

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

2

3 PETITION OF PUGET SOUND POWER) GENERAL RATE CASE
 & LIGHT COMPANY FOR AN ORDER)
 4 REGARDING THE ACCOUNTING) DOCKET NO. UE-920433
 TREATMENT OF RESIDENTIAL)
 5 EXCHANGE BENEFITS)

-----)
 6 WASHINGTON UTILITIES AND)
 TRANSPORTATION COMMISSION,)
 7)
 Complainant,)

8 vs.) DOCKET NO. UE-920499

9)
 PUGET SOUND POWER & LIGHT)
 10 COMPANY,)
)
 11 Respondent.)

-----)
 12 WASHINGTON UTILITIES AND)
 TRANSPORTATION COMMISSION,)
 13)
 Complainant,)

14 vs.) DOCKET NO. UE-921262

15)
 PUGET SOUND POWER & LIGHT) VOLUME XX
 16 COMPANY,) PAGES 3405-3619
)
 17 Respondent.)
 -----)

18

19 A hearing in the above matter was held on
 20 June 11, 1993 at 9:00 a.m., at 1300 South Evergreen
 21 Park Drive Southwest, Olympia, Washington, before
 22 Chairman SHARON L. NELSON, Commissioners RICHARD CASAD
 23 and RICHARD HEMSTAD, and Administrative Law Judge
 24 ALICE HAENLE.
 25 Cheryl Macdonald, RPR, CSR, Court Reporter

1 The parties were present as follows:

2 WASHINGTON UTILITIES AND TRANSPORTATION
3 COMMISSION STAFF, by DONALD T. TROTTER and SALLY G.
4 BROWN, Assistant Attorneys General, 1300 South
 Evergreen Park Drive Southwest, Olympia, Washington
 98504.

5 FEDERAL EXECUTIVE AGENCIES, by VASIO
6 GIANULIAS, Associate Counselor, 900 Commodore Drive,
7 Bldg. 107, (Code 09C), San Bruno, California
 94066-2402.

8 PUGET SOUND POWER & LIGHT, by JAMES VAN
9 NOSTRAND and STEVEN C. MARSHALL, Attorneys at Law,
 411 - 108th Avenue NE, Bellevue, Washington 98004.

10 WASHINGTON INDUSTRIAL COMMITTEE FOR FAIR
11 UTILITY RATES, by MARK P. TRINCHERO, 2300 First
12 Interstate Tower, 1300 Southwest Fifth Avenue,
 Portland, Oregon 97201, and PETER RICHARDSON,
 Attorney at Law, 702 West Idaho, Boise, Idaho 83702.

13 PUBLIC INTEREST, by CHARLES F. ADAMS,
14 Attorney at Law, Suite 2000, 900 Fourth Avenue,
 Seattle, Washington 98164.

15 PACIFIC CORP, by JAMES PAINE, Attorney at
 Law, 900 SW Fifth Avenue, Portland, Oregon 97204-1268.

16 WASHINGTON WATER POWER, by DAVID MEYER,
17 Attorney at Law, Suite 1200, Washington Trust Financial
 Center, 717 W. Sprague, Spokane, Washington 99204.

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1	I N D E X					
2	WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
3	G. BLACKMON	3410	3419	3517	3530	3502
4	C. WINTERFELD	3533	3535			3603
5	EXHIBIT	MARKED	ADMITTED			
6	T-832	3409	3419			
7	833-845	3409	3419			
8	T-846	3409	3419	RECORD	REQUESTION	
9	847	3409	3475	584	3425	
10	848	3424	3425	585	3569	
11	849	3428	3428			
12	850	3432	3435			
13	851	3436	3437			
14	852-855	3440	3452			
15	856	3453	3454			
16	857	3455	3456			
17	T-858	3533	3535			
18	859-862	3533	3535			
19	T-863	3533	3535			
20	864	3537	3539			
21	865	3538	3539			
22	866, 867	3549	3558			
23	868	3549	3556			
24	869	3559	3560			

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

2 JUDGE HAENLE: The hearing will come to
3 order. This is a 20th day of hearing in the
4 consolidated Puget cases. This is June 11, 1993 and
5 we're finishing up, I hope, with the phase of
6 Commission staff, intervenor and public counsel expert
7 cross-examination. It's a little different mix of
8 counsel again this morning so if you would just
9 indicate your name and your company's name, we will
10 take those appearances beginning with the company.

11 MR. MARSHALL: Steve Marshall and James Van
12 Nostrand.

13 JUDGE HAENLE: For the Commission.

14 MR. TROTTER: Donald T. Trotter and Sally
15 G. Brown.

16 MR. ADAMS: Charles Adams appearing as
17 public counsel.

18 MR. PAINE: James Paine for Pacific Corp.

19 MR. MEYER: David Meyer for Water Power.

20 MR. TRINCHERO: Mark Trincherro for WICFUR.

21 JUDGE HAENLE: All right. We'll be taking,
22 as I understand, Mr. Blackmon first, so would you
23 raise your right hand, please, sir. I will mark the
24 prefiled documents for identification as follows:

25 Marked as T-832 for identification is a 69-page

(COLLOQUY)

3409

1 document, prefiled testimony, and note that there is
2 an errata sheet that goes with it. Please put that
3 sheet with it and make the corrections on your own
4 copy.

5 GB-2 is 833 in four pages;

6 GB-3 in one page is 834.

7 GB-4 in three pages is 835.

8 GB-5 in one page is 836.

9 GB-6 in one page is 837 B.

10 GB-7 in one page is 838.

11 GB-8 in two pages is 839.

12 GB-9 in one page is 840.

13 GB-10 is 841.

14 GB-11 in one page is 842.

15 GB-12 in one page is 843.

16 GB-13 in one page is 844.

17 GB-14 in one page is 845.

18 GB-15, which is prefiled rebuttal testimony

19 in six pages is T-846.

20 And GB-16 in one page is 847. And please

21 note that Mr. Adams has distributed a revised chart

22 which is GB-16. Make the substitution straight

23 across.

24 (Marked Exhibits T-832, 833 through 845,

25 T-846 and 847.)

(BLACKMON - DIRECT BY ADAMS)

3410

1 Whereupon,

2 GLENN BLACKMON,

3 having been first duly sworn, was called as a witness

4 herein and was examined and testified as follows:

5 MR. ADAMS: Your Honor, might I inquire of
6 the Commissioners whether they got the errata sheet
7 and the replacement.

8 COMMISSIONER CASAD: Apparently the
9 chairman does. I don't have one here, unless there
10 are two of them.

11 COMMISSIONER HEMSTAD: I don't have one.

12

13 DIRECT EXAMINATION

14 BY MR. ADAMS:

15 Q. Dr. Blackmon, would you state your full
16 name and spell your last name?

17 A. My name is Glenn Blackmon, B L A C K M O N.

18 Q. What is your occupation?

19 A. I'm an economic and policy consultant in
20 private practice and a partner in Delta Pacific, a
21 small consulting firm.

22 Q. Business address?

23 A. 218 and a half West Fourth Avenue, Olympia,
24 Washington.

25 Q. Did public counsel request you to review

(BLACKMON - DIRECT BY ADAMS)

3411

1 the company's general rate case filing and to make
2 recommendations on various issues?

3 A. Yes.

4 Q. Are those contained -- is this your
5 testimony analyzing those issues contained in an
6 exhibit that's been marked T-832?

7 A. Yes.

8 Q. And I believe we have already passed out an
9 errata sheet with those corrections. Is that
10 testimony true -- first of all, was it prepared by you
11 or under your supervision?

12 A. Yes.

13 Q. Is it true and correct to the best of your
14 knowledge?

15 A. Yes.

16 Q. Also, following that testimony there have
17 been various exhibits numbered 833 through 845. Also,
18 was that information prepared by you or under your
19 supervision?

20 A. Yes.

21 Q. Is it true and correct to the best of your
22 knowledge?

23 A. Yes.

24 Q. You also prepared rebuttal testimony on a

25 limited issue of the hydro normalization; is that

(BLACKMON - DIRECT BY ADAMS)

3412

1 correct?

2 A. Yes.

3 Q. And that is contained in T-846 and the

4 accompanying replacement exhibit now 847?

5 A. Yes.

6 Q. And is that true and correct to the best of

7 your knowledge?

8 A. Yes.

9 Q. I would move the admission of T-832 through

10 847.

11 JUDGE HAENLE: Any objection,

12 Mr. Van Nostrand?

13 MR. VAN NOSTRAND: No, your Honor.

14 MR. TROTTER: No objection.

15 JUDGE HAENLE: Objection from any

16 intervenor?

17 MR. PAINE: I may have an objection, your

18 Honor, if I may, as regards Exhibit 847. I wonder if

19 I could ask a question or two in aid of a possible

20 objection.

21 JUDGE HAENLE: Yes, you may.

22

23 VOIR DIRE EXAMINATION

24 BY MR. PAINE:

25 Q. If you would look, Dr. Blackmon, please, at
(BLACKMON - VOIR DIRE BY PAINE)

1 Exhibit 847. My understanding is that you have made a
2 change from what has been originally filed as GB-16;
3 is that correct?

4 A. That is correct.

5 Q. What changes did you make?

6 A. As I submitted the exhibit with my prefiled
7 testimony it was using monthly data and revised
8 exhibit uses annual data.

9 Q. I see. Otherwise there's no other changes
10 to what has been marked as Exhibit 847?

11 A. That is correct.

12 Q. Could I ask you if Exhibit 847 attempts to
13 plot, if you will, Puget generation and it also sets
14 forth Dalles stream flows; is that correct?

15 A. Its purpose is to illustrate -- well, I'm
16 not sure if that's correct. Its purpose is to
17 illustrate the nature of the relationship between
18 stream flow at the Dalles and generation available to
19 Puget Power.

20 Q. This is a graphical depiction of that over
21 a period of 1928 through 1978; is that correct?

22 A. Yes, it is.

23 Q. What is the correlation coefficient that
24 you have developed in analyzing the Dalles annual

25 stream flows and Puget generation?

(COLLOQUY)

3414

1 A. I haven't done that calculation.

2 MR. PAINE: Well, your Honor, this places
3 us in somewhat of an awkward situation in that the
4 original GB-16 with monthly data, we did not believe
5 to be particularly relevant. We were not overly
6 concerned about it. However, with annual data we
7 believe this is relevant on the one hand but we have
8 not had an opportunity to perform discovery which we
9 certainly would have had Dr. Blackmon included that in
10 his original exhibits. For example, Dr. Blackmon
11 makes a point in his rebuttal testimony that he
12 doesn't believe there is a correlation between Puget
13 generation and Dalles stream flows. Well, we think
14 that a meaningful analysis would have included more
15 than just a simple plotting or a depicting of the
16 stream flow and the generation as shown in 847. We
17 would have also asked for development of a
18 correlation. Now, because of the timing of the
19 situation we're in a rather difficult situation to
20 develop that correlation which we believe exists.
21 Therefore, I would object to Exhibit 847.

22 JUDGE HAENLE: Mr. Adams?

23 MR. ADAMS: Your Honor, Counsel is free to
24 inquire but it's my understanding that the data that

25 was in the original exhibit is simply the same data

(COLLOQUY)

3415

1 but on a monthly basis and is now shown with fewer
2 dots, if you will, as they are annual figures and the
3 basic data is the same.

4 MR. PAINE: If I may respond.

5 JUDGE HAENLE: Let me find my copy of the
6 old one first.

7 MR. ADAMS: Certainly have no objection to
8 counsel's inquiries of the witness on the two issues,
9 if there's a difference, but it's my understanding and
10 the witness can perhaps respond to counsel but it's my
11 understanding that this is simply annual situation of
12 the same data.

13 JUDGE HAENLE: Go ahead, Mr. Paine.

14 MR. PAINE: The plotting of monthly
15 generation data in comparison to Dalles stream flows
16 is not particularly meaningful. We're looking at
17 annual stream flows and we're attempting to determine
18 whether there is a correlation with annual stream
19 flows of the Dalles and Puget generation. I would
20 submit that, with a modest effort, Dr. Blackmon could
21 not only have graphically depicted these two sets or
22 streams of numbers, as he did in 847, but he could
23 have determined whether there was a correlation, a
24 relationship, if you will, between Puget generation

25 and Dalles stream flows. That next step in an

(COLLOQUY)

3416

1 analysis is relatively simple and straightforward and
2 we would have asked Dr. Blackmon to perform that had
3 he included 847 in his original testimony. Now, I'm
4 not sure how we can get that developed because of the
5 timing.

6 JUDGE HAENLE: Mr. Adams?

7 MR. ADAMS: Well, your Honor, counsel is
8 certainly able to ask at this time a record
9 requisition of the witness, and we would be happy to
10 respond to it as long as it's not some burdensome
11 study, so that he can still conduct discovery if this
12 is a concern for him. I don't believe any of the
13 parties are compromised. We were all under a very
14 short turnaround time, as I recall, for any rebuttal
15 testimony and it just appeared to us that this would
16 be more meaningful data.

17 JUDGE HAENLE: How would counsel --

18 MR. PAINE: May I make a suggestion?

19 JUDGE HAENLE: You may be answering the
20 question I was about to ask.

21 MR. PAINE: With that statement by
22 Mr. Adams, perhaps we could proceed with
23 cross-examination to see how it develops. With your
24 permission I would like to reserve the right to object

25 to Exhibit 847 later in the day if things do not

(COLLOQUY)

3417

1 develop in allowing me to develop what I think is a
2 correlation here. But you see, we're allowed to
3 perform discovery in a record requisition subsequent
4 to this hearing that allows us only the ability to use
5 it in the briefing schedule and not to ask the
6 questions of Dr. Blackmon.

7 JUDGE HAENLE: That was going to be my
8 question. Mr. Adams, if it were developed in the form
9 of a record requisition, how would counsel have a
10 chance to ask questions of your witness?

11 MR. ADAMS: Well, I guess -- we're
12 certainly willing to be cooperative and if it's
13 necessary to recall Dr. Blackmon at the time of the
14 company response, perhaps we could do it that way.
15 Perhaps the record requisition would be self-
16 explanatory and we could stipulate it in. I frankly
17 don't know where we're going at this point but I am
18 expressing a willingness to be cooperative with
19 counsel.

20 JUDGE HAENLE: I am not sure where you're
21 all going either. It looks to me comparing the old
22 GB-16 with the new one that they do show -- they may
23 be pieces of the same data but they look a lot
24 different in terms of whether it's all randomly

25 scattered or lined up. It occurs to me that if this

(COLLOQUY)

3418

1 is going to be offered that there should be the chance
2 for discovery on it. I am willing to -- I think this
3 goes beyond just the Commission saying if he hasn't
4 done a calculation of correlation coefficient, the
5 Commission will ignore it. I don't think that's a
6 good spot to be in. May I suggest that we put both
7 the original and the revised in as part of this
8 exhibit to show the differences and then we would
9 proceed with your questions, Mr. Paine, and see where
10 we end up.

11 MR. PAINE: That would be fine with me.

12 MR. ADAMS: That's fine, your Honor.

13 Perhaps we mark the original one, which is with the
14 monthly data as one of two.

15 JUDGE HAENLE: The one has at the top
16 5-27-93 revision. That seems pretty obvious to me.
17 Can you refer to it as the original and the revised if
18 you're questioning about it, Mr. Paine?

19 MR. PAINE: Fine.

20 MR. TROTTER: So it's a two-page exhibit
21 now.

22 JUDGE HAENLE: Yes. I will enter -- did
23 anyone else -- any of the other intervenors have
24 objection to any of the documents?

25 All right. I will enter T-832 through

(BLACKMON - CROSS BY VAN NOSTRAND)

3419

1 T-846 and I am going to wait on 847 until we see what
2 falls out the other side but it now consists of the
3 two pages. Anything else, Mr. Adams?

4 MR. ADAMS: No.

5 (Admitted Exhibits T-832, 833 through 845
6 and T-846.)

7

8 CROSS-EXAMINATION

9 BY MR. VAN NOSTRAND:

10 Q. Good morning, Mr. Blackmon.

11 A. Morning.

12 Q. Your testimony makes several adjustments to
13 power supply expenses?

14 A. That is correct.

15 Q. And among other testimony your testimony
16 proposes to use 30 years of stream flow data to define
17 normal hydro available?

18 A. Yes.

19 Q. And proposes an adjustment for new
20 purchased power contracts for prices which you claim
21 are in excess of the company's avoided costs; is that
22 right?

23 A. Yes.

24 Q. Regarding conservation expenditures you

25 also propose to lengthen the amortization period to

(BLACKMON - CROSS BY VAN NOSTRAND)

3420

1 20 years?

2 A. Yes.

3 Q. And to exclude a portion of the company's
4 conservation advertising expenses; is that right?

5 A. Yes.

6 Q. And finally you also propose a number of
7 changes to the PRAM decoupling mechanism; is that
8 right?

9 A. Yes, it is.

10 Q. If we could turn first to your discussion
11 of hydro availability in the calculation of normal
12 hydro availability. You had an opportunity to review
13 the testimony of all the parties in this proceeding
14 regarding the number of historical water years to be
15 used in normalizing stream flows?

16 A. Yes, I have.

17 Q. And would you agree that the various
18 proposals include the rolling 40-year average proposed
19 by staff witness Winterfeld, the most recent 30 years,
20 which you propose, the company's proposal to use a
21 50-year average and Mr. Schoenbeck's proposal to use
22 an extended database of 100-plus years?

23 A. Yes.

24 Q. Would you agree that the 50-year average

25 proposed by the company uses the 50 years from 1928 to

(BLACKMON - CROSS BY VAN NOSTRAND)

3421

1 '78?

2 A. Yes.

3 Q. And this is the full 50 years of data
4 available from the regional hydro regulation studies?

5 A. Correct.

6 Q. And you're proposing to use only the most
7 recent 30 years of this data or the years '48 to '78;
8 is that right?

9 A. That's right.

10 Q. And there is no difference in the quality
11 of the data in terms of accuracy and how it's measured
12 that would cause you to exclude the early 20 years, is
13 there?

14 A. I am not aware of any difference in
15 quality, no.

16 Q. So you're not discarding the early 20 years
17 on the basis of accuracy or reliability of data. It's
18 just a matter of your analysis?

19 A. It's not the accuracy of the measurement.
20 It's the relevance of the measurement.

21 Q. Would you agree that the purpose of the
22 stream flow normalization method chosen in a rate case
23 is to provide the best estimate of power costs during
24 the period for which retail rates are being approved?

25 A. Yes.

(BLACKMON - CROSS BY VAN NOSTRAND)

3422

1 Q. So in other words, we're trying to
2 determine normal stream flow conditions defining the
3 term normal?

4 A. We're attempting to define the stream flow
5 conditions that are most likely to prevail in the
6 upcoming rate year.

7 Q. Are you familiar with the Commission's
8 order in the company's 1989 rate case with regard to
9 water years?

10 A. Yes.

11 Q. And isn't it true the Commission's order on
12 reconsideration expressed a desire that some effort be
13 made to determine a best method to be used for the
14 entire state regarding number of historical water
15 years?

16 A. That is correct.

17 Q. Would you accept subject to check that the
18 language in the fifth supplemental order states, "the
19 Commission would like to see an evaluation by the
20 three investor-owned electric utilities and other
21 interested parties regarding the best method to use
22 for the entire state"?

23 A. Yes.

24 Q. Do you know whether or not any discussions

25 have occurred since that order regarding a common

(BLACKMON - CROSS BY VAN NOSTRAND)

3423

1 method for stream flow analysis?

2 A. Yes.

3 Q. Yes, discussions have occurred?

4 A. Yes, I know that discussions have occurred.

5 Q. And to your knowledge, has public counsel
6 participated in those discussions?

7 A. Yes.

8 Q. And did you participate in those
9 discussions?

10 A. No.

11 Q. In fact, Mr. Lazar participated in those
12 discussions representing public counsel; is that
13 right?

14 A. That's right.

15 Q. Do you know if Mr. Lazar represented public
16 counsel in these meetings -- strike that.

17 Were you given an opportunity to
18 participate in these discussions?

19 A. If you mean was I sent an invitation by
20 Puget Power, the answer is no.

21 Q. But the decision was made by public counsel
22 that Mr. Lazar, rather than you, would represent
23 public counsel?

24 A. Right. I would say that Mr. Adams,

25 Mr. Lazar and I discussed who should attend these

(BLACKMON - CROSS BY VAN NOSTRAND)

3424

1 meetings and it was agreed that Mr. Lazar should do
2 so.

3 Q. So even though Mr. Lazar attended the
4 meetings he's not presenting testimony on that issue
5 in this case, you are, is that right?

6 A. That is correct.

7 MR. VAN NOSTRAND: Your Honor, I would like
8 to distribute an exhibit.

9 JUDGE HAENLE: You've handed me a
10 multi-page document. The caption at the top is
11 Response to Company Data Request 4200. I will mark
12 this as 848 for identification.

13 (Marked Exhibit 848.)

14 Q. Mr. Blackmon, do you recognize Exhibit 848
15 as your response to the company data request 4200?

16 A. Yes, I do.

17 Q. And this concerns your analysis regarding
18 the 50-year stream flow record and the presence of
19 trends or cycles?

20 A. That is correct.

21 MR. VAN NOSTRAND: Your Honor, move the
22 admission of 848.

23 JUDGE HAENLE: Any objection, Mr. Adams?

24 MR. ADAMS: No objection.

25 MR. TROTTER: No objection.

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 JUDGE HAENLE: Objection from an
2 intervenor?

3 All right. 843 will be entered into the
4 record.

5 (Admitted Exhibit 848.)

6 Q. Regarding the regression analysis that's
7 presented in Exhibit 848 did you calculate a Durbin
8 Watson or a Durbin H stack?

9 A. That would be the attachment 42-B; is that
10 correct?

11 Q. Right.

12 A. Yes, I did.

13 Q. And where does that appear on this
14 document?

15 A. It doesn't appear on this document.

16 Q. Could you provide that in response to the
17 next numbered record requisition, please.

18 JUDGE HAENLE: Next in line is 584.

19 (Record Requisition 584.)

20 MR. ADAMS: Will counsel just restate
21 exactly what he is requesting.

22 MR. VAN NOSTRAND: Yes. The Durbin Watson
23 or Durbin H stack which was calculated by Mr. Blackmon
24 in connection with the regression analysis shown on

25 attachment 4200 B of Exhibit 848.

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 Q. Your studies demonstrated that there is a
2 multi-year cycle with a predictable period?

3 A. No, not with predictable period.

4 Q. As far as the analysis shown here in
5 Exhibit 848, what's the rationale for regressing
6 monthly data for analyzing annual cycles?

7 A. I guess I missed the idea that we were only
8 talking about annual cycles here. The reason to use
9 monthly data is that it is the most detailed level at
10 which data is available and there are cycles or
11 patterns within a year. In fact, I think that's where
12 there is the least amount of controversy is that you
13 have what's called spring runoff so that within a year
14 there are definite patterns and those need to be
15 accounted for in any sort of an analysis, but to
16 account for those by simply adding up all the
17 observations for a year and using an annual number is
18 a waste of information because you can adjust for the
19 seasonal patterns within the year and still have
20 available information left over in that monthly data
21 that could be used to estimate longer cycles or
22 trends.

23 Q. And along those lines, does that explain
24 why you have a regression variable that attempts to

25 measure relationship between the current months and

(BLACKMON - CROSS BY VAN NOSTRAND)

3427

1 prior months?

2 A. That regression variable which is on
3 attachment 4200 B, page 1 is listed as the cyclical
4 variable. It's the flow in the prior month. Attempts
5 to estimate whether or not the amount of river coming
6 down the river in one month is related or correlated
7 with the amount of water that came down the river in
8 the previous month. And the fact that there does
9 appear to be a relationship indicates that we would
10 expect some sort of cycle in the flows that, since
11 there is a positive relationship, that means that if
12 the flow is high in one month it's likely to be high
13 in the subsequent month.

14 Q. And how does this demonstrate hydro cycles
15 over a period of years?

16 A. Well, month one is followed by month two,
17 month three and so that if you take a monthly
18 relationship like that, you know, it doesn't stop at
19 the end of the year. In December the flows that exist
20 have a relationship to January of the next year.
21 That's how it relates to a period of more than one
22 year.

23 MR. VAN NOSTRAND: Like to distribute
24 another exhibit, your Honor.

25 JUDGE HAENLE: You've handed me a one-page
(BLACKMON - CROSS BY VAN NOSTRAND) 3428

1 document entitled Response to Company Data Request
2 4205. I will mark this as 849 for identification.
3 (Marked Exhibit 849.)

4 Q. Mr. Blackmon, do you recognize what's been
5 marked for identification as Exhibit 849 as your
6 Response to Company Data Request No. 4205?

7 A. Yes, I do.

8 MR. VAN NOSTRAND: Your Honor, I move
9 admission of 849.

10 JUDGE HAENLE: Any objection, Mr. Adams?
11 MR. ADAMS: No.
12 MR. TROTTER: No objection.

13 JUDGE HAENLE: Objection from any
14 intervenor?

15 All right. 849 will be entered into the
16 record.
17 (Admitted Exhibit 849.)

18 Q. Your response to data request 4205
19 indicates that you eliminated the older observations
20 because they differ from the mean of more recent
21 observations. Is that a fair statement?

22 A. I wouldn't say I eliminated; I didn't
23 include them in the first place.

24 Q. Do I understand from your testimony that

25 your analysis begins with the water years 1968 through

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 1977?

2 A. That's right.

3 Q. And beginning with that ten-year period,
4 the average megawatts generated during that period
5 according to your testimony was 999 which I believe is
6 page 11, line 4?

7 A. Right.

8 Q. And then after you looked at that original
9 ten-year period from '68 to '77 then you moved back to
10 the preceding ten-year period and you concluded that
11 that --

12 JUDGE HAENLE: Can you go more slowly?

13 MR. VAN NOSTRAND: I will try.

14 Q. You concluded that that also should be
15 included because the slightly higher average megawatts
16 of 1021 could be explained by random variation, you
17 called it?

18 A. That's correct. The idea is that in that
19 initial ten-year period, which is the most recent
20 available data, the average is 999 but there is year
21 to year variation around that average, and there's
22 enough variation in that ten-year average that it's
23 not at all unlikely that you could have come up with
24 the number of 1021 instead of 99, and since I couldn't

25 reject the idea that these two were different I

(BLACKMON - CROSS BY VAN NOSTRAND)

3430

1 accepted the idea that they're the same and moved on
2 to a 20-year average.

3 Q. And then looking at 20-year average in hand
4 then you added the preceding ten years and you
5 concluded that that too could be explained by random
6 variation so you added that year?

7 A. That's right. The 20-year average had
8 enough variation in it that the previous ten years was
9 -- wasn't so unlikely to have had that previous
10 ten-year result. So, again, I included it in the
11 average.

12 Q. And this gave you the 30-year period which
13 you proposed to use in calculating normal hydro
14 availability?

15 A. That is correct.

16 Q. And for years prior to 1948 you concluded
17 that these data should not be included because the
18 difference between the 30-year average, 1017
19 megawatts, and the average for the ten years from '38
20 to '47 and from '28 to '37 could not be explained by
21 random variation. Is that a fair statement?

22 A. Yes, it is.

23 Q. How about the last two years in particular?
24 If you were to consider the hydro data from the PRAM 1

25 and PRAM 2 periods in particular, how would that

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 compare with hydro flows shown in your analysis?

2 A. I don't know. These are outside of the set
3 of data that I used in this analysis. We talk about
4 that I used the most recent 30 years. That's really
5 not exactly right. What I use is the most recent
6 available 30 years which end with the 1977-'78 water
7 year. I consider it unfortunate that it ends -- that
8 this most recent data set ends fifteen years ago but
9 the fact is that it does and so I haven't compared
10 PRAM 1 and PRAM 2 water additions to that.

11 Q. For the PRAM 1 period your testimony states
12 at page 61 that the company actually had 865 average
13 megawatts of hydro; is that right?

14 A. I missed the page number.

15 Q. Page 61.

16 A. Correct.

17 Q. Would you accept subject to check that
18 during the period May 1992 through April 1993 the
19 company actually had 803 megawatts of hydro and that
20 appears in Mr. Lauckhart's testimony in PRAM 3 filing?

21 A. What was the period again, I'm sorry.

22 Q. That would be May of 1992 through April of
23 1993?

24 A. I would accept that subject to check.

25

MR. VAN NOSTRAND: Like to distribute

(BLACKMON - CROSS BY VAN NOSTRAND)

3432

1 another exhibit, your Honor.

2 JUDGE HAENLE: You've given me a one-page
3 document. At the top it says Hydro Data Schedule 1.
4 I will mark this as 850 for identification.

5 (Marked Exhibit 850.)

6 Q. Mr. Blackmon, would you agree that the
7 first five columns in this exhibit fairly depict the
8 numbers which appear in your testimony on page 11
9 regarding the average megawatts during the various
10 ten-year periods?

11 A. Yes, I would.

12 Q. And it shows basically as we follow your
13 analysis on page 11 the 999 megawatts from the first
14 ten-year period which we looked at and then you added
15 the 1021 from the preceding ten-year period and the
16 1031 from '48 to '57 period?

17 A. Correct.

18 Q. And the period prior to that were rejected
19 as not being explainable through differences in random
20 variation?

21 A. Correct.

22 Q. And the last two columns just reflect the
23 data which we just discussed regarding the PRAM 1 and
24 PRAM 2 actuals?

25 A. Yes.

(BLACKMON - CROSS BY VAN NOSTRAND)

3433

1 Q. Recognizing that the PRAM 2 actual is only
2 a May through April number?

3 A. So it's a full year of information, it's
4 just not the same cut of a year.

5 Q. Precisely. Rather than using the '68 to
6 '77 period as the starting point in your analysis,
7 what if you started your analysis beginning with the
8 '28 to '37 period? Wouldn't you have reached the
9 conclusion that the 30 years between '48 and '77 could
10 not be explained by random variation?

11 A. I haven't done that analysis but my guess
12 is that I would find that the difference between the
13 '28 to '37 period and the more recent periods, say,
14 '48 to '57, could not be explained by random
15 variation. I think that's the flip side of the
16 analysis that I actually did.

17 Q. So in other words it does depend on the
18 starting point and the fact that you started with
19 relatively good hydro years in '68 to '77 tends to
20 affect the outcome of your analysis, wouldn't you
21 say?

22 A. No, it doesn't depend on the starting
23 point. What I did was I have two groups of
24 observations, recent and not recent, and I

25 statistically tested the hypothesis that the two are

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 equal and I rejected that hypothesis. I concluded
2 that the two are not equal and whether you say that A
3 is not equal to B or B is not equal to A, it's the
4 same answer.

5 JUDGE HAENLE: Was it your intent to move
6 850 for identification?

7 MR. VAN NOSTRAND: Yes.

8 JUDGE HAENLE: Any objection?

9 MR. ADAMS: Yes, I am going to object. I
10 have no problem with the numbers being in the record
11 as they have already been put in through the witness,
12 but we have a comparison here of averages with single
13 spots and every one of these ten-year averages has
14 spots that bounce all over the place as well, and it
15 is just simply not a fair comparison. It is not an
16 appropriate comparison to either his analysis or even
17 a reasonable analysis.

18 JUDGE HAENLE: Mr. Van Nostrand?

19 MR. VAN NOSTRAND: I think that fact is
20 fairly obvious from the document itself and I am sure
21 that could be taken into account in the weight which
22 the Commission chooses to give to it. The fact that
23 we have a single year data for PRAM 1 and PRAM 2 is
24 obvious from the face of the document.

25 MR. ADAMS: I think it tends to -- attempts
(BLACKMON - CROSS BY VAN NOSTRAND) 3435

1 to distort his conclusions and his analysis. I don't
2 think -- it's not an apples and apples comparison. In
3 that sense it's misleading.

4 JUDGE HAENLE: This was not prepared by
5 Dr. Blackmon or anyone from his staff, I assume?

6 THE WITNESS: That's correct.

7 JUDGE HAENLE: This was prepared by the
8 company's staff, Mr. Van Nostrand.

9 MR. VAN NOSTRAND: Yes, your Honor, as I've
10 already covered all these numbers were in Dr. Blackmon's
11 testimony except for the PRAM 2 number which is subject
12 to check.

13 MR. ADAMS: I am not objecting to the
14 validity of the numbers themselves. That is not my
15 objection, your Honor, so I will stand on that.

16 JUDGE HAENLE: Well, I will overrule the
17 objection and enter the document with the clear
18 understanding that this is something the company has
19 prepared but that the numbers are not incorrect.
20 Whether it is a proper comparison or not may be the
21 subject for comment on brief.

22 (Admitted Exhibit 850.)

23 MR. TROTTER: Your Honor, I did not voice
24 an objection to this exhibit but I wasn't asked to

25 either.

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 JUDGE HAENLE: I should have.

2 MR. TROTTER: We won't object but it does
3 appear that it is somewhat deceptive.

4 JUDGE HAENLE: Again, it can be the -- I
5 should have asked, that was my mistake, let me ask you
6 as you go along, if there are others of you that
7 have an objection, if it is a different objection?

8 MR. PAINE: No objection.

9 MR. MEYER: No objection.

10 MR. TRINCHERO: No objection.

11 JUDGE HAENLE: I should not have done it in
12 that manner. That's my mistake.

13 MR. VAN NOSTRAND: Like to distribute
14 another exhibit, your Honor.

15 JUDGE HAENLE: You have handed me a
16 two-page document entitled Response to Company Data
17 Request 4207. I will mark this as 851 for
18 identification.

19 (Marked Exhibit 851.)

20 Q. Dr. Blackmon, do you recognize what's been
21 marked for identification as Exhibit 851 as your
22 response to the company data request 4207?

23 A. Yes.

24 Q. And this response concerns a 20-year

25 rolling average used to reveal trends?

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 A. Yes.

2 MR. VAN NOSTRAND: Your Honor, move the
3 admission of 851.

4 JUDGE HAENLE: Any objection, Mr. Adams?

5 MR. ADAMS: No,

6 MR. TROTTER: No objection.

7 JUDGE HAENLE: Objection from an
8 intervenor?

9 All right. 851 then will be entered into
10 the record.

11 (Admitted Exhibit 851.)

12 Q. Your response in Exhibit 851 indicates,
13 doesn't it, that you believe trends exist both in the
14 Dalles, the stream flow series and the Puget
15 generation series?

16 A. Yes.

17 Q. And, in fact, if we look at the data which
18 you have graphed in the attachment 4207 A, if a trend
19 exists the trend in recent years would seem to be
20 downward, wouldn't it?

21 A. For the Dalles. Looking at, say, the last
22 set of numbers there that includes 1989, yes.

23 Q. And in particular the data since 1989 has
24 been significantly below average; isn't that correct?

25 A. Below the average for the 1928 to '78

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 period, yes.

2 Q. If trends or cycles exist, wouldn't it be
3 more accurate to base hydro availability on the best
4 information regarding trends?

5 A. I'm sorry could you ask that.

6 Q. If trends or cycles exist wouldn't it be
7 more accurate to base hydro availability, in other
8 words, the stream flow estimate that's adopted in this
9 case, on the best information regarding the most
10 recent trends?

11 A. More accurate than what?

12 Q. More accurate than using a simple 30-year
13 average, 40-year average, 50-year average?

14 A. If you could -- the answer is yes, if you
15 could reliably determine what the trend or cycle is.
16 If you could do that then you could in effect forecast
17 or project what the hydro availability would be in an
18 upcoming period. It's quite a step, though, to go
19 from being able to conclude that there is a trend or
20 cycle to measuring and quantifying the size of that
21 trend with enough accuracy to rely on it. And that
22 inability to quantify the size of the trend is what
23 leads me to use a relatively short period of
24 historical data rather than try to project a future

25 number.

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 Q. Would you agree that this exhibit could be
2 suggested to show that a cycle exists given the most
3 recent four years of experience?

4 A. One thing that I note in that exhibit and
5 would want to note again here is that a graph like
6 this can illustrate the existence of a trend, a
7 pattern cycle, whatever, but it can't demonstrate the
8 existence of it. So I would say that that graph
9 appears to show that there is some sort of nonrandom
10 behavior, whether it's a trend that is going in one
11 direction forever or a cycle that goes up and down
12 over time is hard for me to say. But there's
13 something going on there other than random
14 fluctuations.

15 Q. You said you couldn't determine the
16 existence of trends but your response does say that
17 the existence of runs in these averages helps to
18 confirm the existence of trends?

19 A. Right.

20 Q. Like to turn to another area in your
21 testimony regarding new power supply contracts, page
22 28.

23 MR. VAN NOSTRAND: I have a number of
24 exhibits I would like to put in, your Honor.

25 JUDGE HAENLE: You've given me four

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 documents. Is there a specific order?

2 MR. VAN NOSTRAND: I believe 4221 will be
3 first.

4 JUDGE HAENLE: 4221 will be 852.

5 MR. VAN NOSTRAND: Then the excerpt with
6 the number 47 circled at the bottom.

7 JUDGE HAENLE: It's a chart that begins
8 table 2. That would be 853.

9 MR. VAN NOSTRAND: And then 4222 and then
10 4224.

11 JUDGE HAENLE: 4222 will be 854 and 4224
12 will be 855.

13 (Marked Exhibits 852 through 855.)

14 Q. Dr. Blackmon, your adjustment on new power
15 supply contracts relates to a disallowance of the
16 portion of the cost of new power supply contracts; is
17 that correct?

18 A. That is correct.

19 Q. And your testimony is generally that if
20 adjustments are made to account for the operating
21 characteristics of the resource used to calculate
22 avoided costs that the company paid more than its
23 avoided cost for these resources; is that right?

24 A. That's generally correct.

25 Q. Your original testimony was that the

(BLACKMON - CROSS BY VAN NOSTRAND)

3441

1 company paid from 11 percent to 46 percent more than
2 avoided costs and with your revision this morning you
3 have revised that range downward to 2 percent to 32
4 percent; is that right?

5 A. The revision -- that's correct in that the
6 numbers that you cited are correct. It's not that I
7 have revised my estimate. It's that the numbers that
8 I included in the text of my testimony were incorrect
9 and the correct numbers which appeared in the exhibit
10 have not changed.

11 Q. And the correction in the text was on page
12 28, line 14 where you changed the range of 111 to 146
13 to 102 to 132?

14 A. That is correct.

15 Q. Is it fair to say that your adjustment is
16 based on the dispatchability of the resources used for
17 purposes of calculating avoided costs?

18 A. Yes.

19 Q. And this dispatchability must be reflected
20 in the calculation of avoided costs, is that a fair
21 statement?

22 A. That's right.

23 Q. Your response to data request 4221 which is
24 now Exhibit 852 indicates, doesn't it, that the long

25 term avoided resource in the 1989 avoided cost

(BLACKMON - CROSS BY VAN NOSTRAND)

3442

1 forecast was a coal-fired plant?

2 A. Yes, it does.

3 Q. Did you review the company's avoided cost
4 filing in 1989 at the time it was made?

5 A. No.

6 Q. Was it reviewed by the Commission staff?

7 A. I don't know. I assume it was.

8 Q. Do you know the process for the company
9 filing its avoided costs every year?

10 A. I don't think the company files avoided
11 costs every year. My understanding of the process is
12 that when avoided costs are filed that -- well, that
13 they're filed. They're not approved by the
14 Commission. What staff does with them is not
15 something I know exactly. But as I said before I
16 assume that they reviewed them.

17 Q. Exhibit 852 also claims that the cost of
18 output from a coal plant as calculated in the 1989
19 data report exceeds the cost of output from combined
20 cycle combustion turbine?

21 A. Yes.

22 Q. Do you know when the company's 1989 avoided
23 cost estimate was prepared and filed with the
24 Commission?

25 A. No, I don't.

(BLACKMON - CROSS BY VAN NOSTRAND)

3443

1 Q. Would you accept subject to check that it
2 was filed in May 1989 in connection with the company's
3 filing of its rates under schedule 91?

4 A. Yes.

5 Q. And what was the date of the 1989 data
6 report that you cite in Exhibit 852?

7 A. I don't recall.

8 Q. Would you accept subject to check December
9 1989?

10 A. Yes.

11 Q. Do you know whether or not staff and the
12 company re-examined the company's 1989 avoided cost
13 filing in light of the analysis in the 1989 least cost
14 plan?

15 A. No, I don't.

16 Q. If we could look at Exhibit 853 this is the
17 power supply work paper page 47 from your work papers;
18 is that right?

19 A. That's right.

20 Q. And this is the page from the 1989 DARE
21 report which shows the comparison between -- I guess
22 the comparison of a number of possible resources the
23 company could acquire?

24 A. Yes.

25 MR. ADAMS: Your Honor, can I just inquire

(BLACKMON - CROSS BY VAN NOSTRAND)

3444

1 is the handwritten notation on that from the witness
2 or was that done by the company as the source of that?

3 THE WITNESS: It was me.

4 JUDGE HAENLE: That's what makes it your
5 work paper, the notations on it?

6 THE WITNESS: It's a work paper because it
7 contains information that I relied on in making my
8 calculations.

9 JUDGE HAENLE: Thank you.

10 Q. The item that you identified as your
11 marking on this exhibit is the levelized revenue
12 requirement for the combined cycle combustion turbine
13 which you refer to in your testimony?

14 A. Yes, sir.

15 Q. I believe your testimony also refers to
16 resource number seven on that document which is the
17 levelized revenue requirement for a coal plant; is
18 that right?

19 A. That's right.

20 Q. And the levelized cost for a combined cycle
21 combustion turbine is shown on this document as 64
22 mills as compared to the 71 mills for the coal plant;
23 is that right?

24 A. That's right.

25 Q. Do you know what the assumption was

(BLACKMON - CROSS BY VAN NOSTRAND)

3445

1 regarding the fuel prices for the combined cycle
2 combustion turbine on this document?

3 A. I don't recall what they are. I remember
4 reviewing that.

5 Q. And would you note note four at the bottom
6 of the page on Exhibit 853 which refers to the fuel
7 prices, states that natural gas price represents the
8 mean of a range of currently available forecasts?

9 A. Would I note that?

10 Q. Yes.

11 A. Yes.

12 Q. This document states that?

13 A. Yes, I note that.

14 Q. Would you agree that the time the 1989
15 least cost plan was prepared that gas prices were
16 somewhat unpredictable and difficult to forecast?

17 A. Yes.

18 Q. And that's more or less -- couldn't you
19 reasonably conclude that from the inclusion of this
20 note four which refers to the range of currently
21 available forecasts?

22 A. Was your question could you reasonably
23 conclude that?

24 Q. That natural gas prices were somewhat

25 difficult to forecast by the fact that they included a

(BLACKMON - CROSS BY VAN NOSTRAND)

3446

1 special note to that effect in this document?

2 A. I am willing to agree that the natural gas
3 prices were unpredictable, but I don't know that the
4 inclusion of that particular note drives that. That's
5 not what leads me to conclude that.

6 Q. Well, you would agree that there isn't a
7 similar note with respect to estimating the fuel costs
8 for any other resource on there other than natural gas
9 fuel resources?

10 A. I agree that there's not a similar note for
11 other fuels.

12 Q. And using the 64 mill figure for the
13 combined cycle combustion turbine, that's the basis
14 for your conclusion that this was the lower price of
15 the avoided resource at the time?

16 A. That's right, the comparison of 64 and 71
17 mills.

18 Q. You would agree, wouldn't you, that the
19 dispatchability of a coal plant such as what Puget
20 actually used for its avoided cost is different from
21 the dispatchability of a combined cycle combustion
22 turbine which you say Puget should have used?

23 A. Yes.

24 Q. You would agree that a combined cycle

25 combustion turbine is more flexible and easier to

(BLACKMON - CROSS BY VAN NOSTRAND)

3447

1 dispatch than a coal plant, wouldn't you?

2 A. Not only that -- I agree with that but
3 perhaps even more important is that the amount of
4 money that you save when you dispatch a combined cycle
5 combustion turbine is more than what you save if you
6 shut down a coal plant.

7 Q. And for purposes of your analysis regarding
8 the company's new power supply contracts, you used the
9 dispatchability of the combined cycle combustion
10 turbine irrespective of the company's actual use of a
11 coal plant; is that right?

12 A. You mean irrespective of the company's use
13 of a coal plant in its avoided cost forecast, that's
14 correct.

15 Q. And your testimony assumes, doesn't it,
16 that 46 mills of the 64 mill operating cost of the
17 combined cycle combustion turbine could be avoided by
18 displacing the unit?

19 A. That is correct.

20 Q. And you arrived at this 46 mill figure by
21 looking at Exhibit 853, line 5 and adding the 41 mills
22 for fuel and the five mills for variable O and M; is
23 that correct?

24 A. That is correct.

25 Q. Now your response to data request 4221

(BLACKMON - CROSS BY VAN NOSTRAND)

3448

1 which is now Exhibit 852 indicates --

2 JUDGE HAENLE: Actually those have only
3 been marked for identification. Did you want to move
4 them or were you still --

5 MR. VAN NOSTRAND: Sooner or later.

6 JUDGE HAENLE: Well, you keep referring to
7 them as exhibits and they're not yet. Go ahead.

8 Q. This indicates that the 1989 DARE report
9 does not specify the operating characteristics of the
10 combined cycle combustion turbine in sufficient detail
11 to determine how fuel supply has been treated; is that
12 correct?

13 A. How they are treated or even if firm fuel
14 supplies are treated in the estimate.

15 Q. Your analysis of the cost savings of
16 displacing the combined cycle combustion turbine,
17 assumes, doesn't it, that the entire fuel cost and
18 variable O and M cost will be avoided if the unit is
19 displaced?

20 A. That is correct.

21 Q. And in response to data request 4224 you
22 were asked for the basis of your assumption that the
23 resource would be fully displaceable; is that correct?

24 A. Yes, that's correct.

25 Q. And your reply was that the 1989 avoided

(BLACKMON - CROSS BY VAN NOSTRAND)

3449

1 cost filing does not specify the operating
2 characteristics of the avoided resource; is that
3 right?

4 A. That's right.

5 Q. For your analysis regarding the company's
6 new power supply contracts to be correct, doesn't the
7 entire 46 mill fuel cost and variable O and M have to
8 be avoidable?

9 A. For the specific numbers that I have
10 arrived at to be correct, that specific assumption of
11 46 mills has to be correct. If, in fact, the
12 avoidable cost with shutting down a combustion
13 turbine was 40 mills instead of 46 you would have a
14 different number.

15 Q. If it were assumed that a firm natural gas
16 supply and firm transportation arrangements were in
17 place with the combined cycle combustion turbine these
18 fuel costs would not be entirely avoidable if the unit
19 were displaced, would they?

20 A. I don't necessarily agree with that.

21 Q. By assuming that the full 41 mill could be
22 avoided if the unit is displaced, aren't you assuming
23 that there are no transportation and firm gas supply
24 arrangements in place?

25 A. No, I'm not.

(BLACKMON - CROSS BY VAN NOSTRAND)

3450

1 Q. If firm natural gas supply or firm natural
2 gas transportation arrangements are in place, do they
3 provide that no fixed payments will have to be made in
4 the event the unit is not operated?

5 A. If you look at the Puget Power 1989 least
6 cost plan and if you look at the Northwest Power
7 Planning Council's 1989 update of its power plan, if
8 you look for a fixed fuel cost in those documents you
9 won't find any. And so based on that, I concluded
10 that in 1989 when this decision was being made that it
11 was the best belief of planners in this region and at
12 this company that fixed fuel costs were not there,
13 that the fuel cost was variable.

14 Q. When you say variable, does that mean
15 you're expecting that the supply and transportation
16 arrangements will be purchased on a spot market basis?

17 A. No.

18 Q. What assumptions do you make regarding how
19 the fuel supply is secured for the combustion turbine
20 that you identified on page 47 of the work papers?

21 A. I assumed that the fuel supply can be
22 acquired at the price that is shown in the company's
23 1989 least cost plan.

24 Q. But you made no assumptions regarding the

25 terms and conditions associated with that fuel supply

(BLACKMON - CROSS BY VAN NOSTRAND)

3451

1 regarding whether or not it could be completely

2 avoided if the unit were not operated?

3 A. I adopted the assumptions that were
4 implicit in the company's least cost plan in 1989, and
5 the reason I did that rather than -- I mean, it's
6 always tempting at this point to say well, we are
7 going -- if we were going to do this right now, what
8 would the contractual arrangements be for securing
9 natural gas supply? And it might be that you would
10 have firm transportation and that you would incur
11 fixed payments to do that, though I don't agree that
12 you would necessarily would have fixed payments, even
13 if you went out and did it today. There may be ways
14 to avoid that.

15 But what I was attempting to do in this
16 analysis was not figure out what should be done today
17 but figure out what reasonably should have been done
18 in 1989 at the time decisions to acquire resources
19 were made. And the way that I did that was by looking
20 at the documents that were available to me that showed
21 what planners at the company and in the region
22 believed was available in terms of natural gas cost
23 and supply, and those documents indicated to me that
24 planners believed that the full cost of gas was

25 avoidable. Since then, many things have changed,

(BLACKMON - CROSS BY VAN NOSTRAND)

3452

1 including the price of the gas, the situation with the
2 pipeline in terms of how gas is made available. But I
3 didn't try to do a 1993 analysis.

4 MR. VAN NOSTRAND: Your Honor, move the
5 admission of 852, 853, 854 and 855.

6 JUDGE HAENLE: Any objection, Mr. Adams?

7 MR. ADAMS: No.

8 JUDGE HAENLE: Mr. Trotter?

9 MR. TROTTER: No.

10 JUDGE HAENLE: From an intervenor?

11 MR. MEYER: None.

12 JUDGE HAENLE: All right. 852, 853, 854
13 and 855 will be entered into the record.

14 (Admitted Exhibits 852 through 855.)

15 Q. Have you been involved in or participated
16 in any discussions or negotiations regarding the
17 financing for gas-fired cogeneration projects?

18 A. No.

19 Q. Do you know whether lenders typically
20 require over the long term firm gas supplies be in
21 place at the projects before funds are loaned?

22 A. No.

23 Q. If lenders were confident that fuel and
24 transportation could be secured on the spot market,

25 they wouldn't require firm gas supply and firm

(BLACKMON - CROSS BY VAN NOSTRAND)

3453

1 transportation agreements, you would agree to that?

2 A. No, I wouldn't agree to that. I find many
3 things lenders require to be not all that rational.

4 Q. That's based on your discussions and
5 negotiations in the finance of cogeneration projects?

6 A. I would say that's based more on my
7 discussions on financing new home and new cars and
8 things like that.

9 MR. VAN NOSTRAND: Got a couple of more
10 exhibits to put in, your Honor.

11 JUDGE HAENLE: You've given me a one-page
12 document entitled Response to Company Data Request
13 4217. I will mark this as 856 for identification.

14 (Marked Exhibit 856.)

15 Q. Mr. Blackmon, do you recognize what's been
16 marked for identification as Exhibit 856 as your
17 response to company data request 4217?

18 A. Yes, I do.

19 MR. VAN NOSTRAND: Your Honor, move the
20 admission of 856.

21 JUDGE HAENLE: Any objection, Mr. Adams?

22 MR. ADAMS: No.

23 JUDGE HAENLE: Mr. Trotter?

24 MR. TROTTER: No.

25

JUDGE HAENLE: Objection from an

(BLACKMON - CROSS BY VAN NOSTRAND)

3454

1 intervenor?

2 All right. 856 will be entered into the
3 record.

4 (Admitted Exhibit 856.)

5 Q. If we could look at conservation
6 advertising for a minute beginning on page 40?

7 A. Didn't catch the page number.

8 Q. Page 40. Your adjustment to conservation
9 advertising proposes to deny rate recovery of about
10 half of the advertising expenditures associated with
11 the corporate communications plant; is that correct?

12 A. About half is correct, yeah. It's not
13 exactly half.

14 Q. And one of the points you make in your
15 testimony on page 46 is your attempts to quantify the
16 energy savings attributable to the advertising
17 program. Is that a fair statement?

18 A. Right. What I did there was at page 46 was
19 I tried to do what I thought the company should have
20 done which is to, if you're going to spend 5 or \$6
21 million on a program that's supposed to save energy
22 that you ought to see if it saves any. So what I
23 did was I looked at the use per customer in the
24 residential sector before the advertising program

25 started and then not exactly at the end of it but at

(BLACKMON - CROSS BY VAN NOSTRAND)

3455

1 the most recent end point and to see whether use per
2 customer went down. It did go down but it didn't even
3 go down enough to account for the company's own
4 conservation programs, much less in the savings that
5 might have resulted from this advertising program.

6 Q. And you calculated the programmatic
7 conservation savings as 244 kilowatt hours per year?

8 A. That's if you take the savings that the
9 company has estimated that it made in its residential
10 conservation programs and divide that by the number of
11 residential customers that's how I arrived at the 244
12 kilowatt hours per year.

13 Q. In calculating that figure, did you
14 consider that conservation measures installed during a
15 year will not deliver a full year of savings?

16 A. Yes.

17 MR. VAN NOSTRAND: Like to distribute
18 another exhibit, your Honor.

19 JUDGE HAENLE: You've handed me a two-page
20 document entitled Response to Company Data Request
21 4231. Mark this as 857 for identification.

22 (Marked Exhibit 857.)

23 Q. Dr. Blackmon, do you recognize what's been
24 marked for identification as Exhibit 857 as your

25 response to data request 4231?

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 A. Yes, I do.

2 Q. And this sets forth how you calculated the
3 244 kilowatt hour savings associated with programmatic
4 conservation?

5 A. That is correct.

6 MR. VAN NOSTRAND: Your Honor, move the
7 admission of 857.

8 JUDGE HAENLE: Any objection, Mr. Adams?

9 MR. ADAMS: No.

10 JUDGE HAENLE: Objection, Mr. Trotter?

11 MR. TROTTER: No.

12 JUDGE HAENLE: Objection from an
13 intervenor?

14 All right. 857 will be entered into the
15 record.

16 (Admitted Exhibit 857.)

17 Q. You also recommend that the amortization
18 for conservation expenditures be lengthened from 10
19 years to 20 years?

20 A. Yes, that's correct.

21 Q. One of the reasons you cite is that the
22 company's conservation rate base has grown since the
23 company's last general rate case.

24 A. Since the last general rate case, in

25 general since the practice of amortizing over ten

(BLACKMON - CROSS BY VAN NOSTRAND)

3457

1 years has been used.

2 Q. And if the amortization period is
3 lengthened to 20 years, as you recommend, wouldn't the
4 company's conservation rate base grow at an even
5 faster rate?

6 A. Yes, it would.

7 Q. And the second reason you give for your
8 recommendation is the change in the treatment of
9 conservation expenditures for tax purposes; is that
10 right?

11 A. That is correct.

12 Q. And the change you're referring to is the
13 fact that conservation expenditures must be taken as a
14 deduction of same period of time as the amortization
15 period used for rate making purposes rather than
16 taken as a current deduction?

17 A. Yes. It used to be that the conservation
18 expenditure could be deducted in the year it was made
19 for tax purposes so that ratepayers got an upfront
20 benefit for conservation, and I felt like that offset
21 the fact that with the ten-year amortization the
22 ratepayers sort of paid upfront for conservation.
23 Since this upfront tax benefit is no longer available
24 it seems appropriate to me to more accurately spread

25 the costs of conservation over the years that that

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 conservation will be providing benefits.

2 Q. In the years that the conservation measures
3 would be providing benefits is tied to your
4 calculation of the service life of the measures?

5 A. It is tied very roughly, I would say, to
6 the service life of the measures, which I have not
7 independently attempted to calculate. But in general
8 -- well, I remember that last year in PRAM 2 the
9 conservation measures, the average life was roughly 20
10 years, like to the nearest five years. So that number
11 is going to vary over time. I think theoretically it
12 would be more accurate to actually amortize each type
13 of conservation over the expected life of that
14 particular type of conservation. But that appeared to
15 be rather complicated for the accountants to do and so
16 I chose a single number at 20 years.

17 Q. And would you agree that the composite
18 service life of the conservation measures included in
19 the company's program depends on the mix of measures
20 they install from year to year?

21 A. Yes, that's true.

22 Q. And that the service life for conservation
23 measures installed for commercial and industrial use
24 tends to be shorter than for residential measures?

25 A. In general, that's true.

(BLACKMON - CROSS BY VAN NOSTRAND)

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1 Q. And would you agree the company is
2 performing a greater percentage of commercial and
3 industrial conservation currently than in previous
4 years?

5 A. I think that all the company's programs are
6 increasing in size, including commercial and industrial.

7 Q. You mentioned the data request from the PRAM
8 proceeding as indicating a composite measure life of
9 about 20 years, I believe. Is that what you said?

10 A. Right.

11 Q. Would you accept subject to check the
12 actual number was 18.66 which was rounded to 19?

13 A. Yes, I would.

14 Q. And would you also agree that in response
15 to public counsel data request 1403 a composite
16 average life was computed for the conservation
17 expenditures for the May through September 1992 period
18 and that this showed an average life of about 16
19 years?

20 A. Yes, I believe that's true.

21 MR. VAN NOSTRAND: No further questions,
22 your Honor.

23 JUDGE HAENLE: Have you questions,
24 Mr. Trotter?

25 MR. TROTTER: I was wondering if it would

(BLACKMON - CROSS BY PAINE)

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1 be more appropriate for the other utilities to cross
2 this witness before staff.

3 JUDGE HAENLE: That would be fine.

4 Mr. Meyer or Mr. Paine, do you want to
5 go first?

6 MR. PAINE: I would be happy to.

7

8 CROSS-EXAMINATION

9 BY MR. PAINE:

10 Q. Dr. Blackmon, I'm Jim Paine. I represent
11 Pacific Power in this proceeding. Could we look at
12 your Exhibit 847 revised compared to 847 original.
13 The original is monthly data, is that correct, and the
14 revised is annual?

15 A. That is correct.

16 Q. Now, one could not help but note in looking
17 at the original that the depiction indicates what I
18 would, as a layman, believe to be random plots on this
19 graph. It's difficult to imagine plotting a line to
20 develop a correlation, be it linear or otherwise,
21 that would effectively govern these dots, but when I
22 look at 847 revised, do you see what may appear to be
23 a relationship that is associated with annual data
24 that may not be present with monthly?

25 A. I missed the question.

(BLACKMON - CROSS BY PAINE)

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1 Q. Do you see a relationship that may be
2 inferred from use of annual data that may not be
3 present with monthly data?

4 A. Yes.

5 Q. What is that relationship?

6 A. Well, again, I haven't done that analysis,
7 but like you I can look at the revised 847 and
8 conclude that there is a positive relationship, in
9 other words, that more flow at the Dalles is
10 associated with more generation at Puget's projects.

11 Q. You did not revise page 1 of your rebuttal
12 testimony, Exhibit T-846, lines 17 through 19, did
13 you?

14 A. No, I didn't.

15 Q. Would you still believe that the Dalles
16 stream flow records are not well correlated with
17 Puget's generation?

18 A. The term "well correlated" is perhaps too
19 vague to have any meaning, but what I meant by that is
20 that I don't believe it's appropriate to make the leap
21 that flow at the Dalles is equal to Puget's generation
22 so that if we, for instance, talk about looking --
23 using the Dalles flows from the 1800s or even the
24 Dalles flows from the 1990's where we don't have

25 specific Puget information, that because the

(BLACKMON - CROSS BY PAINE)

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1 relationship is not one to one or perfect between
2 Dalles flow and Puget generation that we will
3 introduce error into the calculation because of the
4 imperfect relationship.

5 Q. Well, over on page 3 of your rebuttal
6 testimony at the bottom of the page you indicate that
7 in any given month the connection between Dalles flow
8 and Puget hydro generation is very weak. Puget's
9 generation is not at the Dalles and the flow amounts
10 are not reduced for spill. You go on to describe
11 Exhibit marked GB-16 depicts this weak relationship
12 but now you are indicating that 847 revised sets forth
13 a relationship, does it not?

14 A. It sets forth a weak relationship.

15 Q. Well, how can you say it's weak if you
16 haven't made that correlation?

17 A. I looked at the picture.

18 Q. I see.

19 A. I mean, a correlation if it were a perfect
20 relationship the dots in the revised 847 would line up
21 in a curve.

22 Q. Well, you're using statistical theory to
23 draw inferences based on correlation analysis; is that
24 correct?

25 A. Could you be more specific.

(BLACKMON - CROSS BY PAINE)

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1 Q. You explain to Mr. Van Nostrand, for
2 example, that you used ten years of data to establish
3 a mean and you have a confidence interval associated
4 with that mean?

5 A. I do.

6 Q. Then you looked at the prior ten-year
7 period and did the same thing to determine whether the
8 variation in that mean could be the previous -- or
9 subsequent ten-year period could be explained by
10 random variation; is that correct?

11 A. That is correct.

12 Q. Then you did it for a third decade; is that
13 correct?

14 A. That is correct.

15 Q. And you did it for a fourth decade?

16 A. Yes.

17 Q. And you did not use the fourth decade of
18 data because you could not explain the variation in
19 the mean or not attribute it to random variation; is
20 that correct?

21 A. Correct.

22 Q. So were you drawing inferences from use of
23 statistical theory?

24 A. Yes.

25 Q. Now, I wanted to ask you if there is a

(BLACKMON - CROSS BY PAINE)

3464

1 strong correlation between annual stream flow at the
2 Dalles and Puget generation what would be wrong with
3 drawing inferences from that?

4 A. There would be nothing wrong with trying to
5 estimate the relationship between flow at the Dalles
6 and the generation that's available to Puget. It's
7 just that I didn't do that. I didn't need to do it
8 for my purpose of developing the normal hydro method
9 and so I didn't do it.

10 Q. No, but you have statements in your
11 testimony, that is that the correlation is very weak
12 and that's a criticism of Ms. Lozovoy's testimony, is
13 it not?

14 A. I wouldn't say it's a criticism. I would
15 say it's a caution that I would encourage anyone who
16 reads it to -- I just want to make sure that people
17 don't make an automatic assumption that the flow at
18 the Dalles, which we have 114 years of data on, is
19 equal to or can be translated in a one to one way to
20 Puget generation for which we have a much shorter
21 history on.

22 Q. Well, would you accept subject to check
23 that the correlation is approximately .89?

24 A. The correlation between what is and what?

25 Q. The historical stream flow at the Dalles to
(BLACKMON - CROSS BY PAINE) 3465

1 Puget generation.

2 A. Do you mean for the period 1928 using --

3 Q. As depicted on your Exhibit GB-16 revised.

4 A. I would accept that subject to check.

5 Q. With a correlation of that magnitude, can
6 we draw any inferences from that?

7 A. Yes. I can't say what they are exactly
8 without -- I mean, because if you do that correlation
9 implicitly you are assuming that there is a linear
10 relationship. The way that number would have been
11 calculated would be to assume a model in which there's
12 a linear relationship, in other words, for every
13 cubic foot per second flow at the Dalles there is
14 some constant number of average megawatts that Puget
15 can generate and you can do that calculation. A
16 computer will run that calculation for you, but that
17 doesn't mean that you've really accurately
18 characterized that relationship. It may not be
19 linear. The assumptions that underlie regression
20 analysis may not hold in that case and so I would say
21 that you can draw inferences but you should do so
22 carefully.

23 Q. For example, you indicated to
24 Mr. Van Nostrand that you regret that recent data is

25 not available; is that correct?

(BLACKMON - CROSS BY PAINE)

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1 A. Yes.

2 Q. What particular data were you referring to?

3 A. I was referring to the PNUCC regulator
4 model output which is the numbers that when we talk
5 about Puget generation for the period 1928 to 1978
6 it's the -- it's not what Puget actually generated in
7 those years, it's how much energy the computer model
8 says they would have gotten if the water conditions
9 had been as they were in some historical year and
10 given more recent depletions for irrigation in the
11 current set of projects that are on the river. And
12 those -- we know how much water came down the river
13 all the way up to last month, more or less, but what
14 still hasn't been done apparently is to take those
15 numbers and use them to calculate how much generation
16 Puget would have gotten. Those are the numbers that
17 are missing and I consider it unfortunate that they
18 are missing.

19 Q. But with regard to the data that is
20 reflected in Exhibit 847 revised, namely stream flow
21 at the Dalles, that is available through water year
22 1992, is it not?

23 A. Yes, it is.

24 Q. If there is a strong correlation between

25 stream flow at the Dalles and Puget generation, can we

(BLACKMON - CROSS BY PAINE)

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1 not make some inferences with regard to Puget
2 generation through the recent 15 years that you regret
3 that that data is not available for?

4 A. I just gave a rather long answer to what I
5 think is the same question, which is that you can make
6 inferences but I am not sure that you can make good
7 inferences, because of the assumptions that one would
8 have to make about the relationship between flow at
9 the Dalles and Puget's generation. And, for instance,
10 you know, flow at the Dalles can be very high and yet
11 that does not mean that Puget's generation in that
12 month is very high. Water spills, it affects the
13 operation of the plants and so it's almost certain
14 that there is not a perfect linear relationship
15 between flow at the Dalles and Puget's generation.

16 Q. Well, let's explore why there may not be a
17 correlation between monthly data and annual data.
18 What is a water year?

19 A. A water year is a period of time, a year,
20 over which you measure the water flow. Typically we
21 around here use the period from July of one year to
22 June of the following year.

23 Q. Is it the goal of the operators of the
24 Columbia system that the reservoirs will be filled by

25 the end of the water year, each water year?

(BLACKMON - CROSS BY PAINE)

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1 A. That's my understanding, yes.

2 Q. And isn't that how -- there obviously are a
3 host of variables that have to be taken into
4 consideration as the year progresses so that that end
5 goal on June 30 would be realized; isn't that true?

6 A. Yes.

7 Q. There is a finite amount of water that will
8 be experienced after the impact of all of these
9 variables are realized that will flow through the
10 Columbia system each year; is that not correct?

11 A. The water flow is finite, that's correct.

12 Q. But as the operators of the system, for
13 example, are attempting to fill those reservoirs in by
14 June 30, we know for example you mentioned to
15 Mr. Van Nostrand that there's a spring runoff but
16 Puget's 's load may not be significantly high
17 such as it might be during a winter peak. This is a
18 typical occurrence, is it not?

19 A. It is.

20 Q. And you may not get significant rainfall in
21 the fall but if it's a cold fall, Puget may have a
22 significant load; is that not correct?

23 A. That is correct and in that situation the
24 operators can drain the reservoirs to serve the load

25 and if they do that they risk the likelihood that they

(BLACKMON - CROSS BY PAINE)

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1 may not refill them next spring.

2 Q. But they will attempt to do so by June 30;
3 is that correct?

4 A. That's what they try to do.

5 Q. So that by the end of the year we have an
6 annual experience based on stream flow that occurred
7 -- that was subjected to all of these variables; is
8 that right?

9 A. Right, but they don't always refill.

10 JUDGE HAENLE: Mr. Paine, I've been looking
11 for a place to take our morning recess. Can you note
12 where you are and allow us to take our break at this
13 point?

14 MR. PAINE: Sure.

15 MR. ADAMS: Your Honor, before we go off on
16 break could I ask clarification of counsel on his last
17 question when he said end of year was he referring to
18 water year?

19 MR. PAINE: Water year, thank you.

20 JUDGE HAENLE: Let's break at this time, be
21 back at quarter to 11, please.

22 (Recess.)

23 JUDGE HAENLE: Let's be back on the record
24 after our morning recess. Go ahead, Mr. Paine.

25 Q. Dr. Blackmon, Mr. Van Nostrand asked you

(BLACKMON - CROSS BY PAINE)

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1 some questions about your methodology, what I would
2 call your development of a means test --

3 A. Yes.

4 Q. -- to determine how far back one goes before
5 you do not use any previous information?

6 A. Uh-huh.

7 Q. We could, could we not, use recent Dalles
8 natural stream flow data 1982 through 1992, or a
9 ten-year period, to determine a mean, could we not?

10 A. Yes. You could go through the exact same
11 sort of analysis. In fact if I were -- if the purpose
12 of this exercise were to try to predict what the
13 average flow at the Dalles was going to be next year
14 that's what I would do.

15 Q. So if we performed that exercise, 1983 to
16 1992 to establish a mean look at a previous period to
17 determine whether the variation in the mean could have
18 been caused by random variations, and repeated that
19 process back, would you be surprised to learn that
20 the last ten years data, 1983 to 1992, mean and its
21 confidence interval are nearly identical to the period
22 of time 1938 through '48 which you propose to drop
23 from consideration in this proceeding in determining
24 normal hydro conditions?

25 A. You're saying that the mean of the -- the

(BLACKMON - CROSS BY PAINE)

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1 mean and standard deviation of the '83 to '92 period
2 and the '38 to '48 period are the same and the basis
3 that we are using here is the Dalles stream flow?

4 Q. That's correct. The mean would be very
5 close and the confidence interval would be very close
6 to the 1938 to '48, whatever that ten-year period is,

7 MR. ADAMS: Your Honor, I am not -- if this
8 is sort of being asked as subject to check and the
9 witness has not performed this I don't know how we can
10 even confirm these representations of counsel are
11 accurate. If it's a hypothetical, that's fine, but if
12 it's a representation of fact I don't know that the
13 witness is even able to confirm that.

14 MR. PAINE: Let me follow up on that.

15 Q. We do have, you have, natural stream flow
16 data at the Dalles through water year 1992; is that
17 correct?

18 A. That is correct.

19 Q. And if we wanted to test your methodology
20 as to how far back to use data using Dalles stream
21 flow, we could do it in the manner that I have
22 presented or suggested to you and it would be a fairly
23 easy exercise, would it not?

24 A. It's pretty easy, yeah.

25 Q. And I suggested to you, and I will ask you

(BLACKMON - CROSS BY PAINE)

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1 subject to check, would you accept that the last ten
2 years natural stream flow data at the Dalles would
3 determine a mean and reflect a confidence interval
4 that is practically identical to the decade that you
5 are suggesting that we drop from consideration, that
6 is 1938 through '48 data?

7 A. I forget what I was supposed to do here
8 now. I am supposed to accept that subject to check?

9 Q. Yes.

10 A. And then am I supposed to say anything
11 else?

12 Q. No, would you accept that subject to check?

13 A. Yes, I would accept that.

14 JUDGE HAENLE: In order for the witness to
15 check that he's going to need to know exactly what
16 years you are comparing.

17 MR. PAINE: 1982 through 1992 stream flow,
18 natural stream flow, at the Dalles with 1938 to '48
19 period.

20 JUDGE HAENLE: Thank you.

21 Q. Lastly, I just wanted to clarify one thing
22 that you visited with Mr. Van Nostrand about. Is it
23 correct that you indicated that you could not define a
24 trend or define a cycle in stream flow? That is, the

25 existence of or define whether there is in fact a

(BLACKMON - CROSS BY PAINE)

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1 cycle or a trend?

2 A. I would say that my analysis led me to
3 conclude that there is a trend cycle pattern in stream
4 flow conditions. There are, however, many problems
5 with trying to take that analysis any further and say
6 to what I would call characterize the pattern. Is it
7 a linear trend over time or is it a ten-year pattern,
8 a 20-year pattern. There is just not enough data to
9 do that and I have not done it.

10 Q. Did you perform a multiple regression
11 analysis to determine that a trend or cycle was
12 present?

13 A. Not for Puget's generation. For the Dalles
14 stream flow, for that data set I did. In fact, it's
15 in one of these exhibits.

16 MR. ADAMS: Exhibit 844?

17 THE WITNESS: Exhibit 844.

18 A. I would consider that the attachment 4200 B
19 to be my best estimate of -- my best attempt to
20 characterize the cycles and flows -- I'm sorry --
21 cycles and trends in the Dalles stream flows.

22 Q. And you indicate --

23 JUDGE HAENLE: I'm sorry, which exhibit was
24 that specifically now?

25 THE WITNESS: That was 848.

(BLACKMON - CROSS BY PAINE)

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1 Q. Have you not indicated that one must
2 perform such a multiple regression analysis to
3 determine whether cycles or trends are present?

4 A. No. I said that you have to do statistical
5 test but I didn't mean to say you have to do a
6 multiple regression analysis.

7 Q. And Exhibit 848, as you explained to
8 Mr. Van Nostrand, projects monthly flows, does it not,
9 as opposed to annual flows?

10 A. Exhibit 848, the part of it that's marked
11 attachment 4200 B uses monthly data. Attachment 4200
12 A, which is a runs test and which actually I consider
13 to be a more valuable piece of information than that
14 regression analysis uses annual data.

15 MR. PAINE: Thank you. That's all I have.

16 JUDGE HAENLE: You had asked the witness to
17 accept subject to check that a correlation, I think
18 you said a correlation is .86 percent. What is it
19 you're going to check exactly?

20 MR. PAINE: .89.

21 JUDGE HAENLE: But what -- is it a
22 correlation efficient? What is it you're going to
23 check to be sure you're on the same wavelength?

24 THE WITNESS: I am going to take the data

25 that's in the revised Exhibit 847 and each of those

(BLACKMON - CROSS BY MEYER)

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1 dots or whatever they are represents a pair of
2 observations, stream flow observation and a Puget
3 generation observation. And so then I will calculate
4 the correlation between those various observations.

5 JUDGE HAENLE: Is that what you were
6 expecting, Mr. Paine?

7 MR. PAINE: Yes, it is, and with that I
8 have no objections to what has been marked as Exhibit
9 847.

10 JUDGE HAENLE: Was there anyone else that
11 had any objection to 847 while we're on the subject?

12 I will enter 847 then.

13 (Admitted Exhibit 847.)

14

15 CROSS-EXAMINATION

16 BY MR. MEYER:

17 Q. Good morning, Mr. Blackmon.

18 A. Good morning.

19 Q. Let's step back from a level of detail to a
20 more general discussion of your testimony. And let me
21 return to a point that Mr. Paine had addressed in his
22 last exchange with you, and that has to do with the
23 existence or nonexistence of a trend or a cycle and
24 just how strongly you feel about that. At page 5 of

25 your rebuttal testimony, turn to that and I will give

(BLACKMON - CROSS BY MEYER)

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1 you a line reference.

2 MR. ADAMS: What page was that?

3 MR. MEYER: Page 5 of the rebuttal.

4 A. Okay.

5 Q. Beg your pardon, page 10 of your direct.

6 A. I've got that.

7 Q. Look at lines 5 and 6. There you state,
8 "as this graph shows, there are definite patterns to
9 hydro conditions." Elsewhere, though, in both your
10 direct and your rebuttal testimony you seem to pose
11 the question without answering it definitively as to
12 whether or not there are trends. Is it your testimony
13 today that you believe there are definite trends or
14 cycles at work here?

15 A. Yes.

16 Q. And is that, based on your last exchange
17 with counsel, is that borne out statistically?

18 A. Yes, and that serves as the basis for my
19 conclusion.

20 Q. Now, where have you demonstrated
21 statistically that there is a definite trend in Dalles
22 stream flows?

23 A. Well, again, as I explained to Mr. Paine, I
24 think that there is not enough information available

25 to us to characterize a trend or cycle or even to say

(BLACKMON - CROSS BY MEYER)

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1 whether -- I mean, let me stop for a minute and say
2 what I mean by a trend, what I mean by a cycle. What
3 I would mean by a trend is that there is a permanent
4 change over time in, in this case, hydro flows so that
5 we could look over some long period of time and find
6 an increase or decrease consistently over time, and
7 basically what I mean is that either around some
8 stationary point or around this moving trend that the
9 observations change in some pattern around that point,
10 and with the amount of data that we have here I can't
11 say whether there's a permanent trend, whether there's
12 some cycle that operates on a multi year period or
13 what, but the statistics do tell me that the pattern
14 of stream flows that we have observed are not random.

15 Q. Well, breaking that apart -- and I
16 understand the distinction that you're trying to make
17 between a cycle and a trend -- in which direction is
18 the trend going to the extent you see a trend at work?

19 A. Looking at the Dalles stream flow data, I
20 would say that there appears to be -- if there is a
21 trend it's a very slight downward trend.

22 Q. I know you were in the room Wednesday when
23 Mr. Norwood was on the stand. Do you have his Exhibit
24 808 in front of you?

25 A. No.

(BLACKMON - CROSS BY MEYER)

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1 MR. MEYER: May I approach the witness?

2 JUDGE HAENLE: Yes.

3 MR. MEYER: Record should reflect I'm
4 handing Mr. Blackmon a copy of Exhibit 808, pages 1
5 through 4.

6 Q. Now, in your last answer you suggested that
7 perhaps to the extent there was a trend, the trend was
8 downward on stream flows; was that correct?

9 A. My answer was that using the Dalles natural
10 flow data set that it would appear that the trend
11 would be a very slight downward trend.

12 Q. Page 2 of Exhibit 808, please.

13 A. I have that.

14 Q. There in Mr. Norwood's exhibit he has
15 certain vertical lines drawn into that graph, doesn't
16 he?

17 A. Yes.

18 Q. And there is a set of lines essentially
19 bracketing the years 1939 through 1978 as well as a
20 set of vertical lines bracketing the period 1949 to
21 1988?

22 A. Yes.

23 Q. The period that you would use for your
24 rolling 30-year analysis levers off the period 1949 to

25 1978, I believe?

(BLACKMON - CROSS BY MEYER)

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1 A. Something like that.

2 Q. And so if you can locate roughly the
3 vertical line that appears for 1978 and look to the
4 water years thereafter. Does that suggest that more
5 recent conditions are trending downwards only lightly
6 or is it a more material trend to the negative?

7 A. Let's remember how I use the word trend
8 which is that it's a permanent long-term change, and
9 in using that meaning of the word trend I would say
10 that says almost nothing about what the trend is but
11 it could be that that is produced by some shorter
12 cycle. Now, I suspect that what you really meant is
13 trend in a more informal sense and that that is has
14 the direction of change lately been downward and I
15 would say that that the answer is yes. And that is in
16 part why I consider it unfortunate that we don't have
17 good Puget-specific data beyond 1978.

18 Q. Do you feel -- and keep this exhibit in
19 front of you return to it later -- do you feel
20 confident enough in the existence of cycles or trends
21 to develop and sponsor a predictive methodology that
22 might be used to capture or reflect current conditions
23 for normalization purposes?

24 A. No, I do not. Again, it's because while I

25 believe that my analysis has shown that there is a

(BLACKMON - CROSS BY MEYER)

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1 nonrandom pattern that that is a far -- it's a much
2 bigger step to characterize accurately what that
3 relationship is and that's what you would need to do
4 to have some sort of a predictive hydro normalization
5 method.

6 Q. In fact, did I understand you to testify
7 earlier this morning that you don't feel confident
8 enough -- I'm paraphrasing here, correct me if you
9 like -- that you don't feel confident enough in the
10 data at this point to reliably project a trend?

11 A. I don't feel confident in projecting the
12 future direction of hydro conditions. I believe that
13 in that circumstance what we should do is use the most
14 recent available information, and I would not attempt
15 to make a forecast of what hydro is going to be next
16 year.

17 Q. What is your test for an acceptable
18 methodology, Mr. Blackmon? Is it the extent to which
19 your method for stream flow normalization reflects
20 current conditions or future conditions, is that it?

21 A. Because I believe that the pattern of flows
22 in the river have not been random in the past, I think
23 that the best estimate of future conditions -- and
24 that's what we're looking for is the best estimate of

25 the future hydro conditions -- that that best estimate

(BLACKMON - CROSS BY MEYER)

3481

1 is derived from recent information. Since there is
2 some pattern that the recent data provides the best
3 information about the future data. It's kind of like
4 the stock market that you wouldn't want to take an
5 average from 1929 to today to figure out what the
6 price is going to be tomorrow because you know there's
7 something been going on there. You may not be able to
8 figure out what it was. And so I would -- my test is
9 to come up with the method that reflects -- that uses
10 current information because I think that's the best
11 judge of future information, but in addition to that I
12 believe there also is value in using a longer period
13 of time to make your estimate because if you have more
14 observations, you have more information, you have a
15 stronger estimate. And ultimately you have to trade
16 off between using older and older data because it
17 improves the reliability of the estimate, and the
18 reason it does that is because the more observations
19 you use then the less effect any one really strange
20 observation is going to have in your answer, but as
21 you go further back in time you're introducing
22 problems because of incomparability of the data. And
23 you have to weigh those off, you have to balance the
24 two, and I found that the balance point in this

25 particular case was 30 years.

(BLACKMON - CROSS BY MEYER)

3482

1 Q. And that recommendation was with reference
2 to information available at the Dalles?

3 A. No. This is based on Puget-specific
4 generation data that comes from the regional model of
5 hydroelectric generation.

6 Q. Elsewhere in your testimony you indicate
7 that you had not looked to the correlation for the
8 other companies, Pacific and Water Power. And I
9 gather you were not making any recommendations with
10 respect to those two companies; is that correct?

11 A. That is correct.

12 Q. So your rolling 30 proposal is, at least in
13 this case, Puget-specific?

14 A. Yes. I just haven't looked at the other
15 companies. They have different set of conditions and
16 the answer could very well be different.

17 Q. And how familiar are you at all with the
18 watershed for the Water Power hydro projects?

19 A. Not very familiar.

20 Q. If we were to after the fact examine the
21 results of having used your rolling 30 in prior years
22 and subjected those results to some sort of rule of
23 reasonableness to see how well in fact the rolling 30
24 did capture stream flows during the rate effective

25 period --

(BLACKMON - CROSS BY MEYER)

3483

1 Are you with me so far?

2 A. Yes.

3 Q. If we had done that after the fact and
4 essentially gone back -- turn to page 2 again of
5 Exhibit 808. Let's assume we had two stream flow
6 methodologies available for our use. We had the 50
7 years of water or we had your rolling 30 proposal, in
8 other words, we had essentially the Water Power
9 position or we had your position to work with. Let's
10 assume that we are back in 1978, okay. Let's also
11 assume that we did have the relevant data available,
12 stream flows at the Dalles. Are you with me so far
13 in this series of assumption?

14 A. I can't accept the idea that in the 1978 --
15 maybe I'm with you.

16 JUDGE HAENLE: We missed a whole piece of
17 it. We need to repeat that piece or it will not
18 exist.

19 THE WITNESS: I said that I can't accept
20 that they would have the 50-year period.

21 A. But then in thinking about it I may be
22 confused about what he's hypothesizing so I would
23 instead ask that he try again.

24 Q. Sure. Let me just pose a question and then

25 if you want to quarrel with the assumptions, please

(BLACKMON - CROSS BY MEYER)

3484

1 do. Would your use of a rolling 30, had that
2 methodology been applied as of 1978, would that have
3 more accurately predicted the actual water conditions
4 that we experienced after 1978 than the use of a
5 50-year study? And look to page 2 of Mr. Norwood's
6 Exhibit 808.

7 A. Well, I would say that in that particular
8 example that you have chosen on an ex-post basis the
9 30 year average would be further from the results,
10 say, in 1979, '80 than the 50-year average, and if you
11 would like me to I can find a counter example that
12 shows the exactly the opposite thing.

13 Q. So when you say it would be further from
14 the result, do you mean to say that your use of the
15 rolling 30 would have served to have overstated
16 revenues based on overall optimistic stream flow
17 conditions? Is that another way of saying the same
18 thing?

19 A. I am saying that in the particular example
20 you've chosen that the 30-year average is higher than
21 what -- 30-year average in terms of megawatts of hydro
22 availability is higher than what actually occurred in,
23 say, the year 1980.

24 Q. But I believe my question went to the

25 effect and, is the effect of that to overstate

(BLACKMON - CROSS BY TROTTER)

3485

1 revenues after 1978 based on inflated estimates of
2 stream flow conditions? Doesn't that follow?

3 A. If you're talking about secondary revenues
4 I guess so, yeah. It wouldn't affect the revenues at
5 the retail -- what retail customers are paying.

6 MR. MEYER: I believe that's all I have.
7 Thank you, Dr. Blackmon.

8

9

CROSS-EXAMINATION

10 BY MR. TROTTER:

11 Q. To the last point, Mr. Blackmon --

12 A. I'm having trouble hearing you.

13 Q. With respect to the last point regarding
14 Exhibit 808, would use of the 50-year rolling average
15 have resulted in higher results in years other than
16 1980? You said that there was some others that would
17 go in the opposite -- would require you to reach the
18 opposite conclusion?

19 A. Yes. Like, for instance, if we had done
20 something like this in 1949, the historical period
21 there would have understated the amount of hydro
22 that actually occurred in the 1950's.

23 Q. Turn to Exhibit 848, please.

24 A. I have that.

25 Q. Turn to the second page which is attachment

(BLACKMON - CROSS BY TROTTER)

3486

1 4200 A and I believe you testified that this page is
2 more useful than attachment 4200 B; is that correct?

3 A. That is correct.

4 Q. Just please explain what attachment 4200 A
5 shows and what conclusions you drew from it.

6 A. Okay. What a runs test -- that's what this
7 is -- looks at runs in the data whereby that means
8 consecutive periods that are above or below the cut
9 point. In this case the cut point is the average for
10 the period, and so what you do is you look at the
11 number of runs that you have, the number of discreet
12 periods where the observation was above the average
13 for several times in a row or whatever. And it's kind
14 of like flipping a coin and seeing how many
15 consecutive heads do you get, how many consecutive
16 tails, like that, and it's also like a coin flip in
17 that it's very well described statistically how many
18 you would expect to get if it were a random -- some
19 sort of random event that was going on. And so what a
20 runs test does is look at the actual number of runs
21 in the set of data, compare that to how many that you
22 would expect to get if this were a random occurrence
23 and calculate the likelihood or the probability that
24 what you have is a random event.

25

And so in this case, I've done four

(BLACKMON - CROSS BY TROTTER)

3487

1 different tests. The first two use the Dalles stream
2 flow data set and the second two use the Puget
3 generation data set, and there again they're divided
4 by the -- I used the median and the mean. The median
5 is the observation that's exactly in the middle and so
6 you always have just as many below and above the
7 average, the median. Of course with the average
8 sometimes it's not exactly that way. The point at the
9 end is to say what's the likelihood that the pattern
10 of observations that we have was produced by some
11 random behavior. And that's what's shown in the
12 right-hand column is probability and it says two tail.
13 It's the probability that this is a random event that
14 we're viewing and you can see that for the Dalles the
15 probability is either 25 percent for the median and
16 6.6 percent for the mean. And for the Puget data set,
17 which is what I really think we should be focusing on
18 the most in this case, the probability that it's a
19 random event is one percent to 4.6 percent. Turn that
20 around and you say that the probability that it's not
21 a random event is 99 percent to 95.4 percent.

22 And the reason that I think this is a
23 particularly valuable test as compared, say, to
24 regression analysis is that this test requires

25 virtually no assumptions about the data that you have

(BLACKMON - CROSS BY TROTTER)

3488

1 -- for instance with regression analysis they are very
2 restrictive assumptions about that the error term has
3 to be normally distributed and in this case with a
4 runs test those assumptions are not required. And so
5 it's a test that is more widely applicable than the
6 multiple regression test, and because of that and
7 because we did get such strong results I feel that
8 it's a very good indication that what we have is not
9 random event.

10 Q. Turn to Exhibit 850. Here we see a series
11 of seven bars, five of which cover ten-year periods
12 and then the last two cover one-year periods. Do you
13 see that?

14 A. Yes, I do.

15 Q. In your opinion, is it proper to compare
16 single year periods to ten-year periods in the manner
17 that this graph purports to do?

18 A. It's interesting, I think, to make that
19 comparison but I think that you also miss a lot
20 because because it's one thing to say the period from
21 '28 to '37 that the average was 895 and that in PRAM 1
22 the single observation was 865, but the fact is that
23 that 895 average megawatt number reflects ten
24 different years of data, some of which are below that

25 number and some are above it, and because of that it's

(BLACKMON - CROSS BY TROTTER)

3489

1 not -- you're ignoring the information that's
2 contained in that 895 number when you just show it as
3 if it were a single number like that.

4 Q. Let's turn to the issue of purchased power
5 contracts. Would you turn to page 36 of your
6 testimony T-832.

7 A. I have that.

8 Q. On line 13, you're responding to a question
9 that asked what value the company assigned to
10 dispatchability in its evaluation of proposals and the
11 response is that you don't know, that you requested
12 detailed information on the evaluation criteria and
13 the application of those criteria to specific
14 proposals and the response was that the documents no
15 longer exist; is that right?

16 A. Yes.

17 Q. Now, was that testimony just applied to the
18 value the company assigned to dispatchability?

19 A. No. No. This was a general request for
20 any information that the company had that showed how
21 they arrived at the decision to acquire these new
22 contracts. And what I was provided with was the
23 contracts and amendments to the contracts and with
24 maybe one exception there was no information provided

25 to me about the company's decision to enter into the

(BLACKMON - CROSS BY TROTTER)

3490

1 contracts themselves. And that includes even the
2 company's evaluation of the proposals that it received
3 in the 1989 competitive bidding process. It includes
4 the proposals themselves. I asked for the proposals
5 themselves. They said they didn't have those. I
6 asked for the company's evaluation, like a score sheet
7 that would show how they ranked the proposals and what
8 weights they gave to different factors, what methods
9 they used to assign values to different aspects. They
10 said they didn't have those. And so I guess that what
11 I've described there actually applies to any document
12 relating to the company's decision to acquire the
13 specific resources.

14 Q. Did you go to the company to review
15 documents at their premises?

16 A. Yes, I did.

17 Q. I believe you testified that the Bonneville
18 Power Administration assigns a value to dispatchability
19 in its evaluation of power supply contracts; is that
20 correct?

21 A. Right. They don't call that avoided cost.
22 They call that alternative cost, but it's the same
23 thing, and they in calculating what they call
24 alternative cost they make adjustments including

25 adjustment for dispatchability.

(BLACKMON - CROSS BY TROTTER)

3491

1 Q. But they weren't doing that adjustment
2 during the time period you're talking about here, were
3 they?

4 A. No. They really weren't acquiring
5 resources between this time period, not significantly.

6 Q. But Puget was?

7 A. Puget was, that's true.

8 Q. Let's talk about company advertising for
9 conservation. And you testify on page 49 that based
10 on your review of the tracking studies it appears that
11 the objectives of the advertising campaign include
12 improvement of the company's image and in association
13 of the company with conservation and the environment.
14 Do you see that?

15 A. I remember that.

16 Q. Lines 6 through 9, page 49?

17 A. Right.

18 Q. Let's turn to Exhibit 841 and this obtains
19 certain sample advertisements from the Puget corporate
20 communications plan; is that right?

21 A. Yes, it is.

22 Q. In the first two pages are the text of a TV
23 ad so let's go to the print advertising which is the
24 next sheet, the fold-out sheet, Why We Sell Power To

25 California, do you see that?

(BLACKMON - CROSS BY TROTTER)

3492

1 A. I do.

2 Q. Now, that advertisement does refer to
3 conserving electricity, doesn't it?

4 A. Yes, it does.

5 Q. Was 100 percent of the cost of this ad
6 allocated to the conservation program?

7 A. As far as I know it was. This ad was
8 provided to me in response to a request that they give
9 me all the ads in the conservation program so on that
10 basis I assume it is.

11 Q. Do you believe that 100 percent of this ad
12 relates to conservation?

13 A. No, I don't.

14 Q. The next ad, Why We Need More Power Lines.
15 Are you generally aware that customers sometimes
16 object to new power lines going through residential
17 areas and other areas?

18 A. I've heard of that, yes.

19 Q. But this ad also does talk about
20 conservation, doesn't it?

21 A. Yes, it does.

22 Q. In your mind, is 100 percent of this ad
23 dealing with conservation?

24 A. No.

25 Q. On the right-hand side of the column it

(BLACKMON - CROSS BY TROTTER)

3493

1 talks about undergrounding utilities, is that right,
2 mentions that to underground all the power lines would
3 take about ten times what it cost to install and
4 maintain lines above ground?

5 A. Yes.

6 Q. The next ad, Why We Advertise. This is an
7 explanation of why the company advertises, is that the
8 purpose of this or is that the subject of this ad?

9 A. This ad appears to be about why they
10 advertise.

11 Q. But this also does refer to fluorescent
12 bulbs and shower heads and does refer to conservation,
13 doesn't it?

14 A. Yes, it does.

15 Q. Is it your position that there needs to be
16 an allocation between conservation costs that are
17 recovered from customers pursuant to the Commission's
18 established adjustment and those advertisements that
19 -- those portions of the advertisement that benefit
20 Puget's corporate image?

21 A. The word "allocation" I guess to me lends
22 more precision to my recommendation that exists. I
23 believe that there is -- well, it's definitely true
24 that these advertisements all in some way or another

25 include a reference to conservation. However, even

(BLACKMON - CROSS BY TROTTER)

3494

1 those ads I would fault the company for failing to
2 even make the effort to figure out whether they've
3 done any good. By advertising with other conservation
4 programs the company is required to do rigorous
5 evaluation and monitoring of the success of the
6 program. If they're going to run a conservation
7 program in the form of ads I think they should
8 evaluate it to see how well it's doing and they
9 haven't. But then there also is in these ads what I
10 consider to be a substantial element of corporate
11 promotion and I haven't attempted to divide the ad in
12 half or figure out how many words relate to what. In
13 fact the way my proposed adjustment is based is more
14 than that, okay, you started the program, we should
15 give you the benefit of the doubt in terms of the
16 first few months that you did it, but at some point
17 you should have started to evaluate it and so we'll
18 only allow the first, the initial portion of the cost
19 to be included as a conservation cost. And so that's
20 my description of how I approached this adjustment.

21 Q. The last two ads in the exhibit, I believe
22 you testified these do relate directly exclusively to
23 the conservation program?

24 A. Yes.

25 Q. Now, contained in your testimony is also

(BLACKMON - CROSS BY TROTTER)

3495

1 recommended changes to the PRAM; is that right?

2 A. Yes.

3 Q. And you discuss the realignment of base and
4 resource costs as one issue there?

5 A. Yes.

6 Q. Is your base/resource cost allocation the
7 same as Mr. Martin's of the staff?

8 A. My testimony is that I had discussions with
9 Mr. Martin before either of us filed testimony and it
10 appeared to me that we were exactly in sync and that
11 so I don't even have a specific recommendation other
12 than that Mr. Martin's proposal be adopted.

13 Q. On the issue of the PRAM secondary
14 purchases and sales, did you review Mr. Moast's
15 exhibit in this proceeding showing the difference
16 between the price at which Puget purchases secondary
17 power and the price at which it sells secondary power?

18 A. Yes, I did.

19 Q. Are you supporting his adjustment in that
20 respect?

21 A. I think I have an adjustment that attempts
22 to correct the same problem. We've identified the
23 same problem and our approaches are somewhat different
24 to fixing it.

25 Q. And with respect to the PRAM rate swings

(BLACKMON - CROSS BY TROTTER)

3496

1 proposal, you're proposing that the program be based
2 on temperature normalized loads; is that right?

3 A. That is correct.

4 Q. So what happens if we have an extra cold or
5 an extra warm winter? How would that work with your
6 proposal?

7 A. The way it works today is that if we have a
8 warm -- before I start out I always get confused by
9 weather normalization and hydro normalization. And
10 it's good to keep them separate. What I am talking
11 about right now is weather or temperature
12 normalization. So we're having cold or hot weather
13 west of the Cascades and what's happening in the
14 Columbia Basin is irrelevant for the moment.

15 Currently under the PRAM if we have a cold
16 winter customers use more electricity and the company
17 gets more money, some of which gets returned to
18 customers. And if there's a warm winter, which is
19 actually what we've had during the initial PRAM years,
20 the company doesn't collect as much money as they had
21 expected to because sales are not as high and so
22 customers are billed for the difference in a
23 subsequent period. And my testimony shows that these
24 weather temperature fluctuations are responsible for a

25 large portion of the rate increases that we've seen

(BLACKMON - CROSS BY TROTTER)

3497

1 under the PRAM mechanism. And my proposal is to
2 weather adjust the revenues and expenses of the
3 company. It's a type of adjustment that's already
4 done in this case. And we would just use it in the
5 PRAM so that to the extent that the company's sales
6 are low because of warm weather they would bear that
7 cost. To the extent that their sales are high because
8 of cold weather they would get to keep the extra
9 money, which is exactly the way it is with most of the
10 utilities in the United States. That would still
11 allow the mechanism to decouple Puget from
12 conservation programs. In fact they're also still
13 decoupled from things like the business cycle, but at
14 least the weather risk would be returned to the
15 company.

16 Q. Well, the company can't control the
17 weather, can it?

18 A. The company can't control the weather but
19 they can do things to mitigate the effects of weather.
20 Just like they can with the hydro system. How they
21 configure their system in terms of the amount of
22 conservation they install has an effect on the
23 sensitivity of their load to weather. The customers
24 also, I might note, can't control the weather.

25 MR. TROTTER: Nothing further.

(BLACKMON - CROSS BY TROTTER)

3498

1 JUDGE HAENLE: Mr. Trincherro?

2 Is your estimate of a half hour still good?

3 MR. TRINCHERO: I will keep it under 23

4 minutes.

5 JUDGE HAENLE: I was trying to estimate

6 because we have Commissioner questions because we have

7 the lunch hour coming up.

8 MR. TRINCHERO: Ten minutes at the most.

9

10 CROSS-EXAMINATION

11 BY MR. TRINCHERO:

12 Q. Good morning, Mr. Blackmon.

13 A. Good morning.

14 Q. Like to follow up with questioning on your
15 PRAM recommendations that Mr. Trotter was just going
16 through. And I am just a little bit unclear on
17 exactly what your recommendation is. I believe if you
18 turn to page 4 of your testimony in Exhibit T-832 you
19 state starting at line 2, "I am not convinced that the
20 resource recovery element of the PRAM is any better
21 than the alternative of using general rate cases to
22 include new resources in cost." And then you
23 continue, "finally I believe that the shift of weather
24 and hydro risk to ratepayers which was included in the

25 PRAM but is unnecessary for either decoupling or

(BLACKMON - CROSS BY TRINCHERO)

3499

1 resource cost recovery should be reversed." Now,
2 those appear to be your recommendations. However, if
3 you turn back to page 3 starting at line 21 you do
4 state that you do not have a specific recommendation
5 regarding continuation of PRAM experiment. So I just
6 wanted to clarify what your recommendation is on the
7 PRAM. Are you recommending that it be continued?

8 A. I guess there on page 3, line 21 I was
9 attempting to answer a question of if we had to take
10 the PRAM as it is today would I want to keep it or not
11 and I would prefer -- to me that's a very difficult
12 question and I am uncertain whether taken as a whole
13 it's an improvement over what we had before the PRAM,
14 but I really haven't made a recommendation one way or
15 the other. I guess I feel like I don't really have to
16 because I can instead recommend things to improve the
17 PRAM and keep the mechanism and that's what I
18 recommend that we do.

19 Q. Have you reviewed the testimony of staff
20 and WICFUR on their suggested modifications to PRAM?

21 A. Yes, I have.

22 Q. Would you agree that on the issue of the
23 base/resource cost split all three parties have agreed
24 generally to the same type of realignment of those

25 costs?

(BLACKMON - CROSS BY TRINCHERO)

3500

1 A. Yes.

2 Q. And is it your understanding that
3 Mr. Schoenbeck's testimony also, like yours, poses a
4 temperature normalization?

5 A. Yes.

6 Q. In addition, would you agree that both you
7 and Mr. Schoenbeck have recommended eliminating the
8 hydro true-up adjustment?

9 A. Yes.

10 Q. And all three recommendations, that is,
11 staff's recommendation, WICFUR's recommendation and
12 public counsel's recommendation would retain a pure
13 decoupling mechanism, as that phrase has been used?

14 A. Yeah. They would differ in terms of what
15 else you have but they would all three have decoupling
16 as an element.

17 Q. And all three would retain some kind of
18 timely recovery mechanism for conservation resource
19 additions?

20 A. Yes.

21 Q. Are you familiar with Mr. Schoenbeck's
22 recommendation to eliminate concurrent general rate
23 case and PRAM filings in the same year?

24 A. Yes, I am.

25 Q. Do you have any position on that?

(BLACKMON - CROSS BY TRINCHERO)

3501

1 A. This is the first time where we've gotten
2 to experience the filing of general rate case and a
3 PRAM case at the same time, and I already envision
4 problems in implementing things because the
5 Commission's order in the general rate case is likely
6 to affect the PRAM and it would seem to me that what
7 Mr. Schoenbeck is recommending would streamline the
8 process. I don't know that it would change the
9 substance much one way or the other but it would seem
10 to smooth the process.

11 Q. So you would agree that for administrative
12 ease it would be beneficial?

13 A. I think so, and I have trouble seeing any
14 downside to doing it. Seems like it would work.

15 MR. TRINCHERO: I have no further
16 questions, your Honor.

17 JUDGE HAENLE: Commissioners.

18 MR. MEYER: I'm sorry, your Honor. Of
19 course I do have a brief line of recross based on
20 Mr. Trotter's questions so whenever you choose to take
21 that.

22 JUDGE HAENLE: I thought we would take the
23 Commissioners' questions and then go back through
24 again, if that's all right?

25

CHAIRMAN NELSON: I just have one following

(BLACKMON - CROSS BY TRINCHERO)

3502

1 Mr. Trincherro.

2

3

EXAMINATION

4 BY CHAIRMAN NELSON:

5 Q. Your testimony at 54 and following says you
6 would leave the basic structure of the PRAM unchanged
7 for the next three-year period and then following is a
8 couple of modifications you make. Would you have
9 the Commission adopt those in this order?

10 A. Yes.

11 Q. Do you have any reaction to Mr. Cavanagh's
12 notion of referring detail perfecting activities to a
13 collaborative?

14 A. To me the fact that the weather and hydro
15 risk have been shifted to customers in the PRAM is a
16 serious problem. It's one that I think that was not
17 appreciated when the mechanism was developed, and I
18 think that it would be unfortunate to have that
19 situation continue the way it is into the future. And
20 so I guess I feel like there's enough information
21 available now to make a decision and to come up with a
22 mechanism that could be used again for another three
23 years and that's my preference.

24 Q. So if I may summarize, you believe that the

25 detail is sufficient in this record for the Commission

(BLACKMON - EXAM BY CHAIRMAN NELSON)

3503

1 to make the modifications in this order?

2 A. Definitely. I and other witnesses I think
3 have been quite detailed in terms of our
4 recommendations.

5 CHAIRMAN NELSON: Thank you.

6 JUDGE HAENLE: Commissioner?

7

8 EXAMINATION

9 BY COMMISSIONER CASAD:

10 Q. Page 1 of your supplemental or your
11 rebuttal testimony.

12 JUDGE HAENLE: Perhaps you could turn your
13 microphone around to be sure that the reporter can
14 hear you. I'm afraid that she'll miss part of your
15 question.

16 That's between you and her.

17 COMMISSIONER CASAD: She probably wouldn't
18 like that.

19 Q. Page 1 of your rebuttal testimony, line 15?

20 A. I have that.

21 Q. I feel that we've been pounding on this
22 poor horse for days and I am not so certain whether
23 the horse is any sicker or is any better or is
24 completely dead, but you say at line 15, "I contend

25 that the appropriate standard to judge a normal hydro

(BLACKMON - EXAM BY CASAD)

3504

1 definition is how well it matches the most recent
2 conditions, not some long term average." I would
3 assume the only way that you could arrive at what
4 would be a more normal hydro definition is
5 retrospectively that you look back from where you are?

6 A. I think so, yes.

7 Q. And to get the most recent conditions,
8 would the most effective way be to use last year's?

9 A. If you were going to only use one year, if
10 you decided you were going to limit yourself to pick
11 up one year of information to use, I would say use
12 last year's. But I think you would get a better
13 estimate if you use the last two years, and a better
14 estimate than that if you use the last three years and
15 you keep working back.

16 Q. So then it's not true that you use the most
17 recent data?

18 A. The process that I went through is to start
19 with the most recent data and add to it going back in
20 time until the point where it appeared that the data
21 were too different from the current to reject the idea
22 that it was just random fluctuations causing that. So
23 when I said that I used the most recent data I'm using
24 the most recent 30 years because it appears that

25 that's the best set to use.

(BLACKMON - EXAM BY CASAD)

3505

1 Q. There are several periods if you look at
2 Water Power Exhibit 808 where it is too different.
3 Usually it's too different for a period of years. So
4 if one chose a period where it was too different you
5 would have either an extended period of excessive or
6 higher stream flow conditions and then you would have
7 a period of maybe eight or ten years of lower
8 conditions. I'm struck by the anomalies in using your
9 selected period from essentially 1939 to 1978.

10 A. 1949 to '78.

11 Q. '49 to '78, that these all seem to be very
12 high stream flow conditions thus resulting in greater
13 generation, and then you indicate that the data --
14 there's not acceptable data for Puget from subsequent
15 to 1978 but if one accepted the Water Power exhibit as
16 being correct there is a substantial difference
17 between the period just preceding it. In fact some of
18 the worst water years in history. And it seems
19 inherently unreasonable to me to ignore that kind of
20 data. I am not quite certain why you feel on the one
21 hand you could apply graph data to Dalles to Puget and
22 on the other hand it's not representative and it could
23 not be applied to Puget. Could you explain that for
24 me?

25 MR. ADAMS: Can I for clarification? Are

(BLACKMON - EXAM BY CASAD)

3506

1 you referring to the second page which the five-year
2 average?

3 COMMISSIONER CASAD: Yes.

4 A. I would start my response by referring you
5 to the first page of that exhibit, which I think shows
6 a little bit more that it's not so much that every
7 year is above the zero line as the second page does.
8 And I think the heart of this problem, Commissioner,
9 is that the Puget-specific data ends in 1978 and I
10 agree with those who have said that the most recent
11 experience is lower water conditions. I think that's
12 undeniable. I don't feel like I can reliably take the
13 Dalles stream flow for, say, the year 1980 and
14 translate that into Puget's generation level. If I
15 did make that translation I am sure that it would
16 bring down the average. But I think that to some
17 extent we have to just accept the frustration that the
18 power pool is 15 years behind in updating these
19 numbers. I think that to some extent that problem
20 will over time correct itself because if there's
21 always going to be a lag then we're going to always be
22 missing the most recent set of data. And so it was
23 for that reason that I started with the 1978 data and
24 went backwards.

25 And then as far as why I stopped when I did

(BLACKMON - EXAM BY CASAD)

3507

1 again it's because that period in the 30's and 40's
2 when we had low water was just not consistent with
3 that 30-year period that ended in 1978. I take your
4 point that that may be consistent with the period in
5 the 80's so that if we -- if I redo this analysis in
6 five years or whatever we might come up with quite a
7 different number.

8 Q. I think I understand your point. The fact
9 that power pool data may or may not have been updated
10 over 50 years does not mean that it quit raining or it
11 rained more. There are certain inherent rational
12 reasonable observations that one can make through an
13 accumulation of data that seems to indicate that it
14 has rained less, the Dalles and specifically for
15 Puget and anybody else. So if one says on the
16 technical point that the data has not been updated, I
17 am going to give no credence at all to that phenomena,
18 brings into question the reasonableness of that kind
19 of approach to me.

20 A. And you would like a response?

21 Q. Yeah.

22 A. Again, I go back to the fact that the test
23 year for this case is from July of '91 to June of
24 1992. We are ignoring information about this company

25 in the period, second half of 1992 and what we have so

(BLACKMON - EXAM BY CASAD)

3508

1 far in 1993. We're just not considering it. And the
2 reason is that there's a lag between the collection of
3 data and its use in a proceeding like this or in an
4 analysis such as I've done.

5 Q. Well, if that's the case, if you're going
6 to use a test year as an analogy, aren't there
7 adjustments made to the test year, proforma
8 adjustments? Aren't there prospective adjustments,
9 known and measurable adjustments made to a test year
10 because of fact?

11 A. There are. Again, I would stress that this
12 is not a simple calculation to make. And to say, at
13 least I feel that I cannot look at the Dalles stream
14 flow in the year 1992 and in any reliable way say,
15 well, how many megawatts does that mean for Puget. If
16 I could, I would; and if somebody else did it, I would
17 be willing to look at that result, and if it was
18 reasonable to go with it. But the company started
19 with a period that ended in 1978. They said that
20 was the extent of reasonable data and I agreed with
21 that idea that only through 1978 did we have good
22 data.

23 Q. Thank you. That's all I have.

24 JUDGE HAENLE: Commissioner?

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COMMISSIONER HEMSTAD: I don't have any
(BLACKMON - EXAM BY CASAD)

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questions.

JUDGE HAENLE: Anything more,
Commissioners? May I suggest that this would be a
logical time to break for lunch if that doesn't
discombobulate the witness too badly.

MR. ADAMS: That's fine.

JUDGE HAENLE: We'll come back then at
1:30.

(Luncheon recess at 12:00 noon.)

25

(BLACKMON - EXAM BY CASAD)

3510

1 AFTERNOON SESSION

2 (1:30 p.m.)

3 JUDGE HAENLE: Let's be back on the record
4 after our lunch recess. In the way of procedural
5 matters the company told me just before we went back
6 on the record that they had discussed with the parties
7 delaying the prefiling date for the deadline for
8 rebuttal prefiling from the 25th, which is a Friday,
9 to the 28th, which is the following Monday, but with
10 the understanding they would get whatever materials
11 they could to the other parties by the 25th and that
12 the reason for that was because of these additional
13 hearing days that we have had to add. Is that it
14 basically, Mr. Marshall?

15 MR. MARSHALL: Yes. We've committed to use
16 our best effort to get what we have on Friday. Just
17 in view of the length of time these examinations went
18 on and the public hearings we felt we needed that
19 extra time over the weekend.

20 JUDGE HAENLE: And you have discussed that
21 with the parties?

22 MR. MARSHALL: Yes, with Mr. Trotter and
23 Mr. Adams. I don't know if there are any other
24 objections.

25 JUDGE HAENLE: Mr. Trotter, that's all

(COLLOQUY)

3511

1 right with you?

2 MR. TROTTER: Well, it's the best we can do
3 under the circumstances. We did understand the
4 company is committing on the Monday filing to file by
5 noon or thereabouts.

6 MR. MARSHALL: Right.

7 JUDGE HAENLE: Mr. Adams, that was
8 discussed with you?

9 MR. ADAMS: Yes.

10 JUDGE HAENLE: Any of the intervenors have
11 a strong feeling about that one way or the other?

12 MR. TRINCHERO: Need some clarification.
13 Would that be an attempt to file most of it on Friday
14 and then whenever you can't get out on file on Friday
15 you intend to get out on Monday would also be Federal
16 Expressed to parties on Monday?

17 MR. MARSHALL: You mean the material we
18 weren't able to get to you on Friday we would Federal
19 Express to you all?

20 MR. VAN NOSTRAND: Sure, we can do that.

21 MR. TRINCHERO: That would help.

22 JUDGE HAENLE: We had additional cross of
23 the witness and Mr. Adams suggested we take those
24 additional questions before we take redirect.

25 Mr. Trincherro or Mr. Meyer, I don't care which one of

(BLACKMON - CROSS BY TRINCHERO)

3512

1 you goes first.

2

3

CROSS-EXAMINATION

4 BY MR. TRINCHERO:

5 Q. Good afternoon, Mr. Blackmon. Before the
6 lunch break you were asked a question by the chairman
7 regarding whether or not the details of suggested
8 changes to the PRAM should be handled through a
9 collaborative group and I believe your answer was that
10 the record in this case was sufficient for the
11 Commission to act upon that. Are you familiar with
12 Mr. Schoenbeck's recommendation that while the policy
13 determinations should be made by the Commission in
14 this case that a workshop could be convened in order
15 to work out details emanating from the Commission's
16 order?

17 A. I think so. I don't recall that
18 specifically but sounds familiar.

19 Q. And would that be an acceptable approach?

20 A. I guess in my opinion it depends on what
21 the Commission ultimately decides with regard to PRAM.
22 That the changes that I have in mind I consider to be
23 well enough developed that I think the Commission
24 could adopt them and then there would probably should

25 be some sort of face to face meeting for the people

(BLACKMON - CROSS BY TRINCHERO)

3513

1 who will be implementing the mechanism to reach a
2 common understanding about exactly how that would
3 work. In the PRAM so far we have run into problems
4 where, for instance, with the shaping of revenues
5 within a year that sort of thing got bounced back to
6 the Commission that probably could have been resolved
7 through some face to face meetings. But I guess I see
8 that as different from a collaborative that would be
9 given some sort of general direction about coming up
10 with a new mechanism or something like that and having
11 to very nearly start from scratch. It's that second
12 thing that I just don't see the need for that.

13 MR. TRINCHERO: Thank you. No further
14 questions.

15 JUDGE HAENLE: Mr. Meyer?

16

17 CROSS-EXAMINATION

18 BY MR. MEYER:

19 Q. As a brief follow-up to Mr. Trotter's
20 questions of you. As you recall during my cross-
21 examination I had asked you essentially to compare the
22 use of your rolling 30 years with a 50-year
23 methodology in terms of which methodology better
24 captured the actual hydro conditions that prevailed

25 after 1978, and you recall that exchange?

(BLACKMON - CROSS BY MEYER)

3514

1 A. I do.

2 Q. And then I believe Mr. Trotter asked you
3 about other points in time. Would you refer back to
4 Exhibit 808, please. That's Mr. Norwood's exhibit,
5 page 2 of that exhibit.

6 A. I have that.

7 Q. And as you recall we were discussing that
8 point in time indicated by the vertical line 1978 and
9 comparing before and after, were we not?

10 A. Yes, we were.

11 Q. And I believe in your reference or your
12 response to Mr. Trotter focused on the period or the
13 year 1949. Let me ask you this with respect to that
14 date?

15 A. Which date?

16 Q. 1949. Which method -- put yourself back in
17 1949. Give yourself a retrospective look at what
18 happened after 1949 and the question is this: Would
19 the rolling 30-year average preceding 1949 or a
20 50-year set of data better reflect hydro conditions
21 that actually prevailed after 1949? Stated simply
22 which methodology would have been closer to the mark
23 to reflect conditions that actually happened after
24 1949?

25 A. So we would be looking at the 50-year

(BLACKMON - CROSS BY MEYER)

3515

1 period that was started in 1899 and go to 1949?

2 Q. Correct.

3 A. In that case -- what I would describe if
4 I could rephrase your question -- basically what
5 you're asking is in that particular case would a
6 rolling 50-year average produce an answer closer to
7 the 50 -- to the 1950 value than a rolling 30-year
8 average?

9 Q. I'm asking actually whether you used not a
10 rolling 50 but the 50 years of data preceding 1949 and
11 you also used a rolling 30 that started in 1909. You
12 compared those two methods which would have produced a
13 result that better captured the actual hydro conditions
14 that occurred after 1949?

15 A. Well, I will answer your question and I
16 would say that just looking at it visually that the
17 50-year period would seem to produce an average closer
18 to the conditions that prevailed in the early 1950's
19 than the 30-year period would. However, I also would
20 say that I don't believe that's a valid comparison
21 because what is being proposed in this case as the
22 50-year average is not a rolling 50-year average,
23 which is what I still contend I was asked to compare
24 just now, but instead a fixed 50-year period from

25 1928 to 1978, and so the answer is 50 years but I

(BLACKMON - CROSS BY MEYER)

3516

1 can't accept that that's a valid comparison to make.

2 Q. And then the only other point in time that
3 we had discussed was 1978 and wasn't it your testimony
4 that similarly the use of a 50-year set of water data
5 would better capture actual hydro conditions than
6 would a rolling 30-year average when we look at what
7 actually happened after 1978?

8 A. Using the fixed 50-year period from '28 to
9 '78 I think you come up with a number that was closer
10 to the condition, say, in 1979 than you would using
11 the 30-year period from '48 to '78. I would note that
12 in that particular example that it probably would be
13 appropriate to consider that if we're thinking about,
14 well, which captured the conditions in 1979 best. I
15 don't know a lot about this but I understand that
16 Puget got a drought surcharge right around then too
17 and so you probably wouldn't even want to try to make
18 the comparison to 50-year average that didn't adjust
19 for the fact that in that dry condition they were able
20 to go off of normal hydro.

21 MR. MEYER: Thank you. That's all I have.

22 JUDGE HAENLE: Are there other counsel with
23 cross?

24 Mr. Adams?

25

(BLACKMON - REDIRECT BY ADAMS)

3517

1 REDIRECT EXAMINATION

2 BY MR. ADAMS:

3 Q. At the risk of overbeating this topic, let
4 me just ask you a few more questions on the hydro. If
5 you were to do any of these analyses, whether it be 50
6 years, rolling 50, 30, rolling 30, 40, whatever it
7 might be, the data you would be using would actually
8 not be on sheet 2 of Exhibit 808 but it would be on
9 sheet 1, would it not?

10 A. It would be on sheet 1 in that that's
11 annual data. What you would actually be using would
12 be Puget-specific data instead of this information
13 that's for the Dalles.

14 Q. And there's been some discussion about the
15 lag on information coming out of the -- was it PNUCC?

16 A. Yeah, more or less.

17 Q. This lag, unfortunately, has existed
18 throughout a number of periods, has it not?

19 A. As far as I know, yeah. As I understand it
20 they try to do it in large chunks like ten-year
21 increments so that at some point -- you might not
22 always have a 15-year lag but generally you would have
23 a lag.

24 Q. Well, I mean this has been true in the past

25 when other, whether it be a 40-year average or other

(BLACKMON - REDIRECT BY ADAMS)

3518

1 indices have been used there's been that same lag in
2 data?

3 A. Yes.

4 Q. And I think it was indicated that it was
5 expected that the next ten years, I guess that would
6 be up through 1989 --

7 A. 1988.

8 Q. -- would be available perhaps at the end of
9 this year?

10 A. That was Mr. Lauckhart's testimony, as I
11 recall.

12 Q. And am I correct, though, under your
13 methodology you would support the inclusion of that
14 newest ten years as soon as it becomes available?

15 A. Definitely.

16 Q. Am I correct that, depending on what period
17 of years you were asked to look at and then compare
18 with the future, you would get very different results
19 if you moved through either pages 1 or page 2 of
20 Exhibit 808?

21 A. Yeah, that's right.

22 Q. You referred to a drought surcharge. Is it
23 appropriate to use an average number of years, whether
24 it be 40 or 50 years or 104 years to set normalized

25 conditions and then at the same time allow the company

(BLACKMON - REDIRECT BY ADAMS)

3519

1 to come in for rate relief under the most dry of those
2 circumstances, most dry years of that period?

3 A. Well, I would have to think about how these
4 numbers are actually used to set rates. In the case
5 of the company's calculation of power costs they have
6 calculated the power costs that they think they would
7 experience under 50 different water conditions over
8 the 50 years and then those were averaged to come up
9 with an average power cost over that range of possible
10 years. So if you set rates based on that type of an
11 average then, no, it would not be appropriate to then
12 come back later with a surcharge when you experienced
13 one of the years that you included in your average.

14 Q. If rates were set in 1979, 1980 based
15 on normalized water conditions, then the company was
16 allowed to recover a drought surcharge, in effect
17 would it not be able to recover more than normal water
18 conditions, in other words, recover for, if you will,
19 drier than actual conditions?

20 A. I would think so. If those conditions that
21 prevailed in '78 or '79 had been included in the
22 average that was used to set the normal. I don't mean
23 those specific years but if that type of water
24 condition had been included in the average, yes.

25 Q. Is it your understanding that in the late

(BLACKMON - REDIRECT BY ADAMS)

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1 70's, and early 80's, at least with Puget there were
2 several drought surcharges allowed by this Commission?

3 A. I don't know a lot about it, but yes.

4 There was some surcharge.

5 Q. You were asked about -- you weren't asked
6 about -- Exhibit 857 was put into the record and if
7 you would refer to that for a moment. This deals with
8 your reduction in usage for residential customer due
9 to programmatic conservation. Do you recall that?

10 A. Yes.

11 Q. Could you briefly explain what Exhibit 857
12 shows?

13 A. Sure. The period of time that this
14 advertising program, that corporate communications
15 plan was -- has been going on started in mid 1991 and
16 continues through now, but what I have done is
17 calculate the conservation savings that the company
18 experienced from its own customer programs during the
19 period that that advertising campaign was going on
20 from the middle of 1991 to the end of 1992. And so
21 the numbers that are shown on the second page of the
22 exhibit, the attachment 4231 A for each of
23 the different programs that shows the amount of
24 electricity savings per year that the company acquired

25 in a particular year. So like for residential retrofit

(BLACKMON - REDIRECT BY ADAMS)

3521

1 the company achieved 20,000 megawatt hours of savings in
2 1991 and 21,000 megawatt hours in 1992. Those numbers
3 are not cumulative. I mean, the measures that the
4 company actually installed in 1991 will save 20,000
5 megawatt hours per year for many years into the future
6 and the same is true of 1992, so that for instance in
7 1993 the company would save that 1992 amount plus the
8 1991 amount plus numbers that aren't shown on this table
9 from 1990 and 1989 all the way back to when they started
10 their programs. So then the line that is shown as
11 total, 18 months, what that reflects is the amount of
12 savings that the company would realize in one year from
13 the conservation that it had installed over the one and
14 a half year period from the middle of 1991 to the end of
15 1992, and that divided by the number of customers
16 reaches the result that that 18-month period resulted in
17 conservation savings of 244 kilowatt hours per customer
18 per year and that figure would continue on indefinitely
19 into the future until people tear down the house that
20 the insulation was installed in or whatever.

21 Q. You have some discussion at the early part
22 of your cross-examination relating to your adjustment
23 for the dispatchability of resources in your use of a
24 combined cycle combustion turbine. Do you recall

25 that?

(BLACKMON - REDIRECT BY ADAMS)

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1 A. Yes, I do.

2 Q. And I believe that you had indicated that
3 you believe there was an assumption in the 1989 least
4 cost plan and in the Power Council's plan that there
5 were no fixed fuel costs for that turbine assumed for
6 purposes of their numbers; is that correct?

7 A. Right.

8 Q. Do you believe that's a reasonable
9 assumption?

10 A. I do believe it is. Again, it's always
11 hard to try to put yourself into the position of what
12 people were thinking at the time rather than what
13 people are thinking today. The gas markets are
14 changing all the time and so it's hard to re-create
15 what in 1989 would have been a situation. But the
16 least cost plans that were produced by the company and
17 the Northwest Power Planning Council include no fixed
18 fuel costs for a combustion turbine which means that
19 the assumption was that the fuel costs were variable
20 and I believe that that was a reasonable assumption to
21 make even if a utility such as Puget were to acquire
22 firm power supplies -- firm gas supplies, excuse me --
23 to fire a combustion turbine and even if there were a
24 fixed payment required to get that firm gas, if it

25 turned out in a particular month they didn't need the

(BLACKMON - REDIRECT BY ADAMS)

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1 gas they could or they might be able to resell that
2 gas, perhaps not at the full price that they paid for
3 it, but then also perhaps at a higher price than they
4 paid for it. You never know because it would still be
5 firm gas. And so on that basis it seems to me that it
6 was a reasonable assumption to make at the time. And
7 reasonable for me to include it in this analysis.

8 Q. Are you aware of any arrangements between a
9 gas company and an electric company where they
10 basically both benefit by getting a firm gas supply?

11 A. Not for the 1989 period again. But we see
12 that happening today and of course these projects,
13 even though they were contracted for in 1989 or 1990
14 are coming on line today or next year, and an example
15 is Northwest Natural gas and Portland General Electric
16 have agreed to basically share a supply of firm gas
17 where the gas company gets it on the coldest days of
18 the winter but the electric company otherwise uses it
19 during the winter. By doing that the electric company
20 gets a firm supply of gas without having to pay the
21 full cost of firm transportation and any sort of firm
22 demand charges.

23 Q. And then what, on those coldest days it
24 runs oil?

25 A. Sure. It runs oil or if need be, it would

(BLACKMON - REDIRECT BY ADAMS)

3524

1 use other resources.

2 Q. There was some discussion earlier concerning
3 the notice of inquiry principle, if you will, what I
4 will call principle one, which was adjustment for
5 changes to revenue and costs beyond a utility's control.
6 I think this underlies some of your discussion of
7 normalization. Do you believe that is a principle that
8 the Commission should adopt?

9 A. In his -- in the notice of inquiry that
10 ultimately led to adoption of the PRAM, one of the
11 principles that the Commission considered was one that
12 the risks that are outside the control of the company
13 should not be borne by the company, and I guess that
14 my testimony, my recommendation in regard to the PRAM
15 does at least somewhat take issue with that principle.
16 Very narrowly you can say it doesn't take issue with
17 it because if you think very narrowly about what that
18 principle says it is that if it's outside the control
19 of the company, the company shouldn't bear it. The
20 risks that I am proposing to put back on to the
21 company of whether a hydro variability -- like I said
22 with Mr. Trotter, the company doesn't control when it
23 rains, when it doesn't, but they can mitigate that
24 risk through the choice of resources that they have in

25 that portfolio. And so I guess I don't feel like I'm

(BLACKMON - REDIRECT BY ADAMS)

3525

1 completely seeking to overturn that principle, but
2 instead asking that the Commission consider it in a
3 larger extent. Notably that we can't make that risk
4 go away of weather and hydro so that it's a fine
5 thing to take it away from the company if we can put
6 it in a box somewhere but we can't. We've shifted
7 that risk to customers and they are no better at
8 bearing that risk than the company, and they are less
9 able to mitigate that risk than the company and so I
10 think the question is not should the company bear the
11 risk but who should bear that risk, the company or the
12 customers.

13 Q. One question relating to the questions that
14 you've had concerning -- I think it started with
15 Chairman Nelson in terms of can the issue of hydro and
16 temperature normalization or whatever be addressed
17 collaboratively or some other way. Is not one
18 consideration in making a determination of that issue
19 the lag in terms of when those issues are resolved and
20 the rates that customers pay?

21 A. That was the concern that I expressed was
22 that to send this to a collaborative would -- I am not
23 exactly sure when we would be able to get it back to
24 the Commission. It would be at least a year I would

25 think before we could have this resolved and it just

(BLACKMON - REDIRECT BY ADAMS)

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1 strikes me as unfortunate for us to take that long to
2 resolve it, given that it has so far accounted for
3 what I consider to be large rate swings borne by
4 customers, and I guess I feel like those rate swings
5 -- I mean it's not so much that rates have gone up
6 because of weather or whatever. I don't want to have
7 rates increased but these rate increases have been
8 just what I consider to be a utility's signals to
9 customers in terms of what electricity costs them. I
10 mean, customers get a rate increase one year because
11 the weather was bad a year ago or even two years ago,
12 and the way the PRAM has been set up we're sending
13 these confusing signals to customers about the
14 direction of changes in cost and it would be better
15 to, as quickly as possible, resolve that in a way that
16 the company can again bear that risk.

17 Q. Mr. Trincherro asked you a line of questions
18 dealing with similarity of some of your proposals and
19 those of Mr. Schoenbeck. Do you recall those?

20 A. Yes.

21 Q. I want to ask you on one, however, and that
22 is the proposed pass-through of 90 percent of
23 difference between actual and projected costs, that
24 issue. Are you in a commonality or in common

25 agreement with Mr. Schoenbeck on that issue or let me

(BLACKMON - REDIRECT BY ADAMS)

3527

1 ask you, do you have concerns about it, I guess is
2 better phrased?

3 A. I share his concern about the incentives
4 that are created by the PRAM, and the use of the
5 simple dispatch model that at least for some elements
6 of power costs the company gets to pass those through
7 to customers, and in that situation the company's
8 incentive to be efficient is not very good.

9 I guess my problem is with the remedy that
10 Mr. Schoenbeck proposes to that, which is he proposes
11 that we take the projected costs that are used to set
12 rates in the PRAM and then when we do a true-up rather
13 than true up the full difference between actual costs
14 and projected costs we would only true up for 90
15 percent of the difference. That works, I think, in
16 the sense that it would improve the company's
17 incentive to be efficient. But I have concerns about
18 what that would do to the incentives of the company
19 and other parties to do accurate projections of cost.

20 I guess I see getting into a situation
21 where rather than the actual costs being contested as
22 they are now, we'll start having highly contested
23 discussions about what the projections should be, and
24 there are many projections that are built into the

25 PRAM revenue requirement for an upcoming year,

(BLACKMON - REDIRECT BY ADAMS)

3528

1 projections about the number of customers, the type of
2 customers, what various power supplies will cost,
3 things like that. And any one of those is susceptible
4 to manipulation, not just by the company but by other
5 parties, and I just see us getting into big
6 discussions about what the appropriate projection is.

7 Q. Finally, I just want to ask you, concerning
8 the issue of your review of some of these new
9 resources and ultimately the issue of dispatchability.
10 I think you indicated in response to Mr. Trotter that
11 you had ultimately gone up to the company to review
12 records; is that correct?

13 A. That is correct.

14 Q. And this was subsequent, was it not, to a
15 number of data requests on the issue?

16 A. That's right.

17 Q. And I don't know if you've seen this but
18 Mr. Moast put into the record what is marked Exhibit
19 784 which is his PJM-6 which is a response to the
20 staff data request 1141. Do you recall being provided
21 with that as well?

22 A. Yes, I was. And that is one of a set of
23 data requests and response. They start at 1141 and
24 run through several -- each of them relates to a

25 different contract and we had asked the company for a

(BLACKMON - REDIRECT BY ADAMS)

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1 general request to provide any document that supports
2 their decision to enter into these contracts, and
3 their response was to see these staff ones, one of
4 which is included in the record, and then as part of
5 that response that Mr. Moast concluded there were
6 reference to other documents that were confidential
7 and/or too voluminous to copy and we were asked to
8 come to the company headquarters to review those.

9 Q. And you did that?

10 A. And I did that.

11 Q. Am I correct that -- well, what was it that
12 you were looking for that you were not able to obtain?

13 A. I was looking for documents that support
14 the company's decision to acquire the resources, to
15 enter into the contracts. What I was provided with
16 were documents that start with the contract themselves
17 and go forward in time. And I guess specifically what
18 I was looking for was from the 1989 competitive
19 bidding process. I wanted to see how the company had
20 evaluated the resources that it was offered and to see
21 how they scored the dispatchability of resources,
22 because some projects were offered to the company, at
23 least one was, on a dispatchable basis and I wanted to
24 see how the company valued that, but I was told by the

25 company personnel that they no longer had those

(BLACKMON - REDIRECT BY ADAMS)

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1 evaluations.

2 Q. Was it your understanding that that inquiry
3 was passed up to Mr. Lauckhart as well?

4 A. The company representative who was working
5 with me on that, I asked her to pass this request on
6 to her supervisor which she said she did and still
7 didn't get a very clear answer about whether it was
8 available. So she told me anyway that she went and
9 asked Mr. Lauckhart and he said that he didn't have
10 his copy and so I said, well, does that mean that no
11 one in the company has it any more? And she said if
12 Mr. Lauckhart doesn't have it, no one has it.

13 Q. Thank you.

14 MR. ADAMS: That's all I have.

15 JUDGE HAENLE: Anything more of the
16 witness?

17 MR. VAN NOSTRAND: Couple of questions,
18 your Honor.

19

20 RE-CROSS-EXAMINATION

21 BY MR. VAN NOSTRAND:

22 Q. Dr. Blackmon, with regard to the evaluation
23 of the bids received by the company in the 1989
24 competitive bids solicitation, which I believe is part

25 of the documents you're talking about, do you know,

(BLACKMON - RE CROSS BY VAN NOSTRAND)

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1 was the company required under the competitive bidding
2 rule to prepare a final ranking evaluation and summary
3 of its process and the basis for selecting the
4 projects that it did?

5 A. I am not sure of what the company is
6 required to do. I know that they published a summary
7 of the projects that set out the specific projects
8 that they selected, a general description of projects
9 that were offered but not selected and that set out
10 the criteria that they used in ranking those projects.
11 But those criteria were not listed in sufficient
12 detail to be able to figure out what weight they gave
13 to any particular aspect of the project.

14 Q. You were provided with a copy of that
15 ranking evaluation that the company prepared in
16 accordance with the competitive bidding regulations?

17 A. Yes, I was. I was provided with that
18 general overview summary document.

19 MR. VAN NOSTRAND: No further questions.

20 JUDGE HAENLE: Mr. Trincherero?

21

22 CROSS-EXAMINATION

23 BY MR. TRINCHERO:

24 Q. You were asked a question by public counsel

25 regarding Mr. Schoenbeck's 10 percent proposal. Isn't

(BLACKMON - CROSS BY TRINCHERO)

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1 it true that Mr. Schoenbeck's proposal on the 10
2 percent true-up is an alternative to his preferred
3 recommendation that the power cost variation
4 adjustment portion of the PRAM be eliminated?

5 A. Yes, it is.

6 MR. TRINCHERO: Thank you.

7 JUDGE HAENLE: Anything more of the
8 witness?

9 Thank you, sir, you may step down. Let's
10 go off the record to change witnesses, please.

11 (Recess.)

12 JUDGE HAENLE: Let's be back on the record.

13 During the time we were off the record I believe the
14 last witness for this phase has assumed the stand. I
15 marked a number of documents for identification as
16 follows:

17 Marked as T-858 is an 18-page document.

18 In the upper right-hand corner it says CKW-testimony.

19 The next is CKW-1 in three pages. That's
20 859 for identification.

21 CKW-2 in one page is 860 for
22 identification.

23 CKW-3 in one page is 861.

24 CKW-4 in two pages with the first of those

25 two pages being a revised page is 862.

(WINTERFELD - DIRECT BY TROTTER)

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1 And CKW-rebuttal in seven pages is T-863.

2 We will make the errata sheet part of T-858 so be sure
3 that you make the corrections on your own copy.

4 (Marked Exhibits T-858, 859 through 862,
5 T-863.)

6 Whereupon,

7 CURTIS WINTERFELD,

8 having been first duly sworn, was called as a witness
9 herein and was examined and testified as follows:

10

11 DIRECT EXAMINATION

12 BY MR. TROTTER:

13 Q. Would you please state your name and spell
14 your last name for the record?

15 A. My name is Curtis K. Winterfeld. Last name
16 is spelled W I N T E R F E L D.

17 Q. What is your business address?

18 A. 2101 Fourth Avenue, Suite 600, Seattle,
19 Washington 98121.

20 Q. What is your position and what is your
21 business?

22 A. I'm a partner in R.W. Beck and Associates.

23 Q. Were you retained by the Commission to
24 provide testimony in this case?

25 A. Yes, I was.

(WINTERFELD - DIRECT BY TROTTER)

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1 Q. And in the course of pursuing your duties
2 in that regard did you have cause to prepare testimony
3 and exhibits?

4 A. Yes, I did.

5 Q. Referring you to Exhibit T-858, is that
6 your direct testimony?

7 A. Yes, it is.

8 Q. If I asked you the questions that appear
9 there, would you give the answers that appear there?

10 A. Yes.

11 Q. And in that testimony you refer to various
12 exhibits that are prepared by you or that you are
13 relying on. Are those Exhibits 859 through 862?

14 A. Yes.

15 Q. Are those true and correct to the best of
16 your knowledge?

17 A. Yes.

18 Q. You also prepared rebuttal testimony?

19 A. Yes.

20 Q. And that is Exhibit T-863?

21 A. Yes, it is.

22 Q. If I asked you the questions that appear
23 there, would you give the answers that appear there?

24 A. Yes, I would.

25 MR. TROTTER: Your Honor, move for the

(WINTERFELD - DIRECT BY TROTTER)

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1 admission of Exhibits T-858 through T-863.

2 MR. VAN NOSTRAND: No objection.

3 JUDGE HAENLE: Mr. Adams, any objection?

4 MR. ADAMS: No objection.

5 JUDGE HAENLE: Objection from any
6 intervenor?

7 MR. TRINCHERO: No, your Honor.

8 JUDGE HAENLE: T-858, 859 through 862 and
9 T-863 will be entered into the record.

10 (Admitted Exhibits T-858, 859 through 862
11 and T-863.)

12 MR. TROTTER: Witness is available for
13 cross.

14 JUDGE HAENLE: Thank you. Mr. Van
15 Nostrand?

16

17 CROSS-EXAMINATION

18 BY MR. VAN NOSTRAND:

19 Q. Good afternoon, Mr. Winterfeld.

20 A. Good afternoon.

21 Q. Like to start out on your errata sheet
22 here. If we could look at the fourth item, I believe
23 on page 14, line 25. Is the effect of this change to
24 be rather than the BPA sales contract resulting in an

25 increase in Puget's net power supply costs that your

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 changes in your testimony state now that the effect of
2 the BPA sales is to reduce Puget net power supply
3 expense by \$1.7 million?

4 A. I believe you got those turned around or at
5 least you're stating them in the opposite tense that I
6 was stating in my testimony.

7 Q. You're proposing to exclude the BPA
8 contract?

9 A. Right.

10 Q. To decrease power supply expenses?

11 A. Exactly.

12 Q. And now what is your testimony?

13 A. That it would -- to continue to exclude the
14 BPA contract; however, with the other assumptions in
15 prices, loads, resources, et cetera, there would be an
16 increase in net power supply expenses of the \$1.7
17 million.

18 Q. In your testimony on page 3 you're
19 proposing to reduce the net power supply expense, that
20 number goes from 442 and increases by 2 million?

21 A. That's right. The correct number should be
22 444.2.

23 Q. And the expense reduction that staff is
24 proposing is reduced from \$45.8 million to \$43.6

25 million?

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 A. That is correct.

2 Q. And what's the basis for these corrections?

3 A. The basis for it was discussions with one
4 of the company staff persons who was having difficulty
5 reconciling numbers, and he and I went over those on
6 the phone, and in trying to reconcile the numbers
7 there was basically two errors in a spreadsheet, a
8 double counting of a figure and a sign reversal of a
9 figure that caused the change.

10 Q. Those errors were corrected and that
11 resulted in these numbers changing your testimony?

12 A. That is correct.

13 Q. Like to start out with your discussion of a
14 hydro realization adjustment, I believe page 6.

15 MR. VAN NOSTRAND: Like to distribute a
16 couple of exhibits, your Honor.

17 JUDGE HAENLE: The first document is
18 entitled Hydro Realization for Puget Sound Power and
19 Light's Share of the Mid Columbia Projects. I will
20 mark that multi-page document as 864 for
21 identification.

22 (Marked Exhibit 864.)

23 JUDGE HAENLE: The second document is in
24 one page. It is entitled Response to Company Data

25 Request 4103. That would be 865 for identification.

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 (Marked Exhibit 865.)

2 Q. Mr. Winterfeld, one of the issues you
3 discuss in your testimony is the company's proposal to
4 adjust the hydro generation assumed from the mid
5 Columbia project by about 4 percent; is that right?

6 A. That is correct.

7 Q. And I take it you reviewed the company's
8 study supporting that adjustment?

9 A. Yes, I did.

10 Q. And do you recognize what's been marked for
11 identification as Exhibit 864 as the company study
12 supporting its hydro realization adjustment?

13 A. It appears to be the same study that was
14 provided by the company in response to at least one if
15 not more than one data request.

16 Q. And this is the study that you reviewed and
17 is the subject of your testimony on this point?

18 A. It's part of it. As I've indicated I also
19 reviewed a similar study that was done by Washington
20 Water Power. My particular response to 4103, though,
21 is based on my review of the company study that you've
22 marked as an exhibit.

23 MR. VAN NOSTRAND: Your Honor, move the
24 admission of 864 and 865.

25 JUDGE HAENLE: Any objection?

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 MR. TROTTER: No objection.

2 MR. ADAMS: No objection.

3 JUDGE HAENLE: Objection from an
4 intervenor?

5 All right. 864 and 865 will be entered
6 into the record.

7 (Admitted Exhibits 864 and 865.)

8 Q. Is it fair to state that the purpose of the
9 hydro realization adjustment is to reduce the amount
10 of power which is assumed to be generated at the mid
11 Columbia hydro project?

12 A. Yes, that's what the company did was to
13 apply a 4 percent per month across the board reduction
14 in hydro generation.

15 Q. And the company's study was based on the
16 observed relationship between flow and power output
17 for each of its five mid Columbia projects over a
18 47-month period; is that correct?

19 A. That is correct.

20 Q. If we could turn to page 3 of Exhibit 864.
21 This is the summary page of the results of the study?

22 A. That's right.

23 Q. And it indicates that based on this study
24 it appears that a reduction of about 52 megawatts is

25 in order as compared to Puget's share of those project

(WINTERFELD - CROSS BY VAN NOSTRAND)

3540

1 outputs of 852 megawatts?

2 A. That's what that table shows.

3 Q. And the table also shows that this is a
4 weighted percentage reduction of about 6.1 percent; is
5 that right?

6 A. That's right.

7 Q. And notwithstanding this 6.1 percent study
8 result, the company's proposal is to reduce hydro
9 generation by only 4 percent; is that right?

10 A. That's right.

11 Q. And if we look at the Rock Island project
12 alone, doesn't the 34.91 megawatt figure roughly
13 translate to a 4 percent adjustment if that's compared
14 to the 852 megawatt figure?

15 A. That's right, it does, roughly.

16 Q. One of the criticisms of the study you
17 state in your testimony is that this mathematical
18 relationship doesn't look at operational data which
19 might explain some of these results. Is that a fair
20 summary?

21 A. That's right, that's one of the criticisms.

22 Q. And some of these operational data included
23 forced outages, reservoir operation or maintenance and
24 daily spill?

25 A. That is correct.

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 Q. Would you agree that these types of events
2 are fairly common in operating hydro projects and that
3 a normal level of such events should be expected to
4 recur?

5 A. No. I really can't agree with that,
6 particularly over simply slightly less than a four
7 year period.

8 Q. Are you aware of any unusual operating
9 circumstances which occurred at the company's five mid
10 Columbia projects during that 47-month period?

11 A. No, but I didn't look to see if there were.
12 Certainly if I was doing analysis such as this I would
13 have looked into such occurrences instead of simply
14 presuming that there were no such occurrences.

15 Q. You also state in your testimony that the
16 range of flows covered by the 47-month analysis does
17 not represent the range of historical flows. Is that
18 a fair statement?

19 A. Well, I think I indicate that what the
20 range is is covered in the study and that there are
21 limits both lower limits and upper limits which there
22 was no data and there was an upper range for which
23 there was very little data.

24 Q. And in particular you looked at the Rock

25 Island project results; is that correct?

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 A. Yes. Simply as an illustration of the same
2 effect I saw in all the projects.

3 Q. If we could turn to page 7 of Exhibit 864.
4 This indicates the summary of the results for the Rock
5 Island project; is that right?

6 A. That's right.

7 Q. And in the upper right-hand corner the
8 figures that have been boxed, middle column indicates
9 the output which the NRF model shows would be
10 generated at the various flows?

11 A. That is correct.

12 Q. And the right column shows how the NRF
13 table would be redefined for the range of flows for
14 which actual data was observed during the company's
15 47-month study?

16 A. That's right.

17 Q. And that would consist of the three points
18 at 76.3, 123.8 and 176.3; is that right?

19 A. That's right.

20 Q. And your testimony observes that there are
21 no data points for flows less than 65 cubic feet or
22 for flows more than 196 CFS; is that right?

23 A. That's right. And that there's only one
24 data point beyond 138.8 and that's the 195.9.

25 Q. You would agree, wouldn't you, that for

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 Rock Island about 92 percent of the NRF monthly flows
2 are within the range of observations included within
3 the study?

4 A. That's correct, but the more important
5 question, I think, is what percent of the flows are
6 between the 138.8 and the 195.9 and that's not shown
7 on the company's table.

8 Q. And that, I guess, is what your graph in
9 your Exhibit 861, the point of that exhibit is the
10 limited observations for that range of flows?

11 A. That's right. The area called the high
12 flow case. I've estimated that there's something on
13 the order of 20 percent of the months that are in that
14 flow range.

15 MR. TROTTER: Excuse me, Counsel, was that
16 Exhibit 860 that you're referring to?

17 MR. VAN NOSTRAND: I'm sorry, yes, it is
18 CKW-2.

19 Q. But if we focus just on the flows that
20 would be adjusted as shown in the boxed area on page 7
21 that the flow at 76.3 indicates that an adjustment of
22 about 7.1 percent is necessary and that's in order to
23 go from 240 down to 223?

24 A. That is correct. That's with just relating

25 flow to generation without any adjustment for the

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 potential impact of operation factors.

2 Q. And the flow at 123.8 suggests an
3 adjustment of about 12 percent is necessary, that's
4 going from 375.9 to 330?

5 A. Correct.

6 Q. And the one at 176.3 suggests an adjustment
7 of about 22.7 percent is necessary; is that right?

8 A. That's about right, yes.

9 Q. And as far as the two data points which you
10 have graphed on your Exhibit 860, is there anything
11 in those two points that suggest that the data is out
12 of the ordinary or is unreliable?

13 A. They're just two data points. I've got
14 nothing to judge that with.

15 Q. Given the other points which you have
16 graphed on there, is there anything that suggests that
17 those two are particularly out of line?

18 A. Again, I can't answer the question. Those
19 are two data points and they represent the actual
20 relationship between generation and flow for those two
21 months and I don't know much more about them than
22 that.

23 Q. Another point you make in your testimony is
24 that the adjustment may overstate the correction

25 necessary in the lower flow months and understate it

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 in the higher flow months. Is that a fair statement?

2 A. That's a fair statement. Of course, that
3 was preceded with that that was based on the effect
4 that Washington Water Power found in its study of
5 modeling actual hydro generation from modeled hydro
6 generation.

7 Q. The 47-month study performed by Puget does
8 include both high and low flow months, doesn't it?

9 A. It includes the range there. I didn't go
10 to see what that range represented in terms of a 40 or
11 50-year water record of representing the highs and
12 lows that might be found in the full record.
13 Certainly there is a fairly broad range of data there.

14 Q. And it does cover 92 percent of the monthly
15 flows used in the NRF record?

16 A. Yes. That's what the table shows.

17 Q. And in all conditions observed by the
18 company study, both high and low, doesn't the study
19 indicate the need for an adjustment?

20 A. It fit a single line; it did not look at
21 the pattern of errors related to high and low.

22 Q. Well, in fact, if you look at just the Rock
23 Island data that we just discussed, the boxed numbers
24 in the upper right-hand corner of page 7 in fact

25 indicates that the adjustment is only 7 percent for

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 the lower flow month and it ranges up to about 22
2 percent for the higher flow numbers; is that right?

3 A. Right.

4 Q. Wouldn't you say the company's proposed use
5 of the 4 percent figure rather than the 6.1 percent
6 figure that the study suggests would tend to
7 compensate for this concern?

8 A. It might. You know, certainly I recognize
9 that the company was being conservative. It had a
10 study that indicated that there may be a problem with
11 the regulation data. I simply had questions as to why
12 they didn't look at some of the operational data and
13 didn't look more completely at the flow data over a
14 longer period of time in doing the analysis since
15 they're coming in with pretty significant adjustments
16 in rates that's based on studies that raises questions
17 but still leaves gaps in the analysis.

18 Q. Do you know that they didn't look at the
19 operational data when they performed this study?

20 A. No, I didn't know what they looked at.
21 They certainly didn't report any conclusions with
22 respect to the normality or lack of it in their
23 operational data.

24 Q. Couldn't it be that they selected a 47

25 month period which is fairly representative as far as

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 the operational characters statistics that you're
2 describing?

3 MR. TROTTER: Object to the question. The
4 staff asked for the support for the hydro realization
5 adjustment and they provided us with what they had so
6 it certainly abuses the process to ask if there were
7 other considerations. If there were other
8 considerations they should have provided it and they
9 didn't. I will object to any questioning on any
10 additional data the company may still have that they
11 didn't provide.

12 MR. VAN NOSTRAND: My point was that the
13 assumptions being made by the witness was that there
14 are operational factors that weren't considered, if
15 you're going to make that sort of suggestion, it's
16 equally true that perhaps there are no unusual
17 operational characteristics which occurred during that
18 period. He was making that assumption and that was
19 all I was trying to point out.

20 JUDGE HAENLE: Were there additional data
21 that were not provided by the company?

22 MR. VAN NOSTRAND: The study speaks for
23 itself. I mean --

24 JUDGE HAENLE: Was there anything that

25 underlies the study, any work papers that were not

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 provided?

2 MR. VAN NOSTRAND: Not that I know of. I
3 believe all the information relayed in the study was
4 given to Mr. Winterfeld.

5 JUDGE HAENLE: Overrule the objection. If
6 the witness has any additional, any information he
7 might himself have included but I don't see how that's
8 going to add to what we've got. If what we've got is
9 the witness saying that he looked at what the company
10 provided, I don't see that that adds much.

11 A. And I guess my response would be very
12 similar to what was just stated and that is the study
13 speaks for itself and it does not speak to
14 consideration of any operational factors or looking to
15 review whether the operational factors were within
16 expected normal bounds.

17 Q. If you could turn next to the fascinating
18 subject of historical stream flows.

19 JUDGE HAENLE: Fascinating and untrod.

20 MR. VAN NOSTRAND: Like to distribute a
21 couple of exhibits.

22 JUDGE HAENLE: You've given me three
23 documents. The first one has two columns of figures,
24 one entitled Water Year, the second entitled Total

25 NVPC. I will mark this as 866 for identification.

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 The second is several columns of figures.
2 In the upper right-hand corner it has Exhibit CKW-2,
3 page 2 of 2 and that will be 867 for identification.

4 The third is entitled Response to Company
5 Data Request 4112. That would be marked as 868 for
6 identification.

7 (Marked Exhibits 866, 867 and 868.)

8 Q. Mr. Winterfeld, would you agree that the
9 50-year average which the company proposes to use
10 to set normalized stream flows in this proceeding
11 represents the years 1928 to 1978?

12 A. Yes.

13 Q. And this is the full 50 years of data
14 available from the regional hydro regulation studies?

15 A. As far as I know, yes.

16 Q. You're proposing to use only the most
17 recent 40 years of this 50-year data set; is that
18 correct?

19 A. Yes. Same process that was used by the
20 Commission in U-89-2688, I believe.

21 Q. Right. And your basis for discarding the
22 first ten years of that 50-year record has nothing to
23 do with the accuracy and the reliability of the data
24 from those years, does it?

25 A. Nothing that I know of, no.

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 Q. Would you agree that the purpose of stream
2 flow normalization in a rate case is to provide the
3 best estimate of power costs during the period for
4 which retail rates are being approved?

5 A. I guess in general.

6 Q. And you presented testimony in the
7 company's 1989 rate case regarding number of years of
8 historical stream flows; is that right? It was your
9 testimony that provided the basis for the Commission
10 adopting the 40-year rolling average?

11 A. There were actually two cases, but yes,
12 that was one of them.

13 Q. And I guess most of your testimony was
14 presented in the company's cause No. U-81-41 reopened?

15 A. That's correct.

16 Q. And the Commission adopted your proposed
17 40-year rolling average for the purpose of defining
18 normal stream flows in setting the company's power
19 costs in the 1989 general rate case; is that correct?

20 A. That is correct.

21 Q. And the 40-year rolling average generally
22 suggests better water conditions than the 50-year
23 average proposed by the company. Is that a fair
24 statement?

25 A. For the particular 40-year and 50-year

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 period we have currently. It's not always going to
2 suggest that.

3 Q. Right. So selection of the 40-year rolling
4 average resulted in a lower estimate of power supply
5 costs than a 50-year average would produce; is that
6 correct?

7 A. That is correct.

8 Q. And would you agree subject to check that
9 the use of the 40-year rolling average instead of the
10 50-year average resulted in power supply expenses that
11 were about \$2.6 million lower than the company's 1989
12 general rate case?

13 A. That sounds about right subject to check.

14 Q. And to the extent actual water conditions
15 were worse than what was assumed when normalized power
16 costs were set in the last general rate case, don't
17 deferrals arise under the company's PRAM?

18 A. That's correct.

19 Q. And these deferrals are calculated by
20 running the simple dispatch model with actual hydro
21 conditions?

22 A. That's right.

23 Q. And given the actual water conditions which
24 have occurred in the last two years, wouldn't the

25 deferrals under the PRAM have been about \$5.2 million

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 less if a 50-year average had been adopted in the
2 company's last general rate case rather than the
3 40-year rolling average?

4 A. I don't know that. That depends on a whole
5 host of factors, as to what secondary purchase prices
6 and sales were, whether the rates were set in the
7 general rate case versus what they actually were as
8 tried up to the PRAM. So it could have been more than
9 that, it could have been less than that.

10 Q. Would you accept that ballpark just by
11 taking the \$2.6 million number from the 1989 rate
12 case for two years as a reasonable way of coming up
13 with a rough estimate?

14 MR. TROTTER: Your Honor, the witness
15 already said that that estimate includes a whole host
16 of assumptions so I don't see how the witness could
17 answer.

18 JUDGE HAENLE: Well, if the witness feels
19 that's a reasonable way of estimating it he may do so.
20 If not, he may certainly say that as well. Sir?

21 A. That's a way of estimating it. I guess I
22 would say I think the range is fairly broad so if
23 you're willing to say it's about 5.2 but maybe it's
24 only two-and-a-half million or maybe it's 7 and a

25 half or 8 million and are comfortable with that amount

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 of imprecision, yeah, I could agree with that.

2 Q. Would you also agree that at least based on
3 the most recent experience, at least the last two
4 years, that the 50 year average is a more accurate
5 measure of water conditions than your 40-year rolling
6 average?

7 A. Either one is done very well but the fact
8 is the 50-year has been slightly closer than the
9 40-year based on the last two years of experience.

10 Q. From the Commission's order in the 1989
11 rate case, isn't it true the Commission expressed some
12 desire that the parties get together to try to
13 determine the best method for the entire state
14 regarding the number of historical water years to be
15 used?

16 A. Yes.

17 Q. And are you aware of discussions that have
18 occurred among a number of parties regarding that
19 issue?

20 A. Actually, I made a data request about the
21 basis for Mr. Lauckhart's filing based on 50 years to
22 provide all studies and analysis supporting that and
23 what I received was a letter dated January 7 that
24 discussed meetings that were being requested by Puget

25 to be convened and some additional minutes of those

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 meetings from Mr. Lauckhart dated February 9, 1993, so
2 the results of my requests for any analysis or studies
3 or any work done to date that was the support for
4 Mr. Lauckhart's decision to use 50 instead of 40 as
5 used in the last case were these two pages of
6 memorandum talking about upcoming meetings.

7 Q. Is that a long way of saying you were aware
8 that these meetings were occurring?

9 A. Yes. During the middle of the case the
10 meetings were occurring.

11 Q. And to your knowledge was staff provided an
12 opportunity to participate in these discussions?

13 MR. TROTTER: I guess I will object to --
14 unless we can have a clarification of what the term
15 "opportunity" means, in the context of a rate case
16 being invited and having a meeting are two different
17 things.

18 MR. VAN NOSTRAND: I guess an opportunity
19 is whether staff was invited.

20 A. My understanding is staff was invited and I
21 believe attended at least one meeting, maybe more
22 meetings, but I am really not familiar with that.

23 Q. And did you see any preliminary results at
24 the meeting of this group other than what was provided

25 to you by Mr. Lauckhart?

(WINTERFELD - CROSS BY VAN NOSTRAND)

3555

1 A. No, I have not.

2 Q. And Exhibit 868 states your response as
3 far as whether you performed any additional studies to
4 supplement what you already did in cause U-81-41 and
5 your response was that you have not performed any
6 additional studies, too; is that correct?

7 A. Typically when the company files the case
8 and proposes to use 50 years they would put, if you
9 will, their studies on the table first since they have
10 the opportunity for rebuttal, and since they didn't
11 put any studies on the table and were proposing a
12 change from the Commission decision in the prior case,
13 since I was proposing no change and seeing nothing
14 from the company to date I certainly didn't put
15 anything on the table either.

16 Q. So we go back to the studies that you
17 performed in U-81-41 and as far as analyzing the
18 difference between a rolling 40 and the full 50-year
19 water record?

20 A. Well, certainly I did file things in that
21 case. I think we really go back to the Commission
22 decision on the 1989 case where they adopted a 40-year
23 rolling average based not only on my testimony but the
24 testimony of other parties to the case.

25 Q. Are you offering any testimony in this case
(WINTERFELD - CROSS BY VAN NOSTRAND) 3556

1 regarding whether or not 40 rolling years continues to
2 provide a better measure of average stream flow than
3 the 50 years proposed by the company?

4 A. I have not done any further analysis of
5 that, no.

6 MR. VAN NOSTRAND: Your Honor, move the
7 admission of 868.

8 JUDGE HAENLE: Any objection to the entry
9 of 868, Mr. Trotter?

10 MR. TROTTER: No,

11 JUDGE HAENLE: Any objection, Mr. Adams?

12 MR. ADAMS: No.

13 JUDGE HAENLE: Objection from an
14 intervenor?

15 868 then will be entered into the record.

16 (Admitted Exhibit 868.)

17 Q. Turn to what's been marked for
18 identification as 867. Do you recognize this as part
19 of your study of the 40-year rolling average from
20 cause No. U-81-41 reopened?

21 A. Yes. That's one page out of three
22 exhibits.

23 JUDGE HAENLE: Sorry. Three pages or three
24 exhibits?

25 THE WITNESS: There were three exhibits.

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 This first exhibit which has been marked 867 was page
2 2 of a two-page exhibit. There was also a second
3 one-page exhibit and a third one-page exhibit.

4 Q. This is the second page of what you had as
5 Exhibit CKW-2 in that case?

6 A. That's correct.

7 Q. And this shows the net variable power costs
8 for operating years 1929 through 1978 using the data
9 from operating year July 1988 through June 1989?

10 A. That's correct.

11 Q. And your reference to water year in this
12 exhibit in the far left column refers to the operating
13 period the second year of which is shown on the
14 column, in other words 1929 means the water year 1928
15 to 1929?

16 A. That is correct.

17 Q. Turning to Exhibit 866 would you accept
18 subject to check that this exhibit takes the first two
19 columns of what's been marked for identification as
20 Exhibit 867 and ranks them in the order of lowest net
21 variable power costs to highest?

22 A. Yes.

23 Q. And this ranking would also show generally
24 a ranking of hydro conditions in terms of stream flow

25 from the best stream flow conditions to the worst. Is

(WINTERFELD - CROSS BY VAN NOSTRAND)

3558

1 that a fair general statement?

2 A. Yes.

3 MR. VAN NOSTRAND: Your Honor, move the
4 admission of Exhibit 866 and 867.

5 JUDGE HAENLE: Any objection, Mr. Trotter?

6 MR. TROTTER: No.

7 JUDGE HAENLE: Mr. Adams?

8 MR. ADAMS: No.

9 JUDGE HAENLE: Objection from an
10 intervenor?

11 MR. TRINCHERO: No, your Honor.

12 JUDGE HAENLE: Exhibits 866 and 867 then
13 will be entered into the record.

14 (Admitted Exhibits 866 and 867.)

15 Q. I take it from your previous testimony and
16 your proposal in this case that the difference between
17 your approach and the company's approach is that you
18 would use the most recent 40 years, 1939 through
19 1978, rather than 50 years of data which is available;
20 is that correct?

21 A. Yes.

22 Q. And the difference then boils down to
23 whether or not we use the data from years '29 to '38?

24 A. In this case. In the future it would be

25 whether to use the most current 40 or whether you

(WINTERFELD - CROSS BY VAN NOSTRAND)

3559

1 continue to use 1939 to 1978 and add additional years.

2 MR. VAN NOSTRAND: Like to distribute
3 another exhibit, your Honor.

4 JUDGE HAENLE: You've handed me a one-page
5 document. The caption at the top is Water Year and
6 Total NVCP with several of the figures lined out.
7 This will be marked as Exhibit 869 for identification.

8 (Marked Exhibit 869.)

9 Q. Mr. Winterfeld, would you agree that what's
10 been marked for identification as Exhibit 869 is the
11 same data as contained in Exhibit 866 and the years
12 which you would exclude under your rolling 40 have
13 been marked out?

14 A. Yes. Those are the years that have been
15 excluded, as a matter of fact.

16 Q. Exactly. Those are the years '29 through
17 '38; is that right?

18 A. Yes.

19 Q. And if we step back and look at this
20 wouldn't you agree that seven of the years excluded
21 are below the median?

22 A. It appears that way.

23 Q. And two of the worst three and three of the
24 worst five are excluded?

25 U-81-41 reopened that in order for a 40-year rolling

(WINTERFELD - CROSS BY VAN NOSTRAND)

3561

1 average to be better than an average using all
2 continuous records it must be in place for a long
3 period of time?

4 A. Well, actually I would refer you to the
5 third exhibit that I describe where it shows
6 specifically that rounded to a percentage there's
7 no difference between the two methods based on Puget's
8 data in that case after five years. After ten years
9 there was about a 2 percent difference. After 20
10 years there was virtually no difference and after 20
11 years the 40-year rolling average was then
12 significantly better.

13 Q. And the exhibit that is just being
14 distributed now, is that the exhibit you are referring
15 to from the 81-41 proceeding?

16 A. Yes.

17 JUDGE HAENLE: You have handed me a
18 one-page document entitled Comparison of Cost
19 Normalization Methodology. I will mark this as 870
20 for identification.

21 (Marked Exhibit 870.)

22 MR. VAN NOSTRAND: Your Honor, move the
23 admission of Exhibit 870 based on Mr. Winterfeld's
24 discussion of it just now.

25 JUDGE HAENLE: Any objection?

(WINTERFELD - CROSS BY VAN NOSTRAND)

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1 MR. TROTTER: No objection.

2 MR. ADAMS: No objection.

3 MR. TRINCHERO: No objection.

4 JUDGE HAENLE: Exhibit 870 will then be
5 entered into the record.

6 (Admitted Exhibit 870.)

7 Q. Is it also important that for the 40-year
8 rolling average to remain in place over a long period
9 of time that there be no changes in factors affecting
10 stream flows such as land use and water consumption
11 practices?

12 A. No, I don't think so. I think that's one
13 of the benefits of the 40-year rolling average is
14 you're not using data from an earlier period for which
15 you can't control for those factors but you're
16 discarding that data and using more current data.

17 Q. Have you updated any of your analyses or
18 studies in light of recent decisions regarding fish
19 mitigation measures for the mid Columbia hydro
20 projects?

21 A. No, I haven't. Those certainly will affect
22 the way natural stream flows are regulated and then
23 how those regulated flows impact net power supply
24 expense, but I wouldn't necessarily expect out of hand

25 that just because there's a change in regulated flows

(WINTERFELD - CROSS BY VAN NOSTRAND)

3563

1 that the 40-year average will suddenly become less
2 reliable than it was before or significantly inferior
3 to the 50-year average. The 50-year average will be
4 affected as will the 40-year average by changes in
5 regulated conditions.

6 JUDGE HAENLE: Could we look for a place to
7 take our afternoon recess?

8 MR. VAN NOSTRAND: This is a good break
9 point right here. Just one more area to cover.

10 JUDGE HAENLE: Do you want to finish it?

11 MR. VAN NOSTRAND: Probably another ten
12 minutes is all, sure.

13 JUDGE HAENLE: Why don't you go ahead.

14 Q. If we could discuss your coal plant
15 availability adjustment a little bit, Mr. Winterfeld.
16 I believe page 10. This discusses the company's
17 proposal regarding equivalent availability for its
18 coal units and you would agree, wouldn't you, that the
19 company's proposal is to use a current seven-year
20 average of all comparably-sized coal-fired units
21 reported by the North American Electric Reliability
22 Council?

23 A. Yes. I believe that was the proposal in
24 this case. As far as I recollect that's not what had

25 been proposed in prior cases by the company.

(WINTERFELD - CROSS BY VAN NOSTRAND)

3564

1 Q. And I believe you prepared an exhibit which
2 compares the data which the company proposes to use
3 and your proposal, which is to use the actual
4 five-year experience of the company?

5 A. Yes.

6 Q. And this would be your Exhibit 861?

7 A. Yes.

8 Q. And I take it from your exhibit the company
9 has exceeded the performances measured against the
10 industry standards proposed by the company?

11 A. Yes.

12 Q. With respect to the Centralia unit in
13 particular, the industry standards would be 79.17
14 whereas your proposal would be 88.9?

15 A. Correct.

16 Q. And Colstrip 1 and 2 at 76 and the actual
17 experience is about .83?

18 A. Correct.

19 Q. And Colstrip 4 again the industry standard
20 is 79.17 whereas the actual experience has been about
21 85?

22 A. About 86.

23 Q. Would you agree that the industry standards
24 selected by Mr. Lauckhart are correct in terms of the

25 comparably-sized units and the years from which this

(WINTERFELD - CROSS BY VAN NOSTRAND)

3565

1 data was taken as reported by the North American
2 Electric Reliability Council?

3 A. Yes. He accurately used the data for the
4 seven years and the data as published is broken into
5 size ranges and he did take the data from the size
6 range comparable with the coal unit of Puget that he
7 was using. He did not, however, as I indicate go
8 beyond the published data to see if there was a
9 smaller subgroup of plants that would have similar
10 characteristics to Puget's plants that might be more
11 homogeneous than simply using size as the only
12 criteria in the selection.

13 Q. And did you or anybody else from staff
14 perform that sort of analysis?

15 A. No. And as I indicated in a response to a
16 data request I frankly didn't do that because I was
17 uncertain as to whether that type of categorization
18 would be fruitful or not. That is, if you could find
19 factors and updated to perform that analysis in a
20 satisfactory fashion. And since I was not proposing
21 using a surrogate average but virtually the company's
22 actual historic availability, I didn't see the
23 necessity to perform that analysis.

24 Q. If the company's performance were to be

25 measured against the performance of other utilities'

(WINTERFELD - CROSS BY VAN NOSTRAND)

3566

1 coal-fired plants what standard would staff propose to
2 use?

3 A. Well, two things. First of all, I would
4 think there would be some attempt to look beyond the
5 published size data into more specific information,
6 and second of all, I would go to the company's
7 published data and make certain that the reporting of
8 maximum capacity and outages scheduled and unscheduled
9 were consistent with the data reported by in the GADS
10 database.

11 Q. Are you familiar with the energy cost
12 adjustment clause or ECAC that was formerly in place
13 for the company; is that correct?

14 A. Correct.

15 Q. And under the ECAC, the company recovered
16 its actual power supply costs; is that fair to say?

17 A. That's right.

18 Q. And if there was an outage at one of the
19 company's Colstrip unit, for example, the company
20 would, under the ECAC, recover its replacement power
21 costs?

22 A. That's right.

23 Q. And do you recall staff ever taking the
24 position during ECAC proceedings that the company's

25 coal plant performance should be measured against

(WINTERFELD - CROSS BY VAN NOSTRAND)

3567

1 industry standard rather than allowing a direct

2 pass-through of its actual power costs?

3 A. It may have. I don't know.

4 Q. Would you agree that measuring the

5 company's performance against a national objective

6 standard provides a stronger incentive for the company

7 to operate the plants efficiently?

8 A. It does, but if we use that in setting

9 rates and we don't have an ECAC or we don't have a

10 PRAM that adjusts for that in a true-up the company

11 certainly has the incentive because they get to keep

12 all, 100 percent of the benefits. So that's about as

13 much incentive as you can get.

14 Q. In turn, if they perform worse than the

15 industry average they would be penalized?

16 A. That's right. 100 percent of the

17 additional cost.

18 Q. Under your proposal if the company's

19 performance continues to improve and its availability

20 factors get higher and higher, the standards which it

21 will have to meet will in turn get higher and higher?

22 A. The standard is simply their actual average

23 performance over a five-year period that's the basis

24 for the normalization. Since they did actually

25 achieve that, no, it would not get any higher and

(WINTERFELD - CROSS BY VAN NOSTRAND)

3568

1 higher. It would be the average of what they were
2 actually able to achieve during the preceding
3 five-year period.

4 Q. And that would be the standard they would
5 have to meet in the future in order not to be
6 penalized?

7 A. That's right.

8 Q. And if the company's performance declined
9 and its equivalent availability factors dropped, what
10 assurances are there that staff won't in the future
11 revert to measuring the company's performance against
12 the industry average?

13 A. Well, I guess the company is faced with
14 both the Commission and every intervenor being unable
15 to bind them to their preceding decisions or
16 positions, and neither are the other parties able to
17 bind the company to its preceding positions or
18 policies.

19 Q. Has the Commission staff rerun the power
20 costs using the new load forecast provided by the
21 company in its third supplemental response to data
22 request 1085?

23 A. No, not that I am aware of.

24 Q. And do you know whether the staff has been

25 provided all the necessary information that would

(WINTERFELD - CROSS BY VAN NOSTRAND)

3569

1 allow it to rerun its power cost with that new load
2 forecast?

3 A. I don't know. I guess I would just observe
4 that if the monthly loads had been provided it could
5 be rerun. My understanding is the company has filed
6 information that adjusted the production factor and
7 I've had discussions with some staff that the results
8 of the existing power PCS, power costing system model
9 output could simply be adjusted by the new production
10 cost factor rather than rerunning the model. I don't
11 know if that's been done or not, but so as far as I
12 know the model has not been run with any new load
13 data.

14 MR. VAN NOSTRAND: Like to make a record
15 requisition, your Honor, that the model rerun he just
16 referred to by Mr. Winterfeld as far as the production
17 adjustment be performed and provided.

18 JUDGE HAENLE: That's 585.

19 (Record Requisition 585.)

20 MR. TROTTER: Your Honor, we may have an
21 objection to that and we will articulate it after the
22 break.

23 THE WITNESS: I need some clarification
24 about that.

25 JUDGE HAENLE: Perhaps you can discuss that
(WINTERFELD - CROSS BY PAINE) 3570

1 during the break.

2 Why don't we recess at this time, be back
3 at 20 minutes after.

4 (Recess.)

5 JUDGE HAENLE: Let's be back on the record
6 after our afternoon recess. Mr. Trotter?

7 MR. TROTTER: Yes, we understand Record
8 Requisition 585 and we will respond.

9 MR. VAN NOSTRAND: I'm finished, your
10 Honor.

11 JUDGE HAENLE: Mr. Paine?

12

13 CROSS-EXAMINATION

14 BY MR. PAINE:

15 Q. Mr. Winterfeld, I have several clarifying
16 questions. Referring to your rebuttal testimony,
17 Exhibit T-863, page 4, at line 17 you refer to trends
18 or cycles affecting annual stream flow. And I want to
19 get clarified in the record, when you're talking about
20 trends in your testimony are you talking about trends
21 in stream flow? And then I am going to ask you what a
22 trend is.

23 A. Yes. I am talking about trends or cycles
24 in stream flows that obviously would have an effect on

25 trends and cycles in generation and therefore some

(WINTERFELD - CROSS BY PAINE)

3571

1 sort of effect but not necessarily one for one with
2 power supply expenses of the utility.

3 Q. That's helpful. On the previous page of
4 your rebuttal testimony at line 22 you speak of the
5 existence of trends or cycles in weather patterns.
6 Are you equating weather patterns in some fashion to
7 stream flow?

8 A. Yes. It's similar to the prior
9 explanation, I think you can go back further and
10 further in the process and some point stream flows are
11 related, again, not one for one, with weather
12 conditions. Weather conditions ultimately in one year
13 translate into stream flows in that and some
14 subsequent years through some complex physical
15 process.

16 Q. What do you have in mind when you use the
17 term "trend" in stream flow?

18 A. I have in mind a long term, perhaps
19 permanent change in the mean of annual stream flows.

20 Q. And what do you mean when you use the term
21 "cycle" in stream flows?

22 A. I mean a change in the main that increases
23 and decreases periodically and for which there may be
24 present several cycles of different frequency and

25 magnitude occurring at the same time.

(WINTERFELD - CROSS BY PAINE)

3572

1 Q. All right. With those definitions in mind
2 referring you again to page 4 of your rebuttal
3 testimony -- lines 1 through 4, you refer to
4 Mr. Blackmon's testimony. You indicate that
5 Mr. Blackmon has presented cogent analyses supporting
6 the existence of cycles in the historical record of
7 annual hydro generation; is that correct?

8 A. That is correct.

9 Q. Is it your understanding that Mr. Blackmon's
10 testimony does not support the existence of trends in
11 the historical record of annual hydro generation?

12 A. Well, he has some analysis and it was made
13 an exhibit but I don't have that -- well, there was a
14 data response that was made an exhibit in which he
15 presents a multiple regression analysis that had,
16 amongst several of the explanatory variables, two
17 trend factors which were, in his analysis,
18 statistically significant, although today I believe I
19 heard him say that he -- my understanding was he said
20 that he did not believe that he had shown anything as
21 to a statistically significant trend.

22 Q. And do you agree with that conclusion?

23 JUDGE HAENLE: That conclusion being that
24 he showed or that there is --

25

MR. PAINE: That he did not show a

(WINTERFELD - CROSS BY PAINE)

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1 statistically significant trend in the stream flow?

2 A. Well, he did the analysis so I would have
3 to be guided by his conclusions on it since I have
4 really not examined the details. I only really have
5 looked at the data responses.

6 Q. You indicate at the lines that I cited,
7 lines 1 through 4, page 4 of your rebuttal, that there
8 is analysis supporting the existence of cycles. You
9 do refer to annual hydro generation. Can we infer
10 that you believe that the data or the analysis
11 supports the existence of cycles in stream flow?

12 A. I believe it supports the fact that the
13 historical generation is not consistent with a random
14 variable, a random process, and whether the
15 nonrandomness indicates the presence of cycles or
16 trends, I guess I am less certain of as to the
17 specifics than the fact that the data clearly show
18 that there is occurring a nonrandom process that is
19 influencing the data.

20 Q. Well, let me back up because you indicated
21 in your response both trends and cycles. Can we
22 eliminate that trends have been shown to exist based
23 on the data submitted in this record?

24 A. No, I don't think we can eliminate those.

25 I think we can do just what I said, and that is that

(WINTERFELD - CROSS BY PAINE)

3574

1 Mr. Blackmon is -- Dr. Blackmon in this record has
2 presented through a data response made an exhibit an
3 analysis that contained trend components even though
4 my understanding was that he characterized that as not
5 statistically significant but his testimony will show
6 what it shows in the record.

7 Q. Well, you also believe that there is
8 analysis submitted in this record that supports the
9 existence of cycles in stream flow; is that correct?

10 A. Correct.

11 Q. And is that cycle captured in the
12 historical stream flow data ending in 1978?

13 A. I guess I have a problem with your use of
14 the term captured. The analysis was done on data up
15 through 1978, so I would say the data was reflective
16 of these nonrandom processes. Whether that captures
17 it or not, I don't know. I guess I would not use that
18 material.

19 Q. Well, let's explore that just for a minute.
20 What I am focusing on is whether or not 30 years or 40
21 years of stream flow ending in 1978 reflects a
22 complete cycle in stream flow. Can you tell me
23 whether it does or not?

24 A. I don't know. As I indicated, I don't know

25 that we're dealing with a single cycle. I think that

(WINTERFELD - CROSS BY PAINE)

3575

1 as Mr. Tangborn testified for Puget in the prior rate
2 proceeding that there was likely many cycles exhibited
3 in weather data of various frequency and amplitudes
4 and we shouldn't look or think about weather data
5 exhibiting a single cycle only.

6 MR. PAINE: Thank you. That's all I have.

7

8 CROSS-EXAMINATION

9 BY MR. MEYER:

10 Q. Same issue but I would like to explore a
11 different dimension of this subject. Do you agree
12 that a principal objective of a stream flow adjustment
13 is to make sure that in the long term that neither the
14 ratepayer nor the shareholder benefits from the
15 adjustment process?

16 A. Yes, I think that's an important concern.
17 I think you're quoting some prior testimony of mine.

18 Q. Good recollection. I am, from a prior
19 Water Power rate proceeding, U-85-36?

20 A. Yes, that's correct.

21 Q. You continue to hold that proposition?

22 A. Yes.

23 Q. So is this essentially, to simplify this, a
24 process where any stream flow normalization procedure,

25 because it will never precisely capture the future,

(WINTERFELD - CROSS BY MEYER)

3576

1 must provide for a balancing over time, balancing act,
2 if you will, where sometimes shareholders benefit,
3 sometimes ratepayers benefit?

4 A. No. I don't think that's the case. I
5 think the sense of what I have tried to say in the
6 past is that I don't believe, and I think Mr. Norwood
7 shares this, that we have or at least I am able to
8 produce a process where we can accurately predict
9 future weather, future stream flows, therefore future
10 hydro generation and therefore future net power supply
11 costs. And since we cannot predict that, nor can we
12 state with any certainty that in the future this
13 stream flow and hydro generation net power supply
14 expense is going to be equal to an average of any set
15 of historical conditions, it is beneficial to use a
16 process that we're comfortable is fairly reliable in
17 terms of making an estimate but also by its nature is
18 self-correcting in terms of the type of errors that it
19 may be making.

20 Q. Well, and by self-correcting, how would it
21 self-correct? Would it do so by making up in some
22 years for deficiency, in others -- do you have in mind
23 what I'm talking about?

24 A. Yes. Rather than sticking with simply a

25 continuous record that could perhaps always be low or

(WINTERFELD - CROSS BY MEYER)

3577

1 always be high, or a predictive method that could
2 predict much too high for one period of time and
3 somewhat low another period of time and who knows,
4 after that any distribution of errors, that we have a
5 process that by using a rolling average over a fairly
6 long period of time, yes, would perhaps be too high
7 during some period of time, since we can't predict in
8 advance what future stream flows and generation and
9 expenses are going to be, but by dropping off data and
10 adding more data would then tend to compensate for
11 that error.

12 Q. Let's explore that compensation, but agree
13 with me, will you not, that except in cases of sheer
14 happenstance any stream flow methodology we utilize
15 will not precisely predict year in and year out actual
16 conditions?

17 A. That is correct.

18 Q. So even though we don't set out to provide
19 a benefit to shareholders or a benefit to customers,
20 as a result of the methodology we choose, if just so
21 happens that that occurs in the normal course of
22 events, given whatever methodology we pick?

23 A. That is correct.

24 Q. Just a simple proposition I am trying to

25 lay out on the table.

(WINTERFELD - CROSS BY MEYER)

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1 Let me refer to that just in a shorthand
2 way and I guess you can quarrel with the description,
3 but let's call that a balancing act, if you will, a
4 balancing, just accept that characterization for the
5 time being. I want to explore with you over the long
6 time what type of intervening or I guess supervening
7 circumstances might disturb this balancing act. Let's
8 first of all talk about because Water Power holds
9 certain hydro rights, mid Columbia hydro rights, what
10 about the expiration of mid Columbia contracts for
11 Water Power? Do you know when they expire, first one?
12 Would you accept roughly the year 2005?

13 A. Could be. That sounds about right. I have
14 the data here if you want me to look it up.

15 Q. You're free to but accept subject to check
16 that 2005?

17 A. Okay.

18 Q. Possible that that might not be renewed?

19 A. Possible.

20 Q. Could be renewed, might not?

21 A. That's correct.

22 Q. And likewise for other contracts for mid
23 Columbia projects?

24 A. That is correct.

25 Q. So it's possible, is it not, that as we

(WINTERFELD - CROSS BY MEYER)

3579

1 enter the early years of the next century that there
2 may be a slippage of our hydro generation base as a
3 result of the termination of those contracts?

4 A. That is correct.

5 Q. Similarly, isn't it possible that over the
6 long term, whether it's because the company proposes
7 it or whether it's because the Commission directs it
8 that Water Power may have a tracking mechanism in
9 place whereby any excess revenues or deficiencies are
10 recovered in power supply costs?

11 A. That's correct.

12 Q. Well, let's assume in that context that
13 we've had a rolling 40-year average, as you propose
14 it, in place for a few years. And let's also assume
15 that as a result of that methodology we have
16 overstated the revenues, if you will, based on stream
17 flows.

18 Are you with me so far?

19 A. That's the problem. You're setting up a
20 hypothetical that says let's assume your 40 years
21 turns out to be wrong and then do we get bad results
22 using it, of course you do. But let's assume
23 hypothetically that your 50 years that's wrong and the
24 40 years actually turns out in retrospect to be closer

25 to the average. See, the problem is we don't know

(WINTERFELD - CROSS BY MEYER)

3580

1 which way it's going to turn out. We do know that it
2 looks like the two statistically ought to produce very
3 close results. In the exhibit that's been entered
4 into the record for Puget which this case is about, it
5 showed in fact they did appear would produce very
6 close results over the first five, ten, twenty years,
7 but for any specific piece of data, the results of the
8 two may diverge but we're not going to know in advance
9 which is going to be more accurate. So we can suppose
10 the 40 years was less accurate and the 50 years was
11 more accurate but it's purely hypothetical and there's
12 really no basis for it.

13 Q. Well, we can quarrel over whether the
14 assumption is a meaningful assumption. Let's see if
15 we can't cut out a few steps and perhaps get more
16 directly to the point. Can you envision any
17 circumstance wherein the institution of a power supply
18 tracking mechanism might disturb this so-called
19 balancing act that we had discussed before, and if so,
20 under what circumstances?

21 A. Yes. It would certainly disturb the
22 balancing act whereby in retrospect you could look
23 back between any point in time you choose and when the
24 power cost adjustment clause was put in place and say

25 had I known now -- had I known then what I know now,

(WINTERFELD - CROSS BY MEYER)

3581

1 if I would have used a 40-year we would have gotten
2 more accurate results, or you may say in retrospect
3 had I known then what I know now had we used a 50-year
4 or had we used a 20-year, but the fact is we won't
5 know as we go forward until you put that power cost
6 adjustment clause in place and we disturb that balance
7 which way the distortion is either going to favor the
8 ratepayer or the stockholder and whether we would
9 minimize that disturbance by using one method over
10 another.

11 Q. But the event, i.e., institution of a
12 tracker, will in some manner disturb the balancing
13 act, would you agree?

14 A. That's right. To the extent that there
15 were errors in any methodology if you're going to
16 track through 100 percent of a hydro condition, in
17 theory you're going to remove that error with some
18 lag.

19 Q. Would you agree that a rolling average
20 methodology assumes over the long term that there are
21 offsetting errors?

22 A. I think the analysis shows that the
23 offsetting errors are what leads to a lower total
24 cumulative error as opposed to the 50-year or longer

25 average. I think you have to also look at the fact

(WINTERFELD - CROSS BY MEYER)

3582

1 that statistically there is not a large difference in
2 the level of reliability of the estimate that you're
3 getting between the 40 and 50 or 60 year average is
4 another consideration.

5 Q. Be that as it may, as a general
6 proposition, though, do you agree with my statement?

7 A. As a general proposition, and then I would
8 just point to the more specific proposition which was
9 done for Puget in the prior case of looking at Exhibit
10 No. 870 which quantifies that difference.

11 Q. Now, do you take issue as a general
12 proposition with Mr. Norwood's assertion that since
13 power cost trackers eliminate the errors in the
14 estimates by tracking actual costs the introduction or
15 elimination of trackers will eliminate offsetting
16 errors which must occur with the rolling average
17 methodology?

18 A. No, I don't agree with that.

19 Q. Let's turn to another type of supervening
20 event. Well, first of all we talked about potential
21 termination of mid Columbia contracts. We've secondly
22 covered trackers as an example. Thirdly, fish
23 mitigation measures. Might not fish mitigation
24 measures affect the timing and usability of stream

25 flows?

(WINTERFELD - CROSS BY MEYER)

3583

1 A. Certainly could.

2 Q. And might not in so doing such measures
3 disturb the so-called quote-unquote balancing act?

4 A. Certainly would, and again my response
5 would be we don't know in which favor that distortion
6 would be in terms of a methodology.

7 Q. When you talk about the long term, what
8 time frame do you have in mind?

9 MR. TROTTER: Can we have context?

10 MR. MEYER: Well, I believe the witness
11 testifies that over the long term --

12 MR. TROTTER: Just a cite to the testimony.

13 MR. MEYER: Just a moment. Let's refer
14 back to my opening reference to the transcript of your
15 prior testimony in U-85-36 wherein you anticipated me
16 and you said you must be referring to my testimony in
17 that case wherein you stated that "in the long term
18 neither the ratepayer nor the shareholder benefits
19 from the adjustment process." Do you recall that
20 exchange?

21 A. Yes.

22 Q. In that context what did you mean by the
23 long term?

24 A. I suppose anywhere beyond five years.

25 Q. For Water Power or would it be specific to

(WINTERFELD - CROSS BY MEYER)

3584

1 a utility?

2 A. I think my reference about advantages to
3 the stockholder or ratepayer was a fairly generic
4 statement, and I don't know if you want to refer to a
5 specific methodology or not or application of the
6 methodology to a specific utility.

7 Q. Well, I am not trying to be cute here. I
8 am just trying to get a feel for what you mean long
9 term. Let's try your rebuttal testimony at page 3,
10 line 20. The point of my testimony in prior cases --
11 reading from your testimony -- "is that after a period
12 of 15 to 20 years use of a rolling average decreases
13 the cumulative error," et cetera, et cetera. That's
14 the frame of reference you have in mind, 15 to 20
15 years?

16 A. No, I believe it's for five years and I
17 will refer you back again to Exhibit 870. It showed
18 after five years there was virtually no difference
19 from five years on until you got to sometime after
20 year 20 between use of a 40-year and continuous record
21 method of normalizing power supply expenses.

22 Q. And that exhibit was culled from a prior
23 Puget rate case, was it not?

24 A. Yes. That refers to a Puget Power

25 analysis by myself.

(WINTERFELD - CROSS BY MEYER)

3585

1 Q. Having no necessary connection with Water
2 Power?

3 A. That's right.

4 Q. So it might be different for Water Power?

5 A. That's right. It might be.

6 Q. Could be 20 years?

7 MR. TROTTER: Your Honor, calls for
8 speculation.

9 JUDGE HAENLE: Mr. Meyer.

10 MR. MEYER: If the witness believes it
11 could be as long as 20 years he can so state. If he
12 doesn't know he can state he doesn't know.

13 JUDGE HAENLE: I will sustain the
14 objection.

15 Q. You testified in U-85-36 which was Water
16 Power's last electric rate proceeding on this issue,
17 didn't you?

18 A. Yes.

19 Q. And at that time, as you are now, you were
20 a proponent of the rolling 40-year methodology?

21 A. Yes.

22 Q. And the Commission in its order issuing
23 in 1986 accepted your methodology and moved to the
24 rolling 40 approach; is that correct?

25 A. That is correct.

(WINTERFELD - CROSS BY MEYER)

3586

1 Q. For Water Power?

2 A. For Washington Water Power.

3 Q. And of course the effect of adopting your
4 rolling 40 was to exclude the critical water years of
5 1928 through 1932?

6 A. That is correct.

7 Q. Now, would you agree with me, and if you
8 need to have reference again to the company's Exhibit
9 808, Mr. Norwood's exhibit -- perhaps you ought to
10 have that before you -- would you agree with me that
11 within a few years, within just two to three years
12 after the Commission issued its order in U-85-36
13 accepting your methodology that eliminated critical
14 water years of 1928 through 1932, that based on Dalles
15 data we saw stream flows that were even more severely
16 depressed than the critical water years?

17 A. I guess that's what Mr. Norwood's stream
18 flow data shows. Frankly, I didn't think that had
19 much to do with Washington Water Power as has been
20 discussed and have looked more at the hydro generation
21 figures on this page 3 to 4.

22 Q. So that the data does indicate that within
23 a few years we saw on the Dalles conditions that
24 rivaled if not surpassed the critical water conditions

25 of '28 to '32?

(WINTERFELD - CROSS BY MEYER)

3587

1 MR. TROTTER: Object to the question. It's
2 been responded to.

3 Q. Well, the answer was yes, I assume.

4 JUDGE HAENLE: I believe it has been
5 responded to.

6 MR. TROTTER: The answer was whatever he
7 said. He referred the counsel to another page of an
8 exhibit.

9 MR. MEYER: That will be all. Thank you.

10 JUDGE HAENLE: Mr. Adams.

11

12 CROSS-EXAMINATION

13 BY MR. ADAMS:

14 Q. Very briefly, Mr. Winterfeld, would you
15 explain the process of obtaining this water data. In
16 your last case in one of the exhibits that Puget put
17 in for the record was part of your exhibit from
18 U-89-2688 -- excuse me. The Exhibit 867, was page 2
19 of 2, I think was that from U-89-2688.

20 JUDGE HAENLE: It was from U-81-41
21 reopened, wasn't it?

22 MR. ADAMS: Thank you.

23 Q. And in that case you also relied on data
24 that ended as of 1978; is that correct?

25 A. That is correct.

(WINTERFELD - CROSS BY ADAMS)

3588

1 Q. So when -- what period of time has the data
2 ending in 1978 been available?

3 A. I believe it was available in 1986 or 1987.

4 Q. And prior to that time, if anyone wanted to
5 do this kind of a study one had to basically -- your
6 data ended in 1968; is that correct?

7 A. That's right. Up until somewhere around
8 1985 or 1986, we were -- I should say the utilities
9 regulated by the commissions in the Northwest were
10 using a 40-year water record.

11 Q. And am I correct that this data is not
12 simply flow at the Dalles, but actually gives the
13 output of each specific plant, each facility on the
14 Columbia system?

15 A. That's correct. The flow is basically
16 calculated for the Columbia River system and its
17 tributaries.

18 Q. So we have -- in other words we have flows
19 today but what we don't have is the output, the hydro
20 output from the various facilities on that river; is
21 that correct?

22 A. Well, what we don't have is the process
23 that's gone through where they transform the actual
24 recorded flows as those flows are affected by the

25 management of the Columbia River system into natural

(WINTERFELD - CROSS BY ADAMS)

3589

1 flows that would occur apart from the management and
2 the depletions that are occurring today. Just to
3 continue, so we do not have the data available today
4 to use in the hydro regulation models that model hydro
5 generation up through 1978.

6 Q. Do not have it since 1978?

7 A. We do not have it since 1978 and beyond
8 because we have managed flows but we do not have the
9 transformation of managed flows into natural flows
10 that would be incorporated in the hydro regulation
11 modeling.

12 Q. So any flow data, for instance, at the
13 Dalles for 1991-92 is a managed flow; is that correct?

14 A. I believe so.

15 Q. Looking at page 4 of your testimony and
16 section entitled Overview of Net Power Supply Expense
17 Normalization, is it correct that you used the
18 company's production costing system model or PCS model
19 to estimate normalized net power supply expense?

20 A. Yes.

21 Q. Now, you used a different set of inputs or
22 assumptions than the company; is that correct?

23 A. I modified their input assumptions as
24 indicated in my testimony. I will say, frankly, the

25 bulk, though, of the input assumptions remained

(WINTERFELD - CROSS BY ADAMS)

3590

1 unchanged.

2 Q. Were those inputs fed into the same
3 computer model the company used?

4 A. Yes.

5 Q. This PCS model is a model that the company
6 developed and maintained; isn't that correct?

7 A. Yes.

8 Q. Did you or your firm help develop this
9 model?

10 A. No.

11 Q. Do you know whether the Commission staff
12 helped develop this model?

13 A. As far as I know, no.

14 Q. Did you make any effort to validate the
15 model's accuracy, for example, by inputting actual
16 amounts for historical period and comparing the model
17 results to the actual results?

18 A. No.

19 Q. Have you worked with or reviewed other
20 production costing models that are used by utilities
21 in this region or elsewhere?

22 A. Yes.

23 Q. Are there any substantive differences
24 between Puget's PCS model than the production costing

25 models that are used by other utilities?

(WINTERFELD - CROSS BY ADAMS)

3591

1 A. Yes, there are.

2 Q. What are the principal ones, just
3 generally?

4 A. Well, there are quite a few so this is
5 strictly off the top of my head, but I think the most
6 significant ones relate to determining the
7 availability of surplus for purchase, the price of the
8 available surplus to the utility and the disposition
9 or sale of any surplus of the utility on the secondary
10 market in terms of prices. Particular differences
11 have been in the past with, for example, Washington
12 Water Power's model that uses a banding approach that
13 relates the price received or paid for nonfirm energy
14 into six separate pricing bands that are associated
15 with specific resources or conditions with the prices
16 paid by the utility or received by the utility for
17 nonfirm. And for Pacific Power and Light in the last
18 rate case in Washington in which net power supply
19 costs were at issue, their modeling approach at that
20 time had some of the flavor of the banding of prices
21 received or paid for nonfirm as well as an on peak off
22 peak aspect to the pricing and availability and sale
23 of energy, so that conditions during a month were not
24 simply looked at as an average across the entire month

25 but were differentiated between hours on peak during

(WINTERFELD - CROSS BY ADAMS)

3592

1 the month versus hours off peak during the month.

2 Q. Effectively that issue is one of the issues
3 analyzed by staff in this case, correct?

4 A. What issue?

5 Q. I'm sorry, sales of secondary versus of
6 secondary and prices for each?

7 A. Yes.

8 Q. Did you use the PCS model to calculate
9 proforma net power supply expense because you
10 concluded that it would provide the most accurate and
11 reasonable estimate of power supply expenses?

12 A. No, I am afraid I can't say that.

13 Q. Why did you use that model?

14 A. Because that model is available and used by
15 the company.

16 Q. Would you say that the proforma power
17 supply expense that you calculated using the PCS model
18 is an exact calculation of the expenses that the
19 company would incur over the range of hydro conditions
20 used in your analysis or an approximation?

21 A. Well, I think any modeling is going to be
22 an approximation and I think the issue goes to the
23 degree of approximation or the factors that are looked
24 at by the model or considered by the model as opposed

25 to those factors that the analysts believes are

(WINTERFELD - CROSS BY ADAMS)

3593

1 significant in the real world, in effect the prices
2 received or paid for secondary power and the overall
3 net power supply costs to the utility. And I guess I
4 would offer that I would say definitely I would
5 consider the Puget's PCS model an approximation
6 because I think there are several important factors
7 that affect their actual power supply costs that are
8 not considered or not considered very well in their
9 production costing system model.

10 Q. And these particular ones you addressed in
11 your testimony or Mr. Moast has addressed in his
12 testimony?

13 A. Well, I think we have at least partially.
14 We did not set out to make a list of areas of
15 improvement or areas of concern with the model, but
16 certainly in the area of secondary pricing that was
17 one significant factor and was addressed both by
18 myself and by Mr. Moast.

19 Q. Are there any other particular areas of
20 concern that you have not addressed in this case?

21 A. Well, as I indicated, I think the areas of
22 on peak versus off peak availability of power and the
23 pricing of the power; the linkage of secondary prices
24 to specific conditions in the region, particularly the

25 water condition occurring during the season or during

(WINTERFELD - CROSS BY ADAMS)

3594

1 the year is very important, and as has been indicated
2 the Puget input to the production costing system model
3 basically has held the pricing in each of the months
4 constant irrespective of what the particular hydro
5 condition is for that month.

6 Q. Now, turning to the issue of secondary
7 prices on page 12 of your testimony am I correct that
8 one of the changes you made to the model of the PCS
9 input is to reduce the assumed prices for secondary or
10 nonfirm energy purchases, correct?

11 A. That's correct.

12 Q. And at line 25 of page 12 you testified
13 that in your calculation of power supply expenses you
14 assumed a secondary purchase price that is 2.2 mill
15 per kilowatt hour lower than the company's estimated
16 sales price; is that correct?

17 A. Correct.

18 Q. Is it correct that the company's inputs to
19 the PCS model used the same value as the secondary
20 purchase rate and the secondary sales rate in any
21 particular month?

22 A. I would have to go back and review whether
23 under all conditions that was the case. I believe
24 that's correct, though.

25 Q. Is it correct that the company arrived at

(WINTERFELD - CROSS BY ADAMS)

3595

1 the single purchase sale rate by taking the average of
2 purchases in sales over the previous four years?

3 A. The particular set of monthly prices you're
4 referring to, yes, that's correct.

5 Q. Am I correct you changed that assumption of
6 a single purchase sale rate on the basis that the
7 company had consistently purchased secondary energy at
8 lower rates than it had sold secondary energy for?

9 A. That is correct.

10 Q. Would you agree that the result of
11 averaging purchase rates and sales rates was to
12 overstate the average cost of secondary purchases?

13 A. That would tend to be the effect, yes.

14 Q. And by lowering the secondary purchase rate
15 by 2.2 mill per kilowatt hour, was it your intent to
16 correct that overstatement of secondary purchase costs
17 that resulted from this averaging?

18 A. Well, my purpose was, I think, to more
19 appropriately reflect the differential that had
20 occurred historically between secondary purchases and
21 secondary sales. It was not really with a specific
22 purpose in mind of compensating or correcting for an
23 overstatement. It was that historically there had
24 been this difference and that was not being reflected

25 in the input assumptions to the model. As I indicate

(WINTERFELD - CROSS BY ADAMS)

3596

1 in my testimony under the conditions and assumptions
2 used in the staff case there's virtually no secondary
3 energy purchase by Puget, according to the production
4 costing system model, so this change really had very
5 little, if any, effect in the total estimated net
6 power supply costs.

7 Q. I am trying to basically deal with the
8 methodology here that you applied. I think you've
9 indicated that this would overstate the average cost
10 of secondary purchases. Would you agree that the
11 results of this averaging of purchase and sales rates
12 also would understate the average revenues from
13 secondary sales?

14 A. Yes. If you believe that you wanted to use
15 a secondary sales rate that reflected the average of
16 the same historical conditions that the company had
17 used, the adjustment I made would still tend to
18 understate that experience, secondary sales rate,
19 because it used the average rather than increasing be
20 the secondary sales rate to reflect what had actually
21 occurred over the last three or four year period for
22 the company.

23 Q. And am I correct or did you make any
24 adjustments to correct that understatement?

25 A. No, I didn't.

(WINTERFELD - CROSS BY ADAMS)

3597

1 Q. Now, at line 12 of page 12 you state that
2 the company, and I quote "has consistently sold and
3 purchased significant amounts of nonfirm energy during
4 the same month." Do you see that reference?

5 A. Yes.

6 Q. Does this mean that even when the company
7 is a net purchaser of secondary energy in the month it
8 typically makes some nonfirm energy sales in that same
9 month?

10 A. Yes, it does.

11 Q. And your testimony is that the company
12 typically buys energy at a lower price than it sells
13 energy; is that correct?

14 A. That is correct.

15 Q. Is it correct that even when the company is
16 a net energy purchaser for a month it typically sells
17 some energy and has some net revenues from those
18 purchase sale transactions within the month?

19 A. That's correct. And the effect of that
20 whether the purchases made during that month, or
21 excuse me, whether the sales made during that month
22 that they're a net purchaser, whether those sales are
23 made at a rate slightly below or slightly above the
24 purchases, the bottom line is they have some revenue

25 credits that are in effect coming back that reduces

(WINTERFELD - CROSS BY ADAMS)

3598

1 their net purchase cost for the month on an effective
2 basis. That is, if you take the sales revenues that
3 they receive in a month and in effect credit against
4 the cost of the purchases and divide by the net
5 purchases you end up with a much lower net cost to the
6 company than simply looking at their net purchase
7 price without including the sales credit and dividing
8 through by the amount of net purchase.

9 Q. Would you agree with this statement, does
10 that mean that the net cost of secondary power is less
11 than the amount that would be calculated by
12 multiplying the net energy deficit for the month by
13 the average purchase rate?

14 A. That's another way of saying it.

15 Q. Now, in a month when the company is a net
16 energy seller, does it typically buy secondary power
17 during this same month?

18 A. Yes.

19 Q. And typically does the company use this
20 purchase energy to sell additional secondary power
21 during the month?

22 A. That would tend to be the effect measured
23 across the entire month. They may be purchasing at
24 periods of time when they're actually requiring

25 purchases but that would allow them to in effect store

(WINTERFELD - CROSS BY ADAMS)

3599

1 energy or do other transactions that later on would
2 result in additional sales.

3 Q. Does that mean that in a month when the
4 company is a net seller of surplus power its net
5 revenues are higher than the amount that would be
6 calculated by multiplying the net energy surplus for
7 the month by the average sale rate?

8 A. That is correct.

9 Q. Does the PCS model that you used to
10 calculate proforma supply expense account for these
11 additional revenues from secondary power purchases and
12 sales within a month?

13 A. No, it doesn't.

14 Q. Did you make any adjustment outside the PCS
15 model to account for those revenues?

16 A. No, I did not.

17 Q. One last question which is really a
18 question in the nature of clarification. At page 14
19 of your testimony, the first paragraph in the answer
20 at the top of the page you discuss briefly the BPA
21 sale agreement and a couple of pages later you talk
22 about a BPA capacity purchase and could you just
23 briefly explain what is going on?

24 A. Okay. I think I guess I would assume by

25 referring to a capacity purchase you're referring to

(WINTERFELD - CROSS BY ADAMS)

3600

1 page 16, lines 4 to 7, and that's not a BPA capacity
2 purchase. That's simply prospective capacity purchase
3 and not from BPA as far as I know.

4 Q. So there is not a capacity purchase from
5 BPA?

6 A. No. Perhaps there will be but as far as I
7 know not at this time. It was being contemplated from
8 San Diego Gas and Electric or Douglas PUD or some
9 other utility.

10 Q. Well, let me rephrase the question, and I
11 guess what I am trying to understand is why there
12 would be a capacity purchase, as you properly point
13 out I guess from Pacific Power and Light --

14 A. No.

15 Q. No again?

16 A. You're just reading too quickly. There are
17 two adjustments. One had to do with the capacity
18 purchase. The other had to do with a purchase from
19 Pacific Power and Light but they are two separate
20 transactions.

21 Q. Okay. What was the capacity purchase from?

22 A. That's what I indicated, I don't know that
23 that's been -- the agreement has been executed or not
24 but it was contemplated I believe to be either San

25 Diego Gas and Electric or Douglas PUD.

(WINTERFELD - CROSS BY ADAMS)

3601

1 Q. Sorry. This is late Friday afternoon.
2 It's not filtering well. Have you looked at all at
3 the rationale for a capacity purchase which appears to
4 be also at the same time there's an energy, a firm
5 winter energy sale to BPA which is your reference at
6 page 14?

7 A. Rationale, no, I haven't. And more
8 specifically I haven't really looked at whether there
9 is any relationship between the two. That is, will a
10 sale of firm energy to Bonneville require additional
11 capacity or in any way affect the need of the company
12 for additional capacity is not something I've looked
13 at nor is it really something with modeling tools that
14 Puget at least has available to it that is something
15 that could be looked at very readily.

16 Q. So without any linkage between these two,
17 have you looked at the rationale underlying a firm
18 energy sale winter sale to Bonneville by Puget?

19 A. No. I think my testimony really goes to
20 the effect that we have not been presented a lot of
21 information or analysis as to the benefits from such a
22 sale given the uncertainties that Puget has in the
23 resources that they may have available, that is, their
24 net surplus, the cost at their margin of operating

25 some of these resources, or what the nonfirm secondary

(WINTERFELD - CROSS BY ADAMS)

3602

1 sales market might be and might be at that point in
2 time under various water conditions, and whether the
3 sales rate that they are receiving for nonfirm energy
4 under these various water conditions would meet or
5 exceed the price that they would be seeking from
6 Bonneville Power or if they're short of power that
7 they may be paying on the secondary energy market for
8 additional energy.

9 Q. Hasn't Puget historically been energy
10 short?

11 A. In the last few years it has been close to
12 being in load resource balance and I believe under the
13 existing poor hydro conditions it has in fact been
14 deficit.

15 Q. But you have made no analysis, then, of
16 where these sales to Bonneville are coming from, where
17 this energy is coming from?

18 A. Well, I believe the information on loads
19 and resources provided by Mr. Lauckhart such as in the
20 SDM model would basically show that if they have the
21 resources available to it under average hydro
22 conditions and with the new contracts that they would
23 expect to be in place that they would be surplus and
24 therefore at least overall for the year would have

25 energy to be made available, even though during the

(WINTERFELD - CROSS BY ADAMS)

3603

1 winter months, I believe either four or five out of
2 six of the winter months they would be deficit in
3 providing the sale to Bonneville.

4 Q. Thank you.

5 MR. ADAMS: That's all I have.

6 JUDGE HAENLE: Commissioners, do you have
7 questions?

8 CHAIRMAN NELSON: No.

9

10 EXAMINATION

11 BY COMMISSIONER HEMSTAD:

12 Q. Late Friday afternoon I will try to make
13 this as short as possible. I find it very frustrating
14 all this discussion about water flow. I assume it is
15 your view that the most recent 40-year data is the
16 best data?

17 A. No. I would say that use of the most
18 recent 40 years in a rolling or moving average data is
19 a better methodology for normalizing power supply
20 expense.

21 I don't know if, qualitatively, it's better
22 data or poorer data.

23 Q. Well, is it better or poorer data than if
24 you had most recent 50 years data as a rolling base?

25 A. Actually, that's a good question. I've

(WINTERFELD - EXAM BY COMMISSIONER HEMSTAD)

3604

1 been waiting for someone to ask that question. I
2 think the answer is that as we get an additional ten
3 years of natural stream flow data that could be
4 included through the regulation model so that we're
5 having a period of time longer than simply 50 years to
6 look at it, that would certainly potentially be an
7 issue to look at. I think in general, though, unless
8 you think that there will be in the future cycles in
9 the data that fit well whatever happened to your
10 historic data, you don't get a lot of mileage out of
11 studying the historical data. Because I think the
12 real issue is if you go back not just 50 years or
13 150 or 300 years or whatever and look at some of
14 these factors you see there will be cycles in the data
15 but they're not regular cycles that you see in the
16 sine wave coming out of your electrical receptacle
17 that occur regularly over 40 years or 50 years or
18 whatever. There are many different factors
19 influencing the weather that combine to produce some
20 cycles but I don't think they combine to produce
21 cycles in something that we can look at the last 50 or
22 60 years of data and say that we've discovered what
23 the cycle is in that data and therefore we ought to
24 use categorically this number of years and we will get

25 the best results in the future.

(WINTERFELD - EXAM BY COMMISSIONER HEMSTAD)

3605

1 Q. But the longer the cycle on a rolling
2 basis, the greater the likelihood of a smoothing
3 impact in water flow data?

4 A. That's correct. And the trade-off for that
5 is as you use the longer years you are dampening the
6 effect of the future. Information that you're putting
7 in the model to adjust to reflect those in your
8 conditions. You're getting some more stability but
9 there's a trade-off in that.

10 Q. So you don't have a view as to whether
11 there are trends or whether it's purely random or even
12 -- is that a reasonable statement, at least it's not
13 determinable whether it's a trend or random?

14 A. Well, I guess I would say I think the
15 analyses that have been done by Dr. Blackmon and in
16 the past by other intervenors and just looking at the
17 data that's even been presented in this case to me
18 suggests clearly that it's not exclusively a random
19 process. There is some nonrandom influence affecting
20 the data. Whether it's a trend or a cycle, I haven't
21 analyzed and I don't know, as I say, that it's going
22 to be beneficial to analyze what trend or cycles
23 affected the last 50 years because I don't think we
24 can say with any confidence that they're going to

25 affect next year or the next 50 years. It would be

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1 like trying to predict El Ninos for the next ten years
2 based on what happened for the last ten years.

3 Q. Well, what I find frustrating is that the
4 most recent data for using it is now 15 years
5 out-of-date?

6 A. Yes.

7 Q. Now that will be apparently somewhat
8 updated by the end of this year when the next -- the
9 more recent ten years is added but right now we're
10 looking at data 15 years old as the most recent.
11 Mr. Adams was, I think, inquiring along this line. We
12 have the water data but apparently we don't have the
13 analytical consequences sufficient to be able to put
14 into a model so that we can use the more recent water
15 data?

16 A. That's my understanding. There is a
17 Columbia River water study group or some committee or
18 group to that effect that has been headed up, at least
19 in the past, by staff for the Bonneville Power
20 Administration, has represented it from other federal
21 agencies and also from state water agencies as well as
22 I believe other interested parties such as utilities
23 or utility groups that sit down with this data and go
24 through the analytical process of transforming the

25 managed flows back into kind of reverse engineering

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1 the natural flows that would have occurred without the
2 effects of management depletions. And whether that
3 group could do its work on any shorter schedule than
4 every ten years or not, I don't know, but certainly it
5 seems to be within the control of the utility
6 community and federal and state agency community --

7 Q. I am puzzled why that can't be updated
8 on an annual basis even at a reasonable cost, but
9 apparently you don't have information to respond to
10 that?

11 A. Yes. I don't know if that issue has ever
12 been put to Bonneville or other affected parties as to
13 what it would take to make this process happen more
14 quickly.

15 Q. And there are no mechanisms that could be
16 used as proxies for that? What I am concerned about
17 is if there are any trends or some of the data that --
18 the charts we've looked at would suggest more recent
19 below the average water flows but none of that is able
20 to be considered. So we have a very artificial
21 environment if we're attempting to make these ultimate
22 judgments here.

23 A. I guess I don't know. I could speculate it
24 would be nothing more than there might be a shortcut

25 process where you could go through to basically adjust

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1 the more current data to a past level of depletions.

2 So typically what's done is they look at a certain

3 level of depletions and certain projects as they exist

4 on the river and the way those projects are going to

5 be operated and they look back historically in terms

6 of reverse engineering what went on and I suppose they

7 could do the same thing and look forward in some

8 manner. Again, as far as I know no one has sat down

9 with this committee or group and has said how can we

10 work together to make this process happen more

11 quickly, even if it's in some truncated fashion.

12 Q. I want to focus briefly on the PRAM

13 adjustment issue. From the testimony that has been

14 presented from various witnesses I am left with the

15 impression that the weather and stream flow

16 fluctuations are if not the primary are at least the

17 major factors in driving the PRAM adjustments 1 and 2.

18 Is that a fair statement?

19 A. Recent experience would indicate that for

20 at least PRAM 1 and PRAM 2. I don't know if that will

21 continue to be or not.

22 Q. But that has been the case?

23 A. That has been the case.

24 Q. And those adjustments take into account

25 annualized fluctuations in weather and stream flow?

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1 A. No. They take into account monthly data.

2 Q. Monthly data but then translated into an
3 annual adjustment, is that a fair statement?

4 A. Well, the adjustment is calculated or
5 summarized and applied annually. My understanding is,
6 though, that in terms of the adjustment for historical
7 conditions the company is actually recording monthly
8 the difference between what was estimated in the
9 prior PRAM and what conditions it is currently
10 experiencing and on a monthly basis records a deferral
11 either credit or surcharge, and simply then
12 accumulates that over the period of time, and then
13 when the PRAM filing occurs that's when the effect of
14 the accumulation of those deferrals then affects rates
15 one way or another.

16 Q. In the short term, and as the consequences
17 of PRAM 1 and PRAM 2 there has been a substantial
18 volatility in rates paid by ratepayers.

19 A. That's right.

20 Q. Why couldn't a mechanism be devised that
21 would take -- that would look at the issue of weather
22 and stream flow over some other longer period, and
23 thereby having a smoothing mechanism on rate
24 volatility?

25 A. As far as I know from a methodology there's
 (WINTERFELD - EXAM BY COMMISSIONER HEMSTAD) 3610

1 nothing that would prevent that. I think it really
2 clearly is a policy issue and a rate making policy
3 issue. Mechanically I think certainly that could be
4 done.

5 Q. Well, one of the values to be pursued is
6 rate stability?

7 A. That would tend to stabilize rates.

8 Q. It would stabilize rates and over any
9 reasonably, well, let's say call it mid term period
10 the shareholders and the ratepayers would end up in an
11 approximate neutral position, wouldn't they? In other
12 words, neither would be benefited or harmed?

13 A. Yes. Using a smoothing process should not
14 be to either -- the detriment of either group's
15 interests, and so as I say I think it would just be a
16 matter of policy. Possibly also a matter of the
17 financial implications and taxation implications also,
18 I don't know.

19 COMMISSIONER HEMSTAD: I have no further
20 questions.

21 JUDGE HAENLE: Have you any redirect,
22 Mr. Trotter?

23 MR. TROTTER: Yes.

24 MR. PAINE: I apologize in advance but may

25 I clarify one area that was generated by responses to
(WINTERFELD - EXAM BY COMMISSIONER HEMSTAD) 3611

1 Mr. Adams?

2 JUDGE HAENLE: Mr. Trotter, would you
3 prefer to do it last or prefer to go it another round?

4 MR. TROTTER: If I can be assured I will be
5 last.

6 JUDGE HAENLE: You will get the last word
7 ultimately.

8 MR. TROTTER: As long as it's brief.

9 MR. PAINE: It will be.

10

11 CROSS-EXAMINATION

12 BY MR. PAINE:

13 Q. Just explaining what data stream flow data
14 is available subsequent to 1978 and what ends at 1978.
15 Is it true that regulated hydro generation data is
16 based on regulated stream flow data?

17 A. That's right.

18 Q. That is the data that ends in 1978; is that
19 correct?

20 A. Yes, that's what I believe I said.

21 Q. Subsequent to 1978 other stream flow data
22 is available; is that not correct?

23 A. I don't know what you mean by "other stream
24 flow data."

25 Q. Have you heard the term "modified stream
(WINTERFELD - CROSS BY PAINE)
1 flow data"?

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2 A. I have heard that term.

3 Q. Do you know whether that data is available
4 subsequent to 1978 through water year 1992?

5 A. You have to give me some specific
6 reference. Whose modification?

7 Q. Modified, as I understand it, modified
8 stream flow data is natural stream -- again a term of
9 art -- natural stream flow data adjusted to reflect
10 depletions?

11 A. No, I don't know that that's available.

12 Q. What about natural stream flow data? Do
13 you know if natural stream flow data as it is defined
14 is available through water year 1992?

15 A. No, I don't believe it is.

16 MR. PAINE: Thank you.

17 JUDGE HAENLE: Anyone else?

18 Go ahead, Mr. Trotter.

19

20 CROSS-EXAMINATION

21 BY MR. TROTTER:

22 Q. Starting with the hydro realization
23 adjustment. Could you refer to page 7 of Exhibit
24 864. You were asked some questions regarding some

25 arithmetic with respect to the numbers in the box in

(WINTERFELD - CROSS BY TROTTER)

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1 the upper right-hand corner?

2 A. Yes.

3 Q. And the numbers you accepted there you
4 would accept just as a matter of arithmetic?

5 A. That is correct.

6 Q. You weren't accepting that those were valid
7 computations for purposes of an adjustment in this
8 case, were you?

9 A. No. As I indicated there were certain
10 factors that were not considered and also this was for
11 a 47-month period only.

12 Q. And the reasons you were opposing the
13 company's adjustments set forth on pages 7 through 9
14 of your testimony?

15 A. That is correct.

16 Q. Did you ask the company to update its study
17 represented by Exhibit 864?

18 A. I asked if the company had updated the
19 study and if they had updated or modified the study if
20 they could provide that, and their response was no,
21 that they had not updated the study, that there were
22 certain problems in obtaining data from some of the
23 mid Columbia operators and therefore at this time they
24 had no plans to do so because of problems that were

25 created apparently with the form or availability of

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1 this data.

2 Q. You were asked whether 50-year water data
3 was better than the 40-year rolling average based on
4 the last two years experience. Do you recall that
5 question?

6 A. Yes.

7 Q. Is that a relevant comparison in your
8 opinion?

9 A. No, I really don't think so. That simply
10 says for two years that have actually occurred to make
11 a judgment about a methodology and it just as easily,
12 the results could have been reversed and the 40-year
13 average could have been closer to the actual two years
14 experience than the 50-year average. As I've
15 indicated the estimates that are provided by the two
16 methods in terms of reliability are very, very close
17 and so when you try to judge the validity of either
18 methodology based on two years you're really looking
19 at coincidental data and your conclusions then could
20 not be expected to hold in the future.

21 Q. Did the company supply you any information
22 in support of the 50-year proposal additional to what
23 has been provided in the past?

24 A. No, it didn't. I referred earlier in

25 response to the company's response to staff request

(WINTERFELD - CROSS BY TROTTER)

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1 2334 and since their original response they did update
2 that with some meeting minutes that took place or that
3 reported the results of some of the meetings between
4 Puget and other interested parties, but there was no
5 analysis or studies supporting the use of the 50-year
6 -- over the 40 years worth of water records.

7 Q. Turning to the coal plant availability
8 adjustment. Turn to page 10 of your testimony. The
9 NERC reports that Puget used -- segregated the coal
10 plants by unit size; is that right?

11 A. That's right.

12 Q. And on page 10 of your testimony, lines 12
13 through 15 you cite several other factors that affect
14 plant performance including age, unit location, type
15 of coal burned, type of cycling duty and so on. Do
16 you see that?

17 A. Yes, I do.

18 Q. Are those factors accounted for in the NERC
19 statistics used by Puget?

20 A. No, they're not, and any one of those
21 factors could explain why the average for the set of
22 plants or units in the group would be either more or
23 less than Puget's experience.

24 Q. So the term national objective standard it

25 looks only at age of the plant and it is not a

(WINTERFELD - CROSS BY TROTTER)

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1 standard at all, is it?

2 A. That's right. If it only considers one
3 factor when you suspect that there may be several
4 factors affecting plant performance would not be a
5 good standard.

6 Q. Do you have any concerns about the
7 consistency of the NERC data?

8 A. Well, I do is that NERC data might be
9 applied to Puget and its coal-fired units. As I
10 indicated earlier there seemed to be some discrepancy
11 in the net maximum capacity being reported by Puget
12 for its coal units and the actual production of those
13 coal units over the last three or four years. In fact
14 they were several months in the last three or four
15 years when Centralia or the Colstrip units were
16 producing for an entire month more than 100 percent of
17 their supposedly maximum output. The NERC data in
18 terms of equivalent availability is based on a
19 consistent approach to find a necessary maximum
20 capacity and the computations then that ensue from
21 that, and if you're in effect understating your
22 capacity you would expect as compared with other units
23 in the NERC database to have equivalent availability
24 figures that are consistently higher than those of

25 comparable units even if you could define that test of

(WINTERFELD - CROSS BY TROTTER)

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1 comparability.

2 Q. Turning to record requisition 585 regarding
3 the company's new load forecast. Was that data
4 supplied to staff on Friday before it distributed its
5 direct case?

6 A. It was supplied a day or two days before
7 staff was required to distribute. I don't know if it
8 was the Friday before or the Thursday but this was
9 very little time between staff distribution and when
10 the data was supplied.

11 Q. And you referred to or were referred to
12 Exhibit 808 and there's been a lot of discussion about
13 page 2 of that exhibit, and you urged counsel Meyer to
14 refer to page 3 or 4 of that exhibit. Do you recall
15 that?

16 A. Yes.

17 Q. Could you explain the significance of that?

18 A. Well, the significance is that the first
19 two pages refer to stream flow at the Dalles when at
20 least the point could be made that what's significant
21 for Puget, for Water Power, for Pacific Corp is not
22 the flow at a single point on the river but what their
23 actual hydro generation capability would be across the
24 various water years and water conditions. And that's

25 shown on page 3 and 4. Therefore, in terms of

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1 comparison, comparing any ten-year period with another
2 ten-year period I guess I feel that it's much more
3 relevant to look at the actual Water Power hydro
4 generation in making the comparison than looking at
5 stream flows at a point on the Columbia.

6 Q. And finally with respect to the 40-year
7 proposal or continuation of the 40-year rolling
8 average. Is it significant in your mind that another
9 jurisdiction might use a different vintage of data?

10 A. Well, I guess I would say I wouldn't think
11 that this Commission should be bound or unduly
12 influenced by what other jurisdictions are doing. I
13 think in several areas of rate making the Commission
14 apprises itself of what other jurisdictions are doing
15 but it looks at the facts before it and makes its own
16 decisions. So, yes, there are other jurisdictions and
17 they may use 50. In the case of Idaho for Idaho Power
18 Company they use a 20-year rolling average, but I
19 think the Commission has to be aware of what other
20 jurisdictions are doing but make its decision based on
21 the information presented to it and the specific
22 circumstances for the utility that it's making a
23 decision for.

24 MR. TROTTER: No further questions.

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JUDGE HAENLE: Anything more of the
(WINTERFELD - CROSS BY TROTTER)

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witness?

All right. Thank you, sir, you may step
down. I think that takes care of all the witnesses.
I want to note for the record that we have the public
hearings for both the rate design and general cases
June 21 in Bellingham beginning at 1:30, June 23 in
Olympia beginning at 1:30 and June 24 in Kent
beginning at 4:30. Anything we need to discuss?

MR. ADAMS: One matter we need to discuss
off the record.

JUDGE HAENLE: We will be in recess then
until June 21 at 1:30.

(Hearing adjourned at 4:30 p.m.)

