10 and will that be shared with the Commission? So those
11 are some of the questions I have.

12 MR. BALL: I think these are excellent
13 questions and -- and I can't speak for the Company in
14 terms of what they were -- how they were interpreting
15 this, but the way Staff was interpreting it was we would
16 work with the Company to set up those evaluation
17 protocols ahead of time, and we would absolutely share
18 them with the Commission and say this is the way we
19 believe this program should be evaluated.

20 And vulnerable populations was absolutely a
21 key element of that and was identified not just by Staff
22 but by other groups in the settlement discussion as a
23 key component of approving the time of use -- settling
24 on the time of use projects.

25 COMMISSIONER RENDAHL: Okay. But not

1 just -- and I will get to you, Shawn, in just a minute,
2 Mr. Collins. But it doesn't appear that the settlement
3 identifies how many low income or vulnerable customers
4 are intended to be targeted, what percent of the 500.
5 So not just the evaluation and, you know, review
6 protocols, but what are -- what is the actual structure
7 of the program going forward? There's not very much in
8 the settlement.

9 So that question is not only for Staff and
10 the other stakeholders but also the Company in terms of
11 whether that information will be forthcoming in terms of
12 what the outreach planning is. It's clear it's a great
13 idea, but we need more than that. And so that's my
14 query to all of you.

15 And, Mr. Collins, you were about to say
16 something.

17 MR. COLLINS: Yes. Thank you, Commissioner
18 Rendahl. Shawn Collins with The Energy Project here. I
19 just want to make a note that as we understand it, this
20 will be an opt-in program for time of use, and it was a
21 concern for us that low income individuals and other
22 vulnerable communities were identified up front because
23 we do -- we're interested to see how it impacts those
24 specific customers and agree that the -- the pilot
25 lacked clarity in terms of what all of those specific

1 outreach mechanisms and recruitment will look like. And
2 I expect that as part of a advisory committee member,
3 that will be consulted with that as it's developed. But
4 certainly don't want to speak for the Company there, but
5 just share that we have similar concerns and also, you
6 know, within the scope of the settlement, comfort level
7 that those customer types will -- will be specifically
8 identified.

9 COMMISSIONER RENDAHL: So maybe,
10 Mr. Wilding, you can talk to the specifics or the intent
11 and how this is going to be developed going forward and
12 then if there are any other parties who wish to comment.

13 MR. WILDING: Yes, the stipulation does
14 support the Company's proposed pilot program as outlined
15 in Mr. Meredith's testimony; however, as Mr. Ball
16 indicated, we have agreed to work collaboratively with
17 parties, and as Mr. Collins indicated as well, over the
18 next two months. And that is something that we're happy
19 to report back to the Commission as we make progress,
20 but I also would let -- maybe Mr. Meredith might have
21 further insight or further commentary on that if that's
22 okay with you, Commissioner Rendahl.

23 COMMISSIONER RENDAHL: Thank you.

24 MR. MEREDITH: Yes, I agree with everything
25 said by -- by Staff and by Public Counsel and by The

1 Energy Project. I think -- you know, I really look
2 forward to working with -- with all the different
3 stakeholders to develop an appropriate outreach plan, I
4 think, and also just evaluation protocols to make sure
5 that we're understanding those impacts and how the time
6 of use options would be able to benefit low income
7 communities and -- and disadvantaged communities. I
8 think there's a real great potential here for them to be
9 helpful for them, for those groups.

10 CHAIR DANNER: And, Mr. Meredith, how long
11 do you think it would be before such a plan would be
12 developed?

13 MR. MEREDITH: That's hard to say. You
14 know, I think probably with a meeting or two, I think a
15 pretty robust plan could be developed, you know, just
16 basing that off of how well I think a lot of these
17 parties work together and are able to collaborate. I
18 have a lot of faith in being able to come up with some
19 really robust plans for outreach, for evaluation, to be
20 able to ensure that this is a successful time of use
21 pilot that meets the goals laid out in the stipulation.

22 MR. BALL: Chairman, this is Jason. The
23 stipulation didn't specify a specific date, it just said
24 over the next several months. I -- I think Staff would
25 have a high -- would be far more uncomfortable if those

1 protocols were not finished before the program started.
2 So at least from Staff's perspective, the way we meant
3 it was we would work with them before the tariff program
4 began.

5 MR. WILDING: I think the Company is also
6 comfortable with that as well. I think that's in the
7 spirit of the stipulation.

8 MR. DAHL: This is Corey Dahl. I'll just,
9 you know, echo what the other parties have indicated,
10 but from Public Counsel's perspective, in the way we've
11 looked at time of use pilots in the past, you know, the
12 program design up front is just as important as the
13 criteria used in the evaluation. And we know the -- the
14 discussion that we've been having amongst stakeholders
15 for many years about whether or not time of use is a
16 rate design that's worth exploring and piloting, you
17 know, the same concerns about vulnerable populations
18 have come up.

19 So, you know, we'll want to be sure that
20 those considerations are not only included in the
21 evaluation of program design that's going to require the
22 Company to work collaboratively with stakeholders,
23 which, you know, we have every expectation it will
24 happen, you know, in line with the way that pilots have
25 been conducted among other IOUs and -- and with

1 PacifiCorp historically.

2 CHAIR DANNER: All right. Thank you.

3 So, Mr. Meredith, I asked a question about
4 the monthly decoupling deferral calculation before I
5 knew you were online and available. You probably heard
6 that -- that testimony from Mr. Wilding and Mr. Ball, do
7 you have anything to add?

8 MR. MEREDITH: No, I think we covered it. I
9 think you were specifically asking about my testimony
10 and how it would be calculated, and I think you were --
11 memory serves me right, you were asking about
12 specifically in the tariff where some of those -- I
13 think there's different steps that are laid out in the
14 decoupling tariffs and --

15 CHAIR DANNER: Right.

16 MR. MEREDITH: -- show exactly how we would
17 calculate it, and you were kind of curious about one of
18 these steps, I think, and why specifically we asked for
19 that; is that --

20 CHAIR DANNER: You changed -- you changed
21 the calculation so that you are now subtracting revenue
22 from nonbase adjustment schedules, and the current
23 tariff doesn't adjust for nonbased, and I was just
24 wondering what the -- why --

25 MR. MEREDITH: Right, right. I think that's

1 a great question. I think right now what it does is
2 it -- it looks at the actual base that is within the
3 rate case period. So what is the average price that we
4 had month by month per megawatt hour for each rate
5 schedule that was part of base revenue. And so that's
6 already what is built into the rate case and what's
7 established by the rate case.

8 And so we're taking the opposite approach,
9 which is going to the Company's accounting information
10 so the actual revenue that was booked and then taking
11 out those pieces that are not base to get to the base.
12 And so that's -- that's the difference and that's -- we
13 laid that out as a -- how we came to that wording was
14 looking at how we would functionally do this to get to
15 base revenue, and that was how we worded the tariff
16 in -- in what we proposed to -- to get to that level so
17 that way we could get to actual base revenue is by
18 taking out those nonbase components to what was booked
19 in the accounting system.

20 CHAIR DANNER: So you agree with the others
21 that this is a more precise calculation than what we
22 currently have?

23 MR. MEREDITH: Yes.

24 CHAIR DANNER: All right. Thank you.

25 MR. MEREDITH: You're welcome.

1 COMMISSIONER RENDAHL: So I have a few
2 questions about pro forma capital additions, and this is
3 for -- for all parties, whoever wants to weigh in.

4 So in the settlement stipulation at
5 paragraphs 14 and 15, it addresses the pro forma capital
6 additions. I just want to clarify that whether the --
7 the rates subject to refund are in a separate tariff
8 schedule or are they part of base rates?

9 MR. WILDING: They are part of base rates.

10 COMMISSIONER RENDAHL: Okay. So in
11 addition, the settlement doesn't explicitly define a
12 total rate base. Is the level of the rate base in the
13 settlement the same as what was in PacifiCorp's
14 supplemental filing?

15 MR. WILDING: Yes, that's correct.

16 COMMISSIONER RENDAHL: Okay. And also the
17 settlement doesn't really bifurcate the rate base levels
18 related to the pro forma capital additions, so if the
19 pro forma capital additions are in base rates not rate
20 base, how are we going to figure out how this plays out?

21 MR. WILDING: The -- the pro forma capital
22 additions, the rate base is in -- sorry, the capital
23 cost of those -- of these pro forma capital additions,
24 those are included in rate base and there's a revenue
25 requirement in part of base rates. And so if there's

1 any adjustments that need to be made, we will be able to
2 go back and identify -- so we can identify the rate base
3 and we can identify the revenue requirement associated
4 with these capital additions, and so if cost of that
5 limited issue rate filing adjustments need to be made,
6 we will be able to.

7 COMMISSIONER RENDAHL: Okay. All right.
8 So -- so the pro forma capital additions are not in the
9 amount that was in the Company's supplemental filing?
10 I'm just trying to make sure we have this all clear. So
11 these are an addition or they -- what was included in
12 the base -- in the rate base for the supplemental
13 filing?

14 MR. WILDING: They were included in the
15 supplemental filing.

16 COMMISSIONER RENDAHL: Okay. All right.
17 Thanks. I think I've now beaten that horse, so thank
18 you very much.

19 MR. WILDING: You're welcome.

20 COMMISSIONER BALASBAS: All right. I want
21 to turn to -- I want to turn to taxes actually.

22 Actually, before I do that, I do have one
23 follow-up question to Commissioner Rendahl, which is,
24 what level of rate base is subject to refund under the
25 settlement?

1 MR. WILDING: It would be the revenue
2 requirement associated with any of these -- any of the
3 plants in paragraph 14. And if -- I don't have specific
4 dollar amounts, but if you'd like specific dollar
5 amounts, we can provide that with the other bench
6 requests.

7 COMMISSIONER BALASBAS: Okay. All right.
8 Thank you. I think -- Judge O'Connell, let's maybe add
9 that piece to our bench requests.

10 JUDGE O'CONNELL: I will include that as
11 bench request No. 4, and I will also note that 3 and 4
12 and any others that we have after the conclusion of this
13 hearing. Go ahead, Mr. -- Commissioner Balasbas.

14 COMMISSIONER BALASBAS: All right. Thank
15 you.

16 All right. So going to the issue of taxes
17 now, just have a couple of clarifying questions here.
18 What are the respective interest rates that are used in
19 the settlement?

20 MR. WILDING: The interest rates for the tax
21 benefits?

22 COMMISSIONER BALASBAS: Yes.

23 MR. WILDING: Or --

24 COMMISSIONER BALASBAS: For the --
25 specifically for the tax benefits.

1 MR. WILDING: Sorry, I just want to make
2 sure I understand this correctly. Is it the interest
3 rate during the amortization period in which we're
4 returning the -- the tax benefits to customers, is that
5 what you're referring to?

6 COMMISSIONER BALASBAS: Yeah, that's what
7 I'm referring to.

8 MR. WILDING: Okay. Also, I do have Ryan
9 Fuller in the room with me, who is our director of
10 taxes, who also was a witness in the case who can answer
11 these more detailed questions about the taxes if -- if
12 that's okay.

13 COMMISSIONER BALASBAS: That -- that's fine,
14 because I was about to ask some questions that would
15 refer to Mr. Fuller's testimony, so that's -- that's
16 very timely.

17 MR. WILDING: Okay. So -- so I'll also pass
18 this question over to him.

19 COMMISSIONER BALASBAS: That's fine.

20 JUDGE O'CONNELL: Let's have Mr. Fuller
21 appear on video since he's in the room and, Mr. Fuller,
22 I'm going to, in a moment, swear you in. I will wait
23 until you're on the video.

24 (Ryan Fuller sworn.)

25 JUDGE O'CONNELL: Okay. Thank you. Will

1 you please state your name, position, who you are
2 employed by, and then spell your last name for the
3 record.

4 MR. FULLER: Yes, my name is Ryan Fuller.
5 I'm the senior tax director from PacifiCorp and my last
6 name is spelled F-u-l-l-e-r.

7 JUDGE O'CONNELL: Okay. Very good.

8 Let's -- Commissioner Balasbas, could you
9 repeat the question for Mr. Fuller?

10 COMMISSIONER BALASBAS: Sure. Good
11 afternoon, Mr. Fuller.

12 MR. FULLER: Hi.

13 COMMISSIONER BALASBAS: All right. And so I
14 asked what are the respective interest rates that the
15 settlement uses for the amortization of the tax benefits
16 being passed back?

17 MR. FULLER: Yeah, I think we're going to
18 have to track that down for you with a bench request.
19 Sorry, I'm looking at Mr. Wilding here.

20 COMMISSIONER BALASBAS: That -- that's fine
21 if we -- we can -- we can also add that to our bench
22 requests catalog. Not a problem.

23 So, Mr. Fuller, actually, referring to your
24 testimony in testimony RF-1T, you talk about the
25 approximately 70.6 million remaining protected EDIT that

1 will be amortizing back through base rates. What's the
2 approximate number of years that that will be amortized?

3 MR. FULLER: So in -- in the -- I filed an
4 errata exhibit on I believe August 11th and that was --
5 I will refer to Exhibit RF-4, and -- so sorry, JT-2.
6 But we have basically multiple categories of -- of
7 classes of assets and each one has its own life. And
8 the way that we categorize those is roughly with respect
9 to how we determine categories and depreciations. So
10 there's a period in the depreciation study and there's a
11 corresponding unit and it's in our calculations. And,
12 you know, they range from, you know, a high of probably
13 53 years for transmission to [phone interference] for
14 some of the generation assets. So I will say on the
15 average if I'm just off the cuff of mind probably
16 somewhere in [phone interference].

17 THE COURT REPORTER: Mr. Fuller, I didn't
18 hear the last part of that.

19 MR. FULLER: Oh, I'm sorry. I said if I had
20 to just off the cuff it would be 30-plus years range on
21 average for the amortization.

22 COMMISSIONER BALASBAS: All right. And how
23 much of the annual protected EDIT amortization is
24 included in the settlement revenue requirement?

25 MR. FULLER: Right. So in the base rates,

1 there is \$6.4 million of EDIT amortization not --
2 separate and aside from the -- the EDIT amortization for
3 2018, '19, and '20, which are being deferred and are
4 returning through a separate scale.

5 COMMISSIONER BALASBAS: All right.

6 Mr. Fuller, could you repeat that first number?

7 MR. FULLER: I'm looking here at 6.310 was
8 the base level.

9 COMMISSIONER BALASBAS: All right. Thank
10 you. And then a couple of questions about the provision
11 in the settlement regarding normalized accounting of the
12 tax -- of taxes, and the Company will be using the
13 reverse South Georgia method; is that correct?

14 MR. FULLER: That's correct.

15 COMMISSIONER BALASBAS: All right. And do
16 you have the amount of the regulatory asset associated
17 with that and how many approximate years of amortization
18 that that will be --

19 MR. FULLER: Yeah, I think that's what we
20 were just discussing at the onset of -- and so perhaps
21 maybe I misunderstood the first question, but the asset
22 before gross [phone interference].

23 THE COURT REPORTER: This is the court
24 reporter. You're breaking up --

25 JUDGE O'CONNELL: Mr. Fuller, we couldn't

1 hear you. Your audio is very garbled. The amount for
2 the regulatory asset, could you be more clear?

3 MR. FULLER: Yes, so \$70.6 million for gross
4 of -- for income taxes.

5 COMMISSIONER BALASBAS: And, again, that
6 would be the what you mentioned earlier, the
7 approximately the average 30 years or so?

8 MR. FULLER: Yeah, right. Yeah, exactly.

9 COMMISSIONER BALASBAS: All right. And then
10 specifically again on the normalized accounting
11 treatment of tax -- of tax benefits, under what kind of
12 a scenario would the proposed normalized method of
13 accounting result in a significant increase to customer
14 rates in the future?

15 MR. FULLER: I don't -- you know, so under
16 the reverse South Georgia method, the amortization on
17 the assets become -- is a straight line over the
18 remaining regulatory lines. And so it, you know, a
19 typical shape assuming no change in depreciable lives if
20 you had decline each per, if you would, each class
21 amortizes off, so more of a straight down kind of even
22 curve.

23 And so I can't think of anything that would
24 generate a sudden increase in customer rates because the
25 amount should decline over time. I guess if there was a

1 large extension of a regulatory life that would -- that
2 could cause a curve to change, so if you had like a
3 five-year life and decided to go to 25-year life, then
4 the amount of amortization would change. But I think
5 other than that, I can't think of anything that would
6 under the South Georgia method.

7 COMMISSIONER BALASBAS: Okay. So just --
8 just to make sure that we're talking about the right --
9 I guess the -- and maybe I -- maybe this is not clear in
10 my own mind here, but I think we have maybe two
11 different normalization pieces that we're talking about
12 here. We had the -- we have normalizing the return of
13 the EDIT over time, and that I understand and understood
14 is the reverse South Georgia method over time. But if I
15 understand the settlement correctly, there's another
16 provision regarding just the flow-through --
17 flow-through accounting -- flow-through of tax benefits
18 versus normalizing --

19 MR. FULLER: Oh, yes, okay.

20 COMMISSIONER BALASBAS: So the last question
21 I asked was in relation to the switch of method for how
22 the Company will account for taxes under -- so, again, I
23 will repeat the question is, under what kind of scenario
24 would switching to this normalized accounting method for
25 rate-making treatment of taxes, under what kind of a

1 scenario could that lead to a significant net rate
2 increase in the future?

3 MR. FULLER: Right. Okay. Thank you. And
4 I appreciate the clarification there. So just to be --
5 to restate the -- what was adopted in the stipulation
6 that the Company had been using flow-through accounting
7 for certain tax differences. And we requested to use a
8 normalized method accounting for all of those tax
9 differences -- all temporary tax differences other than
10 [inaudible]. So that was -- that was what was adopted
11 in the settlement stipulation.

12 So the -- the nice thing about the
13 normalized method of accounting is it doesn't generate
14 big spikes in ratemaking because it's only with respect
15 to temporary tax differences, and so it doesn't broadly
16 affect those temporary tax differences primarily limited
17 to rate base and taxes and so any changes in temporary
18 tax differences. But the [phone interference] so that's
19 one of the kind of normalized methods of accounting is
20 the --

21 JUDGE O'CONNELL: Mr. Fuller, let me stop
22 you. I need to ask for you to repeat your last couple
23 thoughts because we're getting a lot of interference
24 from your audio, and I apologize.

25 MR. FULLER: Maybe it's my voice. I will

1 try to be clearer.

2 So normalized method of accounting generally
3 results in less variability in rates flow-through method
4 of accounting. So -- and the question is getting to the
5 answer is what would generate a large increase in rates
6 in the future as this method of accounting, and it would
7 only be with respect to a tax difference that would have
8 the effect of creating a large deferred tax asset very
9 significant for tax asset in a large change.

10 So I can't think of anything off the top of
11 my head that would intuitively lead me to believe or
12 lead me to say this one thing could cause this to happen
13 just because the method of accounting in and of itself
14 is a more levelized method of accounting.

15 COMMISSIONER BALASBAS: All right. And then
16 I will pose a question to the other parties here about
17 how ratepayers will benefit from PacifiCorp switching to
18 this accounting method for taxes other than producing a
19 lower revenue requirement in this specific circumstances
20 under this case.

21 MR. BALL: This is Jason for Staff. I think
22 for us at least one of the chief components of this
23 method is that it's simpler for us to understand, it's
24 more straightforward, and also it aligns the
25 liabilities, the money that is owed to ratepayers with

1 the assets that they correspond to. So for our
2 perspective, it was a -- it's a good way of matching the
3 benefit with the cost that originally yielded these tax
4 deferrals.

5 COMMISSIONER BALASBAS: All right. Anyone
6 else want to weigh in on that?

7 All right. If not, then I think I am done
8 with my questions on taxes.

9 MR. FULLER: Thank you.

10 COMMISSIONER RENDAHL: And I think I just
11 have one other questions for the parties.

12 Actually, Mr. Ball, I believe this is for
13 you. So this morning, you testified that the Idaho
14 Asset Exchange was a key element of Staff's support for
15 the WIJAM in this case. In his direct testimony,
16 Mr. Wilding notes that the Company had previously
17 proposed changes to the WCA based on the Idaho Asset
18 Exchange in its 2015 general rate case.

19 So what is different regarding the Idaho
20 Asset Exchange in this case compared to the 2015 case?

21 MR. BALL: That's a great question,
22 Commissioner. The 2015 case was a limited issue
23 proceeding. There were several pieces that were not
24 included in that case for -- for -- to be contested.
25 One of them was cost of capital; another one was cost of

1 service. At -- in 2015, we did not have a strong
2 understanding of all of the components of the Company's
3 operations in relationship both to the Idaho Asset
4 Exchange and to the -- just to the way that it was --
5 the way it affected their operations.

6 We spent the next four years working with
7 the Company through the MSP process to understand and
8 evaluate how they operated their system, how they moved
9 power between the balance area authorities, how they
10 planned and built for their system. That ultimately led
11 to the negotiations that yielded the -- the WIJAM, and
12 it was just based upon our understanding and our
13 interpretation of the facts that we had been given and
14 our ability to analyze those facts.

15 COMMISSIONER RENDAHL: So there might have
16 been changes to the WCA in the 2015 case, this -- the
17 WIJAM has further changes based on a further
18 understanding of the Idaho Asset Exchange; is that a --
19 is that a good way of describing that?

20 MR. BALL: Yes, I think that's -- that's a
21 perfectly accurate way of describing it. The WIJAM
22 is -- I think what you could say is that the WIJAM is
23 based on the exact same set of principles that use the
24 WCA. And so what that means is if in the future the
25 Commission wanted -- if -- if the Commission adopted the

1 WIJAM in this case and then three years down the road,
2 five years down the road the Commission wanted to go
3 back to the WCA, it absolutely could because the WIJAM
4 is built on the exact same set of principles. I
5 wouldn't recommend it because I believe that the WIJAM
6 is a better representation of how the Company works and
7 operates their system in relationship to Washington, but
8 it's still based on the same set of principles.

9 COMMISSIONER RENDAHL: Okay. Thank you. I
10 have no further questions.

11 JUDGE O'CONNELL: Anything from the Chair or
12 from Commissioner Balasbas? Chair?

13 CHAIR DANNER: I just have one question. I
14 want to go back to the pilot, the customer payment
15 pilot. This is something that Avista and PSE already
16 do. I guess my question for Mr. Wilding and others is,
17 is this really a pilot? Does it have a -- it doesn't
18 seem to have an end date on it. I'm just trying to
19 figure out what is it -- pilots are basically things we
20 try out to learn, can you -- do you characterize this as
21 a pilot and if so, do we need to put a timeframe on it?

22 MR. WILDING: Yes, it is a pilot. I think
23 the timeframe is the next general rate case when we have
24 the ability to -- to revisit. But so in answer to your
25 question, yes, it is a pilot.

1 CHAIR DANNER: It's a three-year --
2 three-year project?

3 MR. WILDING: Yes.

4 CHAIR DANNER: Okay. Thank you.

5 COMMISSIONER BALASBAS: Judge O'Connell, at
6 this point, I do not have any further questions.

7 CHAIR DANNER: Nor do I.

8 JUDGE O'CONNELL: Commissioner Rendahl, do
9 you have anything further for these witnesses?

10 COMMISSIONER RENDAHL: Nope, thank you.

11 JUDGE O'CONNELL: Okay. Then we've finished
12 the bench's questions for the panel of witnesses. All
13 the witnesses are excused. Thank you.

14 And I'd like to invite the attorneys, a
15 representative from each party to please turn on your
16 video. The witnesses can turn off their video.

17 We're going to afford an opportunity for the
18 attorneys to provide any, you know, clarity if they feel
19 that there needs to be any regarding some of the legal
20 points that were raised in some of our questions. In
21 particular, I think one of the things that you might
22 choose to address is the WIJAM and the 2020 protocol and
23 how do they meet the Commission's used and useful
24 standard.

25 Mr. Pepple, I'm aware that you -- you in

1 particular are wanting to be heard on that matter, so I
2 would like to start with you and we will go to the other
3 parties' attorneys and representatives and we will
4 conclude with the Company.

5 So, Mr. Pepple, let's hear from you first,
6 please.

7 MR. PEPPLER: Okay. Thank you, Your Honor.
8 I had just a couple of points I wanted to respond to.
9 One was sort of a question about how the WIJAM and the
10 2020 protocols interact and, you know, what -- what
11 happens if the Commission approves the 2020 protocol.
12 And, you know, I -- I participated in the MSP process
13 for quite a while -- you know, a couple years now, and,
14 you know, the -- there is nothing in the 2020 protocol
15 that substantively impacts Washington other than what is
16 in the WIJAM. There's some things like exit orders that
17 would apply to the Commission, but those -- the impacts
18 of those things are really impacts on other states, not
19 on Washington.

20 And so it's really what is in the WIJAM that
21 is relevant to Washington. And in terms of, you know,
22 sort of how the WIJAM meets used and useful standard,
23 you know, if you go back to the Commission's order when
24 it first rejected the revised protocol, you know, the
25 way that the Commission interpreted the used and useful

1 standard, they found it to mean, you know, benefits to
2 ratepayers in Washington either directly -- and so I'm
3 quoting from Order 4 in UE-050 -- 050684 and this is
4 paragraph 50, and it benefits ratepayers in Washington
5 either directly, e.g., flow of power from a resource to
6 customers and/or indirectly, e.g., reduction of costs to
7 Washington customers through exchange contracts or other
8 tangible or intangible benefits.

9 And it's -- so, you know, whether or not the
10 east side wind resources are going to be sort of able to
11 physically deliver to Washington, you know, if Jim
12 Bridger is taken out of service or not taken out of
13 service to me is not particularly relevant.

14 I think the real relevancy is that, you
15 know, the benefits that those resources provide to
16 Washington, particularly in a CETA world, are real,
17 tangible benefits. And it's frankly difficult for me to
18 see how PacifiCorp meets its CETA obligations if we
19 don't get access to those types of resources. So I
20 think -- I think those are real benefits to Washington
21 that meet the used and useful standard.

22 And one other thing, I think, Commissioner
23 Rendahl, you -- you asked about how the WIJAM sort of
24 complies with CETA's requirements related to equitable
25 benefits, and I think the answer to that really is that

1 it -- it doesn't really address that issue. And the
2 reason it doesn't address that issue is because the
3 WIJAM is dedicated to interjurisdictional cost
4 allocation to Washington. And, you know, when I think
5 of we inter -- of equitable benefits, I think more of
6 the allocation of benefits, cost of benefits among
7 customer classes, and the WIJAM is really more about
8 here's the pot of dollars that goes to Washington and
9 then we figure out -- you figure out how it gets
10 distributed.

11 And the only other thing I wanted to mention
12 was Commissioner Balasbas discussed the decommissioning
13 remediation costs for Jim Bridger and Colstrip, I
14 believe, and, you know, asked whether Washington
15 customers would be allocated decommissioning costs after
16 they were -- these units were removed from customer
17 rates.

18 And, you know, the -- the settlement leaves
19 that question open basically. It allows -- it
20 explicitly allows all parties to take any position they
21 want on future decommissioning costs. It does not sort
22 of establish the estimate that's included in this
23 settlement as the final estimate or anything like that.

24 We would -- PCA would certainly agree that
25 to the extent that customers are not receiving the

1 benefits from these plants, decommissioning costs
2 incurred after that point should not be included in
3 customer rates. But that is an issue that will -- may
4 or may not be litigated in a future case, but it's
5 certainly subject to a future case's determination.

6 So I think those are all the points I wanted
7 to cover.

8 JUDGE O'CONNELL: Okay. Thank you,
9 Mr. Pepple.

10 So I'd like to hear from Mr. Ffitch,
11 Ms. Baldwin, Ms. Suetake, Ms. Cameron-Rulkowski, and
12 then Mr. Kumar. So if I could turn now to The Energy
13 Project's representative, Mr. Ffitch. Is there -- are
14 there any comments that you'd like to make based on the
15 legal issues that were raised?

16 MR. FFITCH: Not at this time, Your Honor.
17 I am just double-checking with my client to make sure
18 that I haven't overlooked anything, but at this time,
19 I'm happy to defer to other counsel.

20 JUDGE O'CONNELL: Okay. Very well.

21 Ms. Baldwin, is there anything you'd like to
22 add on the legal issues?

23 MS. BALDWIN: No, Walmart does not have
24 anything to add at this time.

25 JUDGE O'CONNELL: Okay. Thank you.

1 Ms. Suetake from Public Counsel, is there
2 anything you would like to add?

3 MS. SUETAKE: No, Your Honor. I think
4 Mr. Pepple covered all of the assets that we might have
5 had concerns about.

6 But I -- I'd like to clarify that Public
7 Counsel has not signed onto the larger -- the larger
8 protocol, and we were largely focused on WIJAM and in
9 this settlement. So we didn't have those larger
10 concerns.

11 JUDGE O'CONNELL: So, Ms. Suetake, to follow
12 up on that just a little bit and your interpretation of
13 what is in the settlement is not going to bind Public
14 Counsel's ability to take position in the future?

15 MS. SUETAKE: As Mr. Pepple had clarified,
16 the aspects of the larger protocol that bind Washington
17 are included in WIJAM. So to the extent that there
18 might have been other outside activities happening
19 within the protocol negotiations, we weren't concerned
20 about it with respect to WIJAM.

21 JUDGE O'CONNELL: Okay. Thank you.

22 Ms. Cameron-Rulkowski for Staff, is there
23 anything else you'd like to add on the legal issues?

24 MS. CAMERON-RULKOWSKI: I would add that I
25 agree with what Mr. Pepple stated concerning the

1 standard, which is from that Docket UE-050684, and I am
2 looking at specifically Order 4, paragraph 68, which is
3 the test for including a resource in rates is whether it
4 provides quantifiable, direct, or indirect benefits to
5 Washington commensurate with its cost. And Staff had it
6 very much in mind when they were negotiating the WIJAM.
7 And I would refer you back to the testimony of Jason
8 Ball earlier today regarding the benefits that Staff
9 considered when it was involved in the -- this process.

10 And I would just add that if it would be
11 helpful for the Commission, the joint parties could
12 provide supplemental testimony on the -- on the costs
13 and benefits of the WIJAM.

14 JUDGE O'CONNELL: Okay. We will -- we'll
15 consider that request, and if we -- in looking more
16 closely and thinking about the testimony that's been
17 offered today, if we think we would benefit from that,
18 we may request that in the future. We're not going to
19 make any request at this moment, but if we need it, we
20 will ask for it.

21 Let me move on to Mr. Kumar from the
22 Company. You get the -- the last chance to put in a
23 word on any of the legal issues that were raised during
24 today's hearing. Do you have anything you'd like to
25 add?

1 MR. KUMAR: Yes, Your Honor. I have two --
2 before I discuss any of these legal issues, I'd like to
3 clarify that we have gotten the interest rate
4 information on the current tax balance and deferred
5 current tax balance and the deferred EDIT balance. I
6 can provide that clarification in the record right now
7 if it's helpful.

8 JUDGE O'CONNELL: Yes, that would be
9 helpful. Can you please repeat it clearly which numbers
10 you're referring to and just so we make sure we keep it
11 separate and clear.

12 MR. KUMAR: Yes, the interest rate on the
13 deferred current tax balance is 5.4 percent, which I
14 believe is the -- the FERC rate, the -- that's the --
15 that's the rate published by the -- by FERC used -- they
16 use this calculation as an estimate and will be updated
17 quarterly when the new rate is published by FERC.

18 And I believe the interest rate on the
19 deferred EDIT balance, the E-D-I-T balance, is 7.17
20 percent, which is the rate of return for the Company.

21 JUDGE O'CONNELL: Okay. Thank you. And
22 there was another matter or two that you wished to
23 address, yes?

24 MR. KUMAR: Yeah, I would like to -- in
25 addition to echoing the comments made by Mr. Pepple, I'd

1 like to address sort of the WIJAM and the used and
2 useful issues that were considered by the Commission
3 earlier in this hearing.

4 You know, I would echo the references to the
5 order, and I will say that when we developed the WIJAM,
6 we specifically had those orders in mind, and we
7 referenced those orders both in the -- they're
8 referenced in detail in the actual text of the WIJAM
9 memorandum of understanding, and they're also referenced
10 in -- throughout the testimony of Mr. Wilding where
11 he -- he goes through and details in -- in I think a
12 good amount of detail how the -- each element of those
13 tax groups met through the WIJAM and specifically
14 quantifies in the elements of those costs and benefits.

15 Specifically he details how they are
16 significant benefits for net power costs, significant
17 benefits in terms of increased PTCs for Washington
18 customers and increased wheeling revenues totaling
19 almost \$25 million, a little less than \$25 million in
20 revenue requirement benefits from the WIJAM.

21 And this is important because the -- the
22 test the Commission has articulated for the WIJAM is
23 that it must provide quantifiable and direct and
24 indirect benefits to Washington ratepayers commensurate
25 with its costs. And so the detail in Mr. Wilding's

1 testimony MGW-1CT through almost his entire testimony
2 and [inaudible], both those quantifiable benefits and we
3 quantify them where possible, and we also discuss some
4 of the more nonquantifiable benefits and, you know, how
5 it could possibly help for CETA legislation.

6 So I do think that there is a significant
7 record there to draw upon with regards to the benefits
8 to the WIJAM.

9 Specifically, I think the other element is
10 that in order to show that a new cost allocation change
11 should be adopted, parties must demonstrate that any
12 changes proposed must more closely align the allocation
13 of costs with the allocation of costs based on
14 causation. And this is again from -- this is actually
15 specifically for Docket UE-130043, I believe it's Order
16 5. It's in paragraphs 92 to 94.

17 And, you know, I think there's been a lot of
18 discussion today about the Idaho Asset Exchange, and I
19 want to, you know, specifically thank Staff, Public
20 Counsel, and PCA for all the work because it -- two to
21 four years of discussion and effort went into developing
22 the WIJAM, and we spent a lot of time discussing how our
23 system works, walking them through, you know, a lot of
24 analysis and a lot of data on PacifiCorp's system and,
25 you know, how -- how things are -- should be allocated.

1 And so I feel like the WIJAM does represent
2 a more deeper understanding of -- of PacifiCorp's cost
3 and the cost causation and it reflects a number of
4 assets that are -- are used and useful for Washington
5 customers. And so we would request the Commission
6 approve this stipulation and the WIJAM -- and the WIJAM,
7 which is sort of an integral part of the 2020 protocol.
8 And I'm happy to answer any questions that any of the
9 Commissioners have.

10 JUDGE O'CONNELL: Okay. Thank you.

11 Let me ask, are there any follow-up
12 questions from the Commissioners for any of the
13 attorneys?

14 I don't -- okay. I see head shaking. So I
15 think that brings us to the conclusion of this hearing.

16 Is there anything else that we should
17 address before we adjourn? I'm hearing nothing, seeing
18 nothing. I am going to pause just because sometimes the
19 technology might take a second, but I don't hear
20 anything.

21 Then -- we've already addressed the public
22 comments will be in bench exhibit bench request 2. I
23 will follow up with the bench requests that we have not
24 gotten answers for during this hearing, and I will send
25 that out today or at least tomorrow to the parties for

1 those bench requests to be addressed.

2 As far as responses on those bench requests,
3 let's talk about timing. Would one week be sufficient
4 for the parties to respond to any bench requests?

5 MR. WILDING: Your Honor, that's the amount
6 of time I was going to suggest, so that -- that would
7 work for the Company.

8 JUDGE O'CONNELL: Okay.

9 COMMISSIONER RENDAHL: Just to clarify, are
10 we talking business days or calendar days?

11 JUDGE O'CONNELL: Seven calendar days, so
12 one week -- so in anticipation that by the end of the
13 day tomorrow at the latest we issue the bench requests,
14 assuming that it would be -- well, I'm asking if it
15 would be sufficient amount of time until next Tuesday,
16 close of business next Tuesday to publish any response
17 that parties might want to make? And we've heard from
18 the Company and I have heard no objections or opposition
19 from any of the other parties, so we will plan on
20 issuing a deadline of one week after we issue the bench
21 requests.

22 Okay. Hearing nothing else from the
23 parties, we will be adjourned for this afternoon. Thank
24 you all for your attendance and your testimony and your
25 thoughts. All right. We will be off the record. We

1 are adjourned. Thank you.

2 (Adjourned at 2:11 p.m.)

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STATE OF WASHINGTON
COUNTY OF THURSTON

I, Tayler Garlinghouse, a Certified Shorthand Reporter in and for the State of Washington, do hereby certify that the foregoing transcript is true and accurate to the best of my knowledge, skill and ability.

Tayler Garlinghouse

Tayler Garlinghouse, CCR 3358

