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BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
Complainant, )  
v. ) DOCKET UE-111190  
PACIFICORP d/b/a PACIFIC )  
POWER & LIGHT COMPANY, )  
Respondent. )

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SETTLEMENT HEARING, VOLUME IV  
Pages 103 - 179  
ADMINISTRATIVE LAW JUDGE PATRICIA CLARK

9:32 a.m.  
MARCH 7, 2012

Washington Utilities and Transportation Commission  
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A P P E A R A N C E S

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

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ALSO PRESENT:

CHAIRMAN JEFFREY GOLTZ  
COMMISSIONER PATRICK OSHIE  
COMMISSIONER PHILIP JONES

\* \* \* \* \*

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PANEL

R. BRYCE DALLEY, MICHAEL D. FOISY,  
CHARLES M. EBERDT, LEA DAESCHEL,  
DONALD W. SCHOENBECK

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1 OLYMPIA, WASHINGTON; MARCH 7, 2012

2 9:32 A.M.

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4

5 JUDGE CLARK: Good morning. It is  
6 approximately 9:30 a.m. on March 7th, 2012, in the  
7 Commission's hearing room in Olympia, Washington.  
8 This is the time and the place set for a settlement  
9 hearing in the matter of Washington Utilities and  
10 Transportation Commission versus PacifiCorp, doing  
11 business as Pacific Power & Light Company, given  
12 Docket No. UE-111190. Patricia Clark, Administrative  
13 Law Judge for the Commission presiding.

14 This matter came before the Commission on  
15 July 1, 2011, when PacifiCorp filed a request for  
16 revisions to its electric service tariffs, proposing  
17 to increase rates and charges for electric service in  
18 the state of Washington.

19 On February 3rd, the Commission Staff filed a  
20 letter notifying the Commission that the parties have  
21 reached a settlement in principle in this case, and  
22 requesting that the hearing in this case commence on  
23 March 7, 2012. By order entered February 6th, 2012,  
24 the Commission set the hearing for this date, time and  
25 place.

0108

1           On February 21, 2012, the parties filed a  
2 settlement and testimony in support thereof. The  
3 purpose of the hearing today is to hear testimony and  
4 oral argument on that settlement. The commissioners  
5 will be joining us briefly. I will at this time take  
6 appearances on behalf of the parties.

7           Appearing on behalf of PacifiCorp?

8           MS. MCDOWELL: This is Katherine  
9 McDowell, here on behalf of PacifiCorp.

10          JUDGE CLARK: Thank you.

11          Appearing on behalf of the Industrial  
12 Customers of Northwest Utilities?

13          MR. SANGER: This is Irion Sanger, here  
14 on behalf of ICNU, the Industrial Customers of  
15 Northwest Utilities.

16          JUDGE CLARK: Thank you.

17          Appearing on behalf of The Energy Project?

18          MR. PURDY: Brad Purdy on behalf of The  
19 Energy Project.

20          JUDGE CLARK: Thank you, Mr. Purdy.

21          Appearing on behalf of the Public Counsel  
22 section of the Office of the Attorney General?

23          MR. FFITCH: Simon ffitch, for Public  
24 Counsel. Good morning, Your Honor.

25          JUDGE CLARK: Good morning. Thank you.

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1           And appearing on behalf of the Commission  
2 Staff?

3                   MR. TRAUTMAN: Greg Trautman, Assistant  
4 Attorney General for Commission Staff.

5                   JUDGE CLARK: Thank you, Mr. Trautman.

6           We have just a couple of administerial details  
7 to address. The first is the exhibits. I  
8 electronically distributed an exhibit list to all of  
9 the parties. There were several suggestions and  
10 revisions, for which I thank you, finding those  
11 errors. I want to know at this juncture if there is  
12 any objection to the admission of those documents.

13                   Ms. McDowell?

14                   MS. MCDOWELL: No objection from  
15 PacifiCorp.

16                   JUDGE CLARK: Mr. Sanger?

17                   MR. SANGER: No objection, Your Honor.

18                   JUDGE CLARK: Any objection?

19                   MR. PURDY: None. Thank you, Your  
20 Honor.

21                   JUDGE CLARK: All right.

22                   MR. FFITCH: No objection.

23                   JUDGE CLARK: Then the exhibits that  
24 were prefiled in this proceeding, including the  
25 settlement and the settlement testimony, are admitted

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1 in evidence.

2           You will note from your electronic copy of the  
3 exhibit list, or maybe you don't, that I have reserved  
4 one document as a Public Counsel exhibit, and of  
5 course we do not have that yet. Mr. ffitch, do you  
6 know when that document might be available?

7           MR. FFITCH: Your Honor, we are working  
8 with Commission's own staff to gather those comments  
9 right now. I believe we would be able to file that  
10 within one week from today, if you would allow us one  
11 week from today as a deadline to submit that exhibit.

12           JUDGE CLARK: I see no problem with  
13 that.

14           MR. FFITCH: Thank you, Your Honor.

15           JUDGE CLARK: All right.

16           One other preliminary matter, we do have a  
17 representative present this morning who would like to  
18 make a few comments before we proceed with the  
19 evidentiary portion of the case. As you can expect,  
20 he's quite busy, and so we would like to accommodate  
21 him first.

22           Is there an objection, A, to hearing the  
23 comments; or B, in the order in which he will be  
24 heard?

25           MS. MCDOWELL: No objection from



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1 PacifiCorp.

2 MR. TRAUTMAN: No objection.

3 MR. SANGER: No objection, Your Honor.

4 MR. FFITCH: (Shakes head.)

5 JUDGE CLARK: Everyone is shaking their  
6 heads negatively. It doesn't pick up all that well on  
7 the record. I am just going to let the record reflect  
8 that.

9 Are there any other preliminary matters that  
10 we need to address before I ask the commissioners to  
11 join us for this morning's proceeding?

12 Mr. ffitch?

13 MR. FFITCH: Your Honor, I apologize,  
14 afterthought on the public comment exhibit. It has  
15 been our practice in the last few cases to submit the  
16 comments on a disk for the bench and all the parties,  
17 and so I would, I guess, request that that process be  
18 approved for this case also.

19 JUDGE CLARK: Absolutely. And that is  
20 certainly the most efficient and expeditious way for  
21 us to address the number of comments that Public  
22 Counsel accumulates for the Commission.

23 MR. FFITCH: Thank you, Your Honor.

24 JUDGE CLARK: That will be fine.

25 Any other preliminary matters?

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1 All right. We are going to take a brief  
2 recess, and I will have the commissioners join us.

3 (A brief recess.)

4 JUDGE CLARK: We can go back on the  
5 record.

6 Good morning. The record should reflect that  
7 the commissioners have now joined us for the  
8 settlement hearing. Present for this morning's  
9 hearing is Chairman Jeffery Goltz, Commissioner  
10 Patrick Oshie and Commissioner Phillip Jones.

11 As I indicated earlier, we do have one  
12 individual who would like to make comments on this  
13 morning's record. There was no objection to either  
14 having him make those comments or to have them be made  
15 at this time.

16 I would turn to you first and ask you to state  
17 your full name for the record, please, and spell your  
18 last name.

19 REPRESENTATIVE JOHNSON: Thank you, Your  
20 Honor. My name is Norm Johnson, N-O-R-M,  
21 J-O-H-N-S-O-N. I reside in Yakima, Washington, and I  
22 represent the 14th District in the House of  
23 Representatives.

24 JUDGE CLARK: Thank you.

25 If you could make your comments, please,

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1 Representative Johnson.

2 REPRESENTATIVE JOHNSON: Thank you, Your  
3 Honor.

4 Commissioner Goltz, Commissioner Oshie,  
5 Commissioner Jones, as I said, my name is Norm  
6 Johnson, I represent the 14th Legislative District,  
7 which includes the greater Yakima area. The  
8 electrical services provided to this area are supplied  
9 by Pacific Power & Light. I come to you today with  
10 some concerns about a request by the power company to  
11 increase their rates by 1.1 percent. Let me tell you  
12 just a little bit about the area Pacific Power & Light  
13 serves, as well as I serve.

14 Across the state of Washington, the cumulative  
15 unemployment rate is 8.5 percent. In Yakima County,  
16 it is 12 percent. Our local economy is primarily made  
17 up of agriculture, although there is some  
18 manufacturing, health services, retail trading and a  
19 growing wine industry.

20 Over the past year, the civilian labor force  
21 growth rate in Yakima County and in Washington state  
22 have been negative since January of 2011. Not a good  
23 sign. Worse yet, the trend is in the wrong direction.  
24 A rising number of discouraged workers and Baby  
25 Boomers being forced into early retirement caused

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1 Yakima County's labor force to decline, just over  
2 127,000 workers to less than 123,000 workers between  
3 2010 and 2011.

4           Yakima County's unemployment rate has risen  
5 every year for the last four years, and the rate edged  
6 upwards from 9.7 percent in 2010, to its current rate  
7 of 12 percent. We have 13,790 people out of work in  
8 Yakima County. That's more than the entire population  
9 of the city of Toppenish, where I served as mayor, and  
10 the city of Wapato combined.

11           Per capita income in Yakima County in 2009 was  
12 \$31,265, compared to the State's average of \$42,870,  
13 and the nation at \$39,635. Median household income in  
14 2010 was \$40,648 in Yakima County, which is about  
15 \$15,000 less than that of the State. Yakima County's  
16 poverty rate in this period, from 2006 to 2010, was  
17 considerably higher, at nearly 22 percent, compared to  
18 the State's rate of 12.1 percent. That's nearly  
19 double.

20           In short, our local economy is in very  
21 difficult shape. Businesses are struggling, many of  
22 our local citizens are just barely making it, if at  
23 all. One thing the entire population of Yakima County  
24 relies upon and uses is electricity: Electricity to  
25 heat their homes, electricity to operate their

0115

1 businesses, electricity to prepare their meals. I  
2 would say that many people have cut back on spending  
3 for groceries, for medical bills and for other needs,  
4 and they have most likely found ways to conserve  
5 energy as a way to keep their expensive power bills  
6 down. They might have the thermostat set lower or use  
7 lights a little less often, and why? Because they  
8 simply cannot afford to pay their bills that continue  
9 to escalate. Our people are hurting, and this economy  
10 is still very fragile.

11           When Pacific Power & Light comes to you to ask  
12 for a rate increase, after you already approved a  
13 staggering 12 percent rate increase last year, even  
14 1.1 percent will be devastating to many of our local  
15 citizens. How much colder must our families be in  
16 their homes? What will they have to exclude from  
17 their budgets to pay for increased power rates? Will  
18 senior citizens be forced to skip their drugs or their  
19 meals? I hope not.

20           Let's talk about how this will affect already  
21 struggling businesses. Since 2009, Pacific Power has  
22 been granted nine rate increases. Another rate  
23 increase will be a serious setback to our businesses  
24 that are trying to retain jobs and to keep their doors  
25 open. Think of the jobs that will be lost in our

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1 local businesses, on our farms, that can no longer  
2 absorb these increases. I'm sure the power company  
3 has spent a great deal of time justifying their needs,  
4 and rightly so, for this increase, as it comes to you  
5 for approval.

6 The bottom line, however, is that it will add  
7 further injury to a wounded economy and hurt the  
8 citizens I represent across the 14th District. Now is  
9 not the time to be adding costs to struggling families  
10 and businesses. I respectfully ask that you seriously  
11 consider this request before you grant it.

12 I want to thank you. I want to thank you for  
13 the honor of appearing before you. I appreciate it  
14 very much, Your Honor, Mr. Chairman, members of the  
15 Commission.

16 I have here in front of me copies of my  
17 testimony. Would you like me to leave them here, Your  
18 Honor?

19 JUDGE CLARK: Yes, if you leave those,  
20 please, Representative Johnson.

21 There may be something from commissioners.

22 CHAIRMAN GOLTZ: Thank you,  
23 Representative Johnson, for taking time out of your  
24 busy day. I know you've got enormous responsibilities  
25 ahead of you, before the session adjourns tomorrow.

0117

1                   REPRESENTATIVE JOHNSON: We hope. Thank  
2 you very much, Mr. Chairman, and members of the  
3 Commission.

4                   JUDGE CLARK: Thank you, Representative  
5 Johnson.

6                   All right. If I could ask counsel to resume  
7 their seats at counsel table.

8                   CHAIRMAN GOLTZ: Maybe she can hand  
9 those up.

10                  MS. MCDOWELL: (Complies.)

11                  JUDGE CLARK: Thank you, Ms. McDowell.

12                  Now we will turn to the opening statements on  
13 behalf of the parties. I'll turn first to  
14 Ms. McDowell.

15                  MS. MCDOWELL: Thank you, Judge Clark.  
16 Good morning, Commissioners.

17                  The Company filed this case as a make-whole  
18 case to limit the rate increase sought, the  
19 controversy involved and the resources required by all  
20 of the parties. Because the Company had recently  
21 concluded a fully litigated rate case, the Company  
22 hoped that a make-whole approach would permit the case  
23 to be resolved short of a hearing. For this reason,  
24 we are very pleased that through a combination of  
25 updates to the Company's initial filing and balanced

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1 compromises on issues raised by Staff and intervenors,  
2 we were all able to agree on the stipulation before  
3 you this morning.

4           From our perspective, the stipulation has  
5 three primary components. First, it resets rates at a  
6 level that reflects a relatively modest increase over  
7 present rates, 1.5 percent.

8           Second, it provides a period of rate stability  
9 for the Company's customers. It's a seven-month  
10 stay-out. Combined with the statutory suspension  
11 period, that's approximately 18 months.

12           Three, it allows time for a collaborative  
13 process to work on the set of very important policy  
14 issues; issues which are difficult to move forward  
15 while a rate case is pending.

16           On this latter point, we want to specifically  
17 express our appreciation to the parties for their  
18 willingness to commit resources to the collaborative  
19 process. Working together, we hope to make real  
20 progress on the policy issues listed in Paragraph 28  
21 of the stipulation, with the goal of breaking the  
22 annual rate case cycle and making future rate cases  
23 less complex and litigious.

24           We are also due for a review of the west  
25 control area interjurisdictional allocation



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1 methodology, as you know, and all parties have agreed  
2 that the collaborative process is the right venue for  
3 this review, and support a request for an extension of  
4 the report date for this review from June of 2012  
5 until January of 2013.

6           In addition, the stipulation clears a path  
7 forward for a five-year plan to increase Low Income  
8 Bill Assistance for PacifiCorp's customers. We  
9 understand the challenges that some of our customers  
10 face as we move out of the recession. The  
11 representative's remarks were apropos of this point.  
12 We are pleased, therefore, that this settlement  
13 provides an immediate increase to Low Income Bill  
14 Assistance funding and additional systematic increases  
15 over the next five years. This plan will also lessen  
16 litigation and controversy in the Company's future  
17 rate filings.

18           The stipulation addresses two other issues of  
19 note. First, it resolves how PacifiCorp should  
20 transition from captive insurance to another approach  
21 for recovery of property and liability expense. While  
22 PacifiCorp originally proposed a self-insurance  
23 reserve, it is satisfied that a six-year average of  
24 actual damages, if consistently used, will produce a  
25 reasonable outcome. The stipulation does recognize

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1 that the Company may need to file requests for  
2 deferred accounting in extraordinary instances.

3 Second, we are pleased that the parties were  
4 able to spell out their agreement to clearly defer  
5 issues around PacifiCorp's historic REC revenues to  
6 the 2010 general rate case, UE-100749, unless the  
7 Commission directs otherwise. This agreement  
8 preserves the rights of all parties while reducing the  
9 potential for redundant or unnecessary litigation.

10 I want to end my remarks this morning by  
11 thanking the Commission's Administrative Law Director,  
12 Judge Kopta, for his capable work as our settlement  
13 judge in this case. Our thanks go also to the parties  
14 who worked with us to reach this stipulation.

15 This morning, we have Company witness Bryce  
16 Dalley, the director of regulatory affairs and revenue  
17 requirement, here as the Company's witness for the  
18 joint testimony in support of the stipulation. In  
19 addition, we have three other witnesses from the rate  
20 case filing, Andrea Kelly, Bill Griffith and Greg  
21 Duvall, available, if necessary, to address specific  
22 detailed questions on the stipulation or underlying  
23 issues in the case.

24 In conclusion, the Company recommends approval  
25 of the stipulation under the Commission's standards

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1 set forth in WAC 480-07-750, as a settlement that is  
2 lawful, supported by an appropriate record, and  
3 consistent with the public interest.

4 Thank you very much.

5 JUDGE CLARK: Thank you, Ms. McDowell.

6 Mr. Sanger.

7 MR. SANGER: Thank you, Your Honor.

8 Thank you, commissioners.

9 ICNU recommends that the Commission approve  
10 the settlement as filed in its entirety. It is very  
11 difficult for ICNU to support any rate increase at  
12 this time for PacifiCorp, but we nevertheless support  
13 the settlement stipulation, because we believe it's  
14 within the range of reasonable outcomes that could  
15 result from the litigated proceeding.

16 For ICNU, the most critical aspect of this  
17 settlement is the rate case stay-out provision, which,  
18 absent a settlement, we would not be able to get  
19 PacifiCorp to agree to not file a rate increase until  
20 January 2013. This provides rate certainty for  
21 PacifiCorp's customers until the end of 2014, which is  
22 critically important, not only to keep their rates low  
23 and their cost of business low, but also so they can  
24 plan operations for the upcoming two-year period, more  
25 than two-year period.

0122

1           The settlement, also from ICNU's perspective,  
2 includes a key provision on rate spread. It includes  
3 an equal percentage rate increase, which ICNU believes  
4 is the appropriate rate spread for PacifiCorp at this  
5 time. So despite the fact that there is a rate  
6 increase, and despite the fact that it is difficult  
7 for ICNU to support any rate increase at this time, we  
8 do recommend that you approve the settlement  
9 stipulation in its entirety, without any provisions.

10           Thank you.

11           JUDGE CLARK: Thank you, Mr. Sanger.

12           Mr. Purdy.

13           MR. PURDY: Thank you and good morning.

14           I would like to, on behalf The Energy Project,  
15 thank the Commission and all parties today for  
16 considering the settlement proposal that's been  
17 reached and already now somewhat discussed. I'm going  
18 to be brief. I believe that Mr. Eberdt and  
19 Ms. Reynolds, on behalf of Staff, have very thoroughly  
20 addressed the various components and nuances of the  
21 proposed Low Income Bill Assistance plan.

22           It is the result, as the Commission is well  
23 aware, of its order in PacifiCorp's 2010 rate case,  
24 the order instructing the parties to try to resolve  
25 some of these issues in a more collaborative fashion,

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1 rather than relitigating or rehashing them annually.  
2 I think it is fair to say that the parties certainly  
3 endeavored to meet those expectations of the  
4 Commission, and I think they have in fact succeeded,  
5 and that is reflected in the settlement now before  
6 you.

7           Just very quickly, the fundamental components  
8 of the settlement are that it will increase the  
9 average level of benefits paid to low income customers  
10 who were certified under the program. It will  
11 increase the number of customers who are served under  
12 the program, it will increase the compensation paid to  
13 the CAP agencies for certifying those customers. And  
14 finally, in the event of a year in which the Company  
15 is potentially awarded a general rate increase, it  
16 will provide for a few times increase in bill  
17 assistance program funding to make up for what The  
18 Energy Project believes is a currently underfunded  
19 program.

20           The reason the program was spread out over  
21 five years, well, it's severalfold. It is mostly to  
22 allow all parties to adjust to these new changes.  
23 There will be some unknowns, as Mr. Eberdt testifies  
24 to, as to -- especially regarding the certification  
25 every other year of customers. If I left that out of

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1 my initial outline of the settlement, it does increase  
2 the number of customers certified every other year, up  
3 to a total of 25 percent, which will reduce costs.  
4 That will take some getting used to for the CAP  
5 agencies, as will other aspects of the settlement.  
6 Spreading it out over five years seemed like the best  
7 way for everybody to sort of learn as they go.

8           With respect to the desirability from other  
9 ratepayers' standpoint of the settlement, The Energy  
10 Project submits that it is fair, just and reasonable.  
11 My client has long advocated that there are systemwide  
12 benefits that derive from these low income programs:  
13 Reduced bad debt, collection costs, arrearages, things  
14 of that nature. So there are more benefits here than  
15 just those that are obviously designed to target low  
16 income customers.

17           Finally, as I already stated, I think that  
18 this satisfies the expectations set forth by the  
19 Commission previously. Again, it is my client's hope  
20 that this will avoid relitigation annually of these  
21 same issues and allow us to move in a new direction.  
22 I think it is a positive outcome. I thank you very  
23 much for your consideration.

24                       JUDGE CLARK: Thank you, Mr. Purdy.

25                       Mr. ffitch.

1                   MR. FFITCH: Thank you, Your Honor.  
2 Good morning, Commissioners and Judge Clark. Simon  
3 ffitch for the Public Counsel Office.

4                   Public Counsel in this case retained an expert  
5 witness to assist us with reviewing the PacifiCorp  
6 request. We targeted selected issues for our  
7 investigation, conducted extensive discovery on those  
8 issues. Based on our own investigation, and on review  
9 of the other evidence generated by other parties in  
10 the case, we believe that this settlement is in the  
11 public interest and establishes a fair, just and  
12 reasonable rate.

13                   We agree, as we have just heard from  
14 Representative Johnson, that there is never a good  
15 time for a rate increase, and this is a particularly  
16 difficult time for the residents of Yakima County, and  
17 other parts of Pacific service territory in  
18 Washington, especially in light of the frequent annual  
19 rate increases that they have seen, and the 12 percent  
20 increase from the immediately preceding case.

21                   However, by reducing this request by over  
22 two-thirds, the impact of the request has been  
23 mitigated. And in addition, if you couple that with  
24 the fact that the settlement addresses a number of the  
25 key issues that concerned us, we end up concluding

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1 that this settlement is in the public interest.

2           The specific issues that concerned us that  
3 have been addressed in the settlement include the  
4 following. A number of them have been raised already.  
5 It's important to us that the Company's self-insurance  
6 proposal has been withdrawn. We are pleased to have  
7 an adjustment to reflect the number of A and G issues,  
8 including advertising, charitable expenses, meals and  
9 entertainment expenses, and other items in that  
10 category that we believed were not properly chargeable  
11 to ratepayers. We are pleased that the fixed customer  
12 charge will not be increased. That's an important  
13 part of the settlement from our perspective.

14           In addition, I don't know if this has been  
15 mentioned before, the Company has agreed to conduct  
16 and provide a report on its executive compensation  
17 policies, along the same lines as the report that has  
18 just been provided in the Avista general rate case.  
19 That will provide all parties an opportunity to  
20 continue to take a look at PacifiCorp's executive  
21 compensation structure and potentially examine that in  
22 a future case.

23           As mentioned by Mr. Sanger, the stay-out  
24 period is also extremely important to us. We are very  
25 pleased to see a stay-out period of some significance,



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1 even though still very short compared with stay-outs  
2 of earlier eras. This will provide something of a  
3 breathing space and a respite to the customers.  
4 Another component of that that hasn't been mentioned,  
5 is the effective date of the rates in this case has  
6 not been accelerated. That was another positive  
7 customer benefit, from our perspective, in the  
8 settlement.

9           Finally, in terms of rate impacts, the low  
10 income settlement that has just been discussed was, in  
11 our view, also another reason why we felt the  
12 settlement was in the public interest, and we support  
13 that aspect of the agreement.

14           The last point that I want to make is that we  
15 also were concerned about preserving parties' rights  
16 to address the REC issue if necessary in this docket,  
17 and we believe the settlement adequately does that.

18           Ms. Lea Daeschel will be available today as  
19 Public Counsel's witness on the settlement panel, and  
20 she will be able to answer specific questions that you  
21 may have about the details of our participation in the  
22 settlement.

23           Our expert witness, Bion Ostrander, is  
24 available by phone call. If there are follow-up  
25 questions, we would be able to phone him and hopefully

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1 bring him in on the bridge line if there were a need  
2 for that.

3 Thank you, Your Honor.

4 JUDGE CLARK: Thank you, Mr. ffitch.  
5 Mr. Trautman.

6 MR. TRAUTMAN: Thank you, Your Honor.

7 Staff supports the settlement, the all-party  
8 settlement, for many of the reasons that have been  
9 already stated by a number of the parties.

10 Staff has concluded that overall the  
11 settlement does result in fair, just and reasonable  
12 rates for the customers, as well as allowing the  
13 Company to earn a fair rate of return on investments.  
14 Staff would note that while any revenue increase  
15 request needs to be looked at very carefully, that the  
16 increase that would be -- which is agreed to in the  
17 settlement, is very close to that which was calculated  
18 and advocated by Staff in its testimony. The  
19 settlement provides for a 1.5 percent increase versus  
20 Staff's advocacy rate of 1.1 percent, which, as  
21 Mr. ffitch noted, is substantially lower than the  
22 4.3 percent originally requested.

23 Staff also felt it was very important that  
24 there are no early rate increases. For this  
25 settlement the rates would not take effect until

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1 June 1st, and then after that, there's a seven-month  
2 stay-out. So that no new rate case could be filed  
3 until January 1st of 2013, which would mean that even  
4 if, assuming a rate increase were filed and some  
5 increase could be justified, it may not -- a second  
6 increase may not take effect until December 1st of  
7 2013. Staff believes there is substantial protection  
8 for ratepayers with the stay-out provision which is  
9 negotiated in the settlement.

10 Staff also believes that the collaborative  
11 process is of great importance. Staff anticipates  
12 that the parties won't be able to make use of this  
13 time to work out several of the issues that are listed  
14 in Paragraph 28 of the settlement. Many of those  
15 issues relate to the interjurisdictional allocation  
16 methodology, as well as a number of power cost issues.

17 It was very important for Staff that the  
18 settlement eliminated the Company's self-insurance  
19 proposal, and instead provides for using a six-year  
20 average of actual claims in this and in future  
21 proceedings.

22 Staff also felt it very important that the REC  
23 revenue question and issue was addressed, and notes  
24 that the settlement allows any party to seek  
25 clarification or reconsideration in Docket UE-100749,

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1 which is currently the REC revenue docket, of whether  
2 the Commission's order in that docket will allow  
3 customers to receive any or all of the 2010 REC  
4 revenues in this docket. It was very important to  
5 Staff that that be preserved.

6 In sum, Staff believes that the  
7 settlement represents a fair balancing of the interest  
8 of all parties, and that it results again in fair,  
9 just and reasonable rates.

10 Staff has its witness, Mike Foisy, who will be  
11 available on the settlement panel, in support of the  
12 settlement. Staff's other witnesses are also  
13 available in the hearing room.

14 Thank you, Your Honor.

15 JUDGE CLARK: Thank you, Mr. Trautman.

16 At this time, what I would like to do is take  
17 a very brief recess and allow counsel to move so that  
18 we can have the settlement panel immediately in front  
19 of us. It is my understanding that Mr. Schoenbeck is  
20 available on the bridge line. I will confirm that  
21 during the recess.

22 We will be at recess until further call.

23 (A brief recess.)

24 JUDGE CLARK: We are on record. This  
25 portion of the proceeding will be the testimony in

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1 support of the settlement. I think I will just call  
2 individually on counsel to call your witnesses to the  
3 stand. Although, they have already taken their seats,  
4 and I appreciate that.

5 Ms. McDowell?

6 MS. McDOWELL: PacifiCorp calls Bryce  
7 Dalley.

8 JUDGE CLARK: Thank you.

9 Mr. Sanger?

10 MR. SANGER: ICNU calls Donald  
11 Schoenbeck. Are you available, Mr. Schoenbeck?

12 MR. SCHOENBECK: Yes, I am. Thank you.

13 JUDGE CLARK: The record should reflect  
14 that Mr. Schoenbeck is appearing on the bridge line.  
15 Whenever we have an individual appearing on the bridge  
16 line, it is necessary for us to speak a little more  
17 slowly than perhaps we would ordinarily speak, and a  
18 little more loudly, directly into the microphone, in  
19 order for us to have Mr. Schoenbeck hear the inquiry  
20 and for us to hear him.

21 Mr. Purdy?

22 MR. PURDY: The Energy Project calls  
23 Mr. Charles Eberdt.

24 JUDGE CLARK: Thank you.

25 Public Counsel?

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1 MR. FFITCH: Public Counsel calls  
2 Ms. Lea Daeschel.

3 And, Your Honor, as we discussed off the  
4 record, when the Bench is ready, Ms. Daeschel has one  
5 correction to make to the joint testimony.

6 JUDGE CLARK: That's correct.

7 And Mr. Trautman?

8 MR. TRAUTMAN: Commission Staff calls  
9 Michael Foisy.

10 JUDGE CLARK: All right. Thank you.

11 At this time, I would like all witnesses to  
12 please rise and raise your right hand.

13

14 R. BRYCE DALLEY, MICHAEL D. FOISY, CHARLES M. EBERDT,  
15 LEA DAESCHEL, DONALD W. SCHOENBECK,

16

17 having been first duly sworn on oath  
18 testified as follows:

19

20 JUDGE CLARK: Thank you. Please be  
21 seated.

22 And now I would like each of the panel  
23 members, starting with Mr. Dalley, to state your full  
24 name for the record, please, and spell your last.

25 MR. DALLEY: My name is R. Bryce Dalley.

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1 My last name is spelled D-A-L-L-E-Y.

2 JUDGE CLARK: Mr. Foisy.

3 MR. FOISY: Michael D. Foisy. That's  
4 spelled F-O-I-S-Y.

5 JUDGE CLARK: Thank you.

6 Mr. Eberdt.

7 MR. EBERDT: Charles M. Eberdt,  
8 E-B-E-R-D-T.

9 JUDGE CLARK: Ms. Daeschel.

10 MS. DAESCHEL: Lea Daeschel, and  
11 Daeschel is D-A-E-S-C-H-E-L.

12 JUDGE CLARK: Mr. Schoenbeck.

13 MR. SCHOENBECK: Donald W. Schoenbeck,  
14 S-C-H-O-E-N-B-E-C-K.

15 JUDGE CLARK: Thank you very much.

16 At this time, Ms. Daeschel, I would like to  
17 turn to the correction that you would like to make to  
18 the settlement testimony. If you could, please refer  
19 us to the page and line number so that we can make  
20 that correction.

21 MS. DAESCHEL: Yes. It's on Page 19 of  
22 the joint testimony on Line 2.

23 JUDGE CLARK: All right.

24 MS. DAESCHEL: The correction is from  
25 the number 4.5 percent. It should be 4.3 percent.

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1 JUDGE CLARK: All right. Thank you.

2 I'm assuming that there are no other  
3 additions, corrections or deletions to the testimony.

4 All right. Then we will turn to the focus of  
5 is this morning's hearing, and this is of course  
6 commissioner inquiry. I will turn first to  
7 Commissioner Jones.

8 COMMISSIONER JONES: Thank you.

9

10 E X A M I N A T I O N

11 BY COMMISSIONER JONES:

12 Q I have a few questions about Low Income Bill  
13 Assistance, so that's where I will start. Mr. Eberdt  
14 and the others might want to pull the mike up.

15 This proposal is a five-year plan, correct?

16 A (Eberdt) Yes, sir.

17 Q Traditionally with other companies, we've been  
18 dealing with these issues, bill assistance, on a rate  
19 case-by-rate case, year-by-year basis, right?

20 A (Eberdt) That's correct.

21 Q So what do you think are the major advantages  
22 of a five-year plan with this two-year certification  
23 procedure? Is it consistency of the funding  
24 guidelines to the CAAs, the agencies, or is it  
25 increasing the number?



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1           A     (Eberdt) Well, I actually think there are  
2 multiple benefits.

3                   JUDGE CLARK: Mr. Eberdt, is your mike  
4 on?

5                   MR. EBERDT: Yes.

6                   JUDGE CLARK: Okay.

7                   MR. EBERDT: I'm probably just not close  
8 enough --

9                   JUDGE CLARK: Okay.

10                  MR. EBERDT: -- which is unusual. I'm  
11 usually too loud.

12           A     (Eberdt) So where was I? I think consistency  
13 or certainty is one of the things that is certainly an  
14 advantage for the agencies, and I would suspect for  
15 the utility as well, having some sure sense of exactly  
16 what is going to happen over the next five years. The  
17 fact is that it also does push the agencies into doing  
18 their work a little bit differently, which actually I  
19 think is a good thing, in the sense that we are trying  
20 something different and will be reaching more  
21 households by doing it. That's the positive thing  
22 we're getting; additional customers into the program  
23 at no additional administrative costs comparatively,  
24 because of the numbers of people, so that's a good  
25 thing.

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1           I think for some of the households who get to  
2 be in the program for two years, it could be a real  
3 benefit in the sense that -- we anticipate some of  
4 these people will be elderly folks, who it actually is  
5 difficult to get to appointments. As you may know,  
6 it's a bit of a lottery to get an appointment and to  
7 get an award, because the funding is never equal to  
8 the number of people who receive benefits. If you are  
9 an elderly person on low or fixed income, there's a  
10 real benefit for being in the program two years, so  
11 that certainty there I think is a good thing.

12           Personally, I would love not to argue about  
13 this repeatedly in rate cases, and I'm sure the  
14 Company feels similarly. That's a string of things  
15 that I would trot out.

16           Q   Let's talk about how this actually works now  
17 in the settlement agreement. You're talking about a  
18 two-year -- you certify a share of the client  
19 population to be eligible for two years, and you start  
20 off with 10 percent of the clients, right?

21           A   (Eberdt) Yes, sir.

22           Q   Do you happen to know -- I think in your  
23 testimony, you said you didn't know, but I would like  
24 you to clarify for the record. What's the -- do we  
25 have a better sense from the Census Bureau data of

0137

1 what the eligible population would be in the service  
2 territory, or we just don't know enough about --  
3 because -- because the -- what you have in the  
4 settlement, you use the figure 4,720.

5 A (Eberdt) The 4720 number actually is the  
6 number of customers we are currently serving in the  
7 program. That is what we established as the  
8 foundation for intake to be done every year. And by  
9 not increasing the 4720, we don't increase the  
10 administrative or the program implementation costs for  
11 the agencies to do the work. We don't put any more  
12 stress on the agencies in terms of personnel and space  
13 and all of that sort of thing, so that helps a lot.

14 It's nowhere near what the level of eligible  
15 households are in the service territory, and that's  
16 just a matter, you know, of the case. As the  
17 representative illustrated earlier, in the Yakima  
18 County area, numbers are very high. Walla Walla less  
19 so. Although, I think I saw something recently that  
20 made me think that Walla Walla had a higher poverty  
21 rate than I anticipated.

22 But the -- I guess -- yeah, I'm not sure what  
23 else to...

24 Q So talk about this ramping up to 25 percent  
25 in -- well, you ramp up to 25 percent in 2015, and up

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1 to 40 percent in 2016. The settlement agreement says  
2 some phase of two-year participation. I think that  
3 refers to the fact that some people, because of  
4 seasonal employment, variable employment, they may  
5 drop off, some people may drop on. Just describe for  
6 me how this works. Is it 5 percent a year?

7 A (Eberdt) Yes. You know, I guess this actually  
8 ties back into where I thought you were going with  
9 your previous questions. We don't really have a real  
10 clear sense of how many people's income are  
11 sufficiently stable to put into a two-year program.  
12 The agencies were pretty reluctant to go there in some  
13 ways. Also, because of the -- as I called it, the  
14 lottery nature of this program, there's a certain  
15 amount of resistance, or reluctance I guess is a  
16 better term, to tie up a slot for two years, where  
17 there's so many people who aren't getting assistance.

18 When we initially started talking about this  
19 in the previous rate case, one of the proposals was to  
20 just to turn everybody into a two-year eligibility  
21 slot, and that didn't -- the agencies felt that that  
22 would be completely unfair to a lot of people who  
23 would not get to participate and would not address the  
24 changes that occur, that people's income do -- their  
25 incomes do change. It would put people into a second

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1 year in the program who probably shouldn't be in the  
2 program; it would preclude people from getting into  
3 the program who should get into the program.

4           We wanted to be modest about the approach, and  
5 that's where we worked with Commission Staff to work  
6 out a gradual increase. So the numbers increase from  
7 10 percent to 25 percent over the four years. That  
8 is, in each year of that 4720 that we do intake on,  
9 10 percent would be recognized in the first year for a  
10 two-year certification, 15 percent the second year,  
11 and so on, up to the fourth year, where we cap out at  
12 25 percent.

13           In the fifth year, it will also be --  
14 25 percent of intake will be certified for a two-year  
15 program. But during that fifth year, of the 5900  
16 people who will be in the program, 40 percent will  
17 either be in the first year phase or the second year  
18 phase of a two-year program. It means that nearly  
19 half of the people who are participating in the  
20 program will have to be targeted to that kind of  
21 income stability so that we -- and that's an area that  
22 at least the Walla Walla agency in particular is a  
23 little concerned about being able to hit that high of  
24 a number.

25           Q Oh, really? So that's Blue Mountain.

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1 A (Eberdt) Yes.

2 Q I think I understand it. Although, you used  
3 the number 5900. How does that compare to 4720 for  
4 the intake?

5 A (Eberdt) Well, if you think of it in terms of,  
6 in the first year the participation level will be  
7 4720. In the second year, that will -- the total  
8 number of people in the program will be 472 people,  
9 plus 4720.

10 Q I see.

11 A (Eberdt) By the time you get to the fifth  
12 year, it totals up to accumulatively 5900 people.

13 Q We had a workshop on low income issues before,  
14 I think about a year and a half ago, and we discussed  
15 the Federal LIHEAP program, the State weatherization  
16 program, and all these other programs of eligibility  
17 and stuff. This is a question that relates to that.

18 Does customer certification for participation  
19 in LIBA also qualify customers for weatherization  
20 services, either under the commerce administrator  
21 program -- yeah, that's my question.

22 A (Eberdt) The intake we do for the bill  
23 assistance is the fundamental intake that feeds right  
24 into all the westernization programs. If someone  
25 comes in and is income-eligible for either LIBA or

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1 LIHEAP, their home, their dwelling would be a  
2 candidate for energy efficiency work.

3 Is that where you were going with the  
4 question?

5 Q Yes.

6 And then there's a question I would like to  
7 hear from Mr. Foisy on this too, for Staff.

8 One of the challenges I think of a five-year  
9 program, and I would agree that it promotes  
10 consistency and certainty, but things change during  
11 five years, and I think that's one of the reasons that  
12 we have this annual Schedule 17 and 91 tariff filing,  
13 where we kind of -- the parties are going to agree, as  
14 I read this, to come to consensus on a filing that  
15 they could all agree on to submit to us, to the  
16 Commission. Does that kind of satisfy some of Staff's  
17 concerns?

18 Mr. Eberdt, I would like to hear from you on  
19 this.

20 I'm driving at, what is going to be in these  
21 annual filings? I assume it's going to come to an  
22 open meeting. What sort of documentation do you  
23 expect to be in the annual filing documents and things  
24 like that?

25 A (Foisy) Well, I'm not sure of the specific

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1 documents. I do know that we're expecting to be able  
2 to have a more streamlined submission so that we don't  
3 have to go into a great -- you know, great long  
4 discussion about it. We're hoping that through this  
5 five-year plan, that everything is pretty much laid  
6 out before. And then each year the increase, if I  
7 remember it correctly from the testimony, is pretty  
8 much discussed.

9 Mr. Eberdt or Ms. Reynolds might be able to go  
10 into more detail on that.

11 MR. EBERDT: May I?

12 COMMISSIONER JONES: Sure.

13 A (Eberdt) First of all, I have to lay out the  
14 caveat that I'm not a lawyer and I'm not a regulator,  
15 so my understanding of this stuff is probably not the  
16 best. If it weren't for the assistance of Deborah  
17 Reynolds and Tom Schooley, I would be totally at sea.

18 Q That's a good answer.

19 A (Eberdt) As I understand it, the Company is  
20 required to file a tariff annually that covers this  
21 program. In trying to make this as simple as  
22 possible. We were trying to figure out, okay, we  
23 don't want the Company to have to come in and do  
24 multiple tariff filings a year because of this  
25 program. What we tried to establish, was a single



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1 filing every year that affects I think Schedule 17  
2 and --

3 COMMISSIONER JONES: 91.

4 A (Eberdt) -- 91. They are all 91. That didn't  
5 seem right to me.

6 So those two schedules would be filed. The  
7 way this would work, given no other rate increases due  
8 do to a rate case being filed, there would be a set  
9 schedule for what those changes would be. That's the  
10 known part of this plan at this point. We would have  
11 certain steps that would occur each year, and we know  
12 what those steps are. That seemed to us very simple,  
13 or at least simpler than the alternative.

14 Q And in that filing, would we have some idea of  
15 how it worked out in the first year in terms of the  
16 intake and what actually happened?

17 A (Eberdt) I would assume so. One of the things  
18 that is, I think, part of the mathematical mystery of  
19 all of this, is that this particular program is  
20 established as a three-tiered rate discount. When you  
21 look at a program that you are basically establishing  
22 a funding cap or amount for, how that gets distributed  
23 across the three tiers in a program across three  
24 agencies, where people come in as they may come in,  
25 haphazardly, which tier they fit into is not

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1 predetermined.

2           The Company has to do some fairly, I would  
3 think, inter -- historical look backward at what the  
4 participation was by tier, in order to figure out what  
5 the discount level should be established when there's  
6 a rate increase. I would assume that they would be  
7 doing similar sorts of things, in looking at how --  
8 you know, how many people they expect to show up in  
9 each tier. At the end of the year, we would probably  
10 have to look at how close we came.

11       Q    Just one last question. Do the Blue Mountain  
12 and community action agencies think that this program  
13 with a two-year certification, which is a, I would  
14 say, major change, will they tend to target the  
15 support more on fixed income households?

16       A    (Eberdt) I would assume so, yes.

17       Q    Rather than seasonal employment?

18       A    (Eberdt) Yes.

19                   COMMISSIONER JONES: Thank you. Those  
20 are all the questions.

21                   JUDGE CLARK: Commissioner Oshie.

22

23                   E X A M I N A T I O N

24 BY COMMISSIONER OSHIE:

25       Q    First, Mr. Eberdt, and maybe one of the other

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1 panel members, I don't have anyone really in mind, but  
2 I think you probably can answer the question.

3 As we go through the two-year certification  
4 over a period of time, let's say that you have an  
5 individual that signs up in year one. So does that  
6 mean in year three, that they would have to be  
7 recertified?

8 A (Eberdt) Yes.

9 Q And that's how you end up with a stacking at  
10 the end of the five-year period, essentially. In  
11 other words, if someone were to stay on for five  
12 years, they would be certified in year one,  
13 recertified in year three, and then possibly  
14 re-recertified in year five?

15 A (Eberdt) Yes, that's true, but I don't -- I'm  
16 not sure if this is what you are asking. I don't  
17 think that's what makes the numbers go to 5900.

18 Q Well, maybe let me ask another question about  
19 that.

20 Do you anticipate that people who sign up in  
21 year one will also be in the system in year five?

22 A (Eberdt) I wouldn't say we necessarily  
23 anticipate that. I think that it's fair to say that  
24 if we -- we haven't done the research to look back  
25 over what the historical record would show us. But I

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1 think it's probably fair to say there are people who  
2 would be continually in the program based on their  
3 income levels and so on and so forth, but it isn't a  
4 guarantee by any means.

5 Q Certainly. Okay.

6 Ms. Daeschel, let's return to the  
7 self-insurance issue. Public Counsel had some  
8 concerns, they weren't necessarily elaborated in the  
9 testimony. Can you walk through what Public Counsel  
10 was -- maybe the most important issue, I guess, or  
11 concern that Public Counsel had with this proposal?

12 A (Daeschel) Certainly. Public Counsel did have  
13 a number of concerns with this proposal, and the  
14 details of those are outlined in Mr. Ostrander's  
15 testimony. As I understand it, the main concern he  
16 has was that the self-insurance proposal essentially  
17 prefunds the cost of future damages in rates. That  
18 was our key concern, which was ultimately mitigated  
19 with the settlement agreement, which no longer has  
20 that prefunding aspect to it.

21 Now it will be a six-year actual damages  
22 averaging, and that will be how it's determined what  
23 the Company will actually recover. Having that  
24 prefunding piece of it removed was a key reason that  
25 we were able to come to terms of the settlement and

0147

1 agree with that piece.

2 Q I probably misread your testimony. I thought  
3 Public Counsel was still concerned about the  
4 settlement terms and using this issue average.  
5 Apparently, you were concerned more about -- I think  
6 that's how I misread it -- and that they still had --  
7 although you were going to agree to it, you still had  
8 some concerns about it. Not going back to  
9 Mr. Ostrander's testimony, the general concern about  
10 how it was proposed.

11 A (Daeschel) We certainly did have a lot of  
12 concerns with the self-insurance proposal.  
13 Ultimately, you know, we were able to agree to this  
14 alternative in the settlement stipulation.

15 Q Let me ask either Mr. Dalley or Mr. Foisy,  
16 Staff representative. The settlement makes reference  
17 to extraordinary expenses that could be deferred, and  
18 Ms. McDowell commented on that as well in her opening  
19 statement. What are we talking about there? What's  
20 extraordinary in Staff's view, given the settlement?

21 It's the same question for Mr. Dalley?

22 A (Foisy) I guess maybe a little clarification.  
23 Are you talking relative to the insurance?

24 Q To the insurance, self --

25 A (Foisy) I think Ms. --

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1 Q Right.

2 A -- Breda mentioned something in her testimony  
3 of -- of something that -- some expense that is far in  
4 excess of anything that they had experienced as far as  
5 any loss.

6 Q Let me ask this question, then. Are you  
7 saying that under the self-insurance proposal, what's  
8 going to be included in rates is a six-year average of  
9 what their damages have been historically, but then if  
10 the amount exceeds that, they can true it up so that  
11 it continually kind of rolls over, or perhaps under?  
12 Is there going to be an under provision if that's  
13 true?

14 In other words, you know, the damages were not  
15 as onerous as they had been in the previous year, so  
16 the Company is going to file and say, well, we did  
17 better this year than last, so there's going to be  
18 some adjustment made? How is that going to work under  
19 your vision of it?

20 A (Foisy) What I'm expecting is that since we  
21 are normalizing this, that we are looking at -- in  
22 anything that would go outside the routine expenses --  
23 the -- I'm trying to think of the right word here --  
24 anything that would be superordinary, there was an  
25 earthquake and it far exceeded any normal windstorm or

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1 other storm that they would have to put claim against.  
2 I think that would be -- you know, they could file an  
3 accounting petition, whatever, to account for that. I  
4 think that's what's meant by extraordinary.

5 Q Do you know, Mr. Foisy -- let me ask  
6 Mr. Dalley.

7 You can first, if you don't mind, respond to  
8 my earlier question that Mr. Foisy just answered on  
9 Staff's behalf.

10 A (Dalley) Certainly. I don't think that the  
11 Company envisions it to operate like a balancing  
12 account. I think the idea behind the six-year  
13 average, is that you build into rates an average level  
14 of what you would expect in a normal year. To the  
15 extent there's something more significant or a  
16 substantial event where that average wouldn't be  
17 adequate, the Company would have the opportunity to  
18 file for a deferred accounting application, to have  
19 that substantial event evaluated on its own merits.  
20 The Company does not envision this operating as a  
21 balancing account or a true-up mechanism on an annual  
22 basis.

23 Q Mr. Foisy used the term "superordinary" and  
24 you used the term "substantial" change from the  
25 average. Can you give some kind of an example of what

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1 the Company has in mind? I'm trying to just explore.

2 A (Dalley) Sure.

3 Q We agree with the settlement. What are we  
4 really agreeing to here?

5 A (Dalley) Yes, certainly. We looked and worked  
6 with Staff and the other parties during the settlement  
7 negotiations on this issue. We looked at our events  
8 for the last six years. The for the most part, the  
9 events kind of run in a range of magnitude where there  
10 is no real large outliers. There are some exceptions,  
11 where there was a significant event that was  
12 substantially higher than the average. For those type  
13 of events, we would anticipate filing for a deferred  
14 accounting application.

15 An example of one is we had an issue at our  
16 Swift Dam on the Lewis River. It was a substantial  
17 event. That's the type of event we would look for in  
18 filing a deferred accounting application, not for your  
19 typical level of storm damages.

20 Does that answer your question, Commissioner?

21 Q No, that helps. Let me follow up.

22 Does the Company self-insure for all of its  
23 liability and injury protection, or does it carry --  
24 does it have available to it umbrella policies that  
25 you would self-insure to a certain point, and then for



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1 these extraordinary events, carry an umbrella policy  
2 that would cover them in a kind of extraordinary sort  
3 of spike in -- Lewis River is a good example?

4 A (Dalley) We do have some coverage. I guess  
5 the name "self-insurance" can mean a lot of different  
6 things to different people, and that's one thing we  
7 found out through this settlement and negotiation.

8 What we mean by self-insurance is that  
9 PacifiCorp is covering the damage, and that it's not  
10 funded by another third-party organization. Previous  
11 to the self-insurance proposal that we made in this  
12 case, we were covered to some extent by MidAmerican  
13 Energy Holdings Company policy, the captive insurance  
14 policy, so it was kind of a third party. When we say  
15 "self-insurance," we mean PacifiCorp is covering the  
16 damage.

17 We do have commercial insurance for  
18 nontransmission and distribution damages, it's kind of  
19 catastrophic type of coverage, and we also have some  
20 coverage on the liability side as well. For  
21 transmission and distribution property damage, we have  
22 no commercial coverage, and so PacifiCorp will be  
23 covering the damages associated with those type of  
24 events.

25 Q Is there any time line that the Company has to

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1 make, such as filing after an event that it might  
2 believe to be extraordinary? Is there anything that  
3 is -- anything important about when it files?

4 A (Dalley) Typically, when we anticipate a large  
5 event, we file for deferred accounting as soon as  
6 reasonably possible, even before we know what the  
7 damages are.

8 Q Okay.

9 I don't know who was -- what party was perhaps  
10 most important in this outcome. You don't need to  
11 turn to it, but on Page 6 of the settlement  
12 stipulation, under Sub C, there is directors and  
13 officers insurance adjustment that removes 100 percent  
14 of the director and officers insurance from the test  
15 year. Will someone comment on that, of the reasoning  
16 for that?

17 A (Dalley) I would be happy to address that,  
18 Commissioner Oshie.

19 This was a policy that was entered into prior  
20 to the MidAmerican Energy Holding Company's ownership  
21 of PacifiCorp. The policy expires prior to the  
22 beginning of the rate effective period in this case,  
23 and so that's the reason behind that.

24 Q Are you saying that the -- as a result, that  
25 the directors and officers are going to be

0153

1 self-insured as well by the Company?

2 A (Dalley) I guess that's the implication, yes.

3 Q Okay.

4 COMMISSIONER OSHIE: Well, I know the  
5 chairman is loaded for bear here. I might ask a few  
6 questions after he is finished.

7 JUDGE CLARK: All right.

8 Chairman Goltz.

9 COMMISSIONER OSHIE: I don't want to  
10 build any false expectations here.

11 CHAIRMAN GOLTZ: Thank you.

12

13 E X A M I N A T I O N

14 BY CHAIRMAN GOLTZ:

15 Q Mr. Dalley, I have no questions on  
16 self-insurance, but I have one clarifying question.

17 So it's going to be a six-year average of  
18 what's going to go into rates?

19 A (Dalley) That's correct.

20 Q The questions were about sort of what sort of  
21 event might be appropriate for a petition for deferred  
22 accounting. You mentioned an event at a dam. I just  
23 can't remember what you said.

24 A (Dalley) We had an issue at one of our -- our  
25 Swift Dam is on the Lewis River.

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1 Q Okay.

2 A (Dalley) It had some damage, flooding  
3 essentially, and that was an event. If you look -- I  
4 mean the dollars are confidential, so I don't want to  
5 get into the figures.

6 Q That's fine.

7 A (Dalley) But if you look at the dollars for  
8 that event versus the other events that have happened  
9 over the last six years, that one will stand out.

10 Q So in calculating your six-year average, is  
11 that event in or out of the average?

12 A (Dalley) I have to be a little careful,  
13 because there's nothing in the stipulation that  
14 describes exactly how we calculated the number that's  
15 included. The Company's calculation of that figure,  
16 that large event is excluded.

17 Q Okay. That would make logical sense, wouldn't  
18 it?

19 A (Dalley) Yes.

20 Q Okay.

21 A (Dalley) If you are going to allow for -- or  
22 if you are going to propose to have a deferred  
23 accounting, you can't keep those significant events in  
24 there.

25 Q Now, I think I may have gotten the answer to

0155

1 this in the opening statements, but I just want to  
2 make sure, just to nail this down.

3 On Page 14, starting at Line 17 of the  
4 testimony, it states, This settlement provides rates  
5 that are fair, just and reasonable to customers of  
6 PacifiCorp, as well as providing the Company an  
7 opportunity to earn a fair return on its investments.

8 During the opening statements, a number of  
9 attorneys said this provides for a fair, just and  
10 reasonable result. I just want to make sure that  
11 everybody agrees that the statutory standard that we  
12 are charged with applying, that the rates be fair,  
13 just, reasonable and sufficient, that if we approve  
14 this settlement, we will have satisfied our statutory  
15 obligations. Is that your understanding, Mr. Dalley?

16 A (Dalley) Yes, it is.

17 Q Mr. Foisy?

18 A (Foisy) Yes, it is.

19 Q Mr. Eberdt?

20 A (Eberdt) Yes.

21 Q Ms. Daeschel?

22 A (Daeschel) Yes.

23 Q Mr. Schoenbeck?

24 A (Schoenbeck) Yes, it is.

25 Q So one other question on Low Income Bill

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1 Assistance, if I can find the description of that. On  
2 Page 8, Paragraph 25 of the settlement stipulation,  
3 second bullet point discusses increasing the agency  
4 funding for each client certification to \$65. Page 8  
5 of the stipulation.

6 A (Eberdt) I must have a slightly different  
7 copy, because it's not on Page 8.

8 Q Well, it's Paragraph 25.

9 A (Eberdt) Yes.

10 Q So it's increasing this. Now, you aren't  
11 asking us to approve that amount, are you? As I  
12 recall, this came up in the last rate case, and I had  
13 some questions either in my head, or maybe I  
14 articulated them. Isn't that just a matter of  
15 contract between the agencies and PacifiCorp? That's  
16 not a charge that we are being asked to approve, is  
17 it?

18 A (Eberdt) I actually hadn't thought of it in  
19 terms of that. I was thinking in terms of, the order  
20 that you gave us directed us to resolve three specific  
21 issues, and this being one of the issues, and this was  
22 the package of how we resolved those issues.

23 Q Right.

24 A (Eberdt) I would -- you know, the question  
25 that comes up for me -- again, I don't know how a

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1 regulator deals with this, but this plan does  
2 establish an increase in the payment that will require  
3 an increase in revenue, so I would assume it would be  
4 something you would want to know about.

5 Q What I'm just getting at, I'm questioning  
6 whether we have jurisdiction to approve that  
7 contractual amount. Maybe some other parties can  
8 comment, or maybe one of the lawyers. I just don't  
9 know that we are approving that amount. Obviously, we  
10 are acquiescing it, we're approving the amount that  
11 goes into the rates, but I'm not sure that we are  
12 approving your contract with the company.

13 A (Eberdt) I'm sure not the right person to ask  
14 whether or not you have the right to approve of that.

15 Q Oh, that's right. I'll have to ask  
16 Ms. Reynolds.

17 Okay. Well, we'll just ponder that one, I  
18 guess.

19 A (Dalley) Maybe I will respond to that.

20 Q Sure.

21 A (Dalley) Bill Griffith actually is the expert  
22 on this. He just whispered in my ear kind of how this  
23 thing works.

24 Basically, we are notifying the Commission of  
25 these terms, and what the Commission approves is the

0158

1 funding level to cover the program.

2 Q Right, that's my understanding.

3 A (Dalley) Yes.

4 Q So let me ask about power costs. Is there a  
5 natural gas price that was used in determining the  
6 power cost update? If it's confidential, don't tell  
7 me. But if it's not confidential, I just want to  
8 know, first, if there is a set price and if you know  
9 what it is.

10 A (Dalley) I don't know the set price. The net  
11 power cost that was used for this settlement was the  
12 update provided by the Company through discovery in  
13 December of 2011.

14 Q So if we wanted to get that price, we would  
15 just issue a bench request for that document?

16 A (Dalley) Certainly.

17 Q Unless that's in the record somewhere.

18 Does anyone know if it's in the record?

19 A (Schoenbeck) This is Don Schoenbeck.

20 Q Sure.

21 A I guess to add to what Mr. Dalley just  
22 mentioned, yes, there was a -- I'm actually looking at  
23 Appendix A of Exhibit 2 to the stipulation. Yes,  
24 there was a set gas price within the net power cost  
25 update, the very first line in that exhibit. Again,



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1 it is a -- there is an adjustment which is called a  
2 miscellaneous settlement adjustment. People may  
3 interpret this amount as being attributable to  
4 different things, but from my perspective, that  
5 includes an update in the gas price as well, beyond  
6 what Mr. Dalley noted with respect to the net power  
7 cost update from WUTC 101.

8 Q So Mr. Schoenbeck is right. Am I correct in  
9 understanding you as saying that, yes, there is a  
10 natural gas price used in determining the power costs,  
11 but the parties may not agree as to what that is?

12 A (Schoenbeck) Exactly.

13 Q So that's part of the settlement that would be  
14 in a black box, to use a term that we use from time to  
15 time?

16 A (Schoenbeck) I agree with that  
17 characterization.

18 Q So regarding the Jim Bridger coal plant, there  
19 was -- on Page 6 of the stipulation, Paragraph 17  
20 states, The adjustment rejects the Company's proposal  
21 to update coal costs. And the Staff's rationale was  
22 included in the testimony, as I recall. I was -- ask  
23 Mr. Dalley if there is -- there are coal costs in the  
24 rates, correct?

25 A (Dalley) That is correct. In an update the

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1 Company provided through the data request, Washington  
2 Staff Data Request No. 101, the Company provided a  
3 complete update of its net power cost, including the  
4 update of its coal cost. The coal cost increased net  
5 power cost; whereas the overall update reduced net  
6 power cost. As part of the comprehensive settlement  
7 that you have before you today, the Company and other  
8 parties agreed to remove that update to coal cost from  
9 the overall agreement, which is that \$1.5 million  
10 adjustment that is listed in Appendix A.

11 But there are still -- to answer your question  
12 more directly, yes, there are coal costs reflected for  
13 the Jim Bridger plant in the power costs.

14 Q Are those coal costs a function of a  
15 transaction with an affiliated entity?

16 A (Dalley) Yes. I guess from the legal  
17 standard, I don't know, I'm not an attorney. It's an  
18 affiliate plant. The mine is owned 66 percent by the  
19 Company.

20 Q Is there, do you know -- and if not maybe you  
21 could supplement this or have your attorney do it --  
22 if there is an affiliated interest filing regarding  
23 that transaction?

24 A (Dalley) I am not certain.

25 Q Ms. McDowell, do you know the answer to that?

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1           A     (McDowell) The Commission has, in a series of  
2 cases, addressed the specific and special relationship  
3 of these captive mines with respect to the Company's  
4 coal plants. It's a little unusual in terms of, it's  
5 not a traditional affiliate, you know, filing, because  
6 it's -- the Commission has recognized that it's a  
7 long-term relationship, it's kind of a special  
8 relationship, because it is a captive mine associated  
9 with a specific plant that's in rates.

10           The Commission has addressed all of those  
11 special circumstances in a series of orders addressing  
12 the Jim Bridger plant, and through that, I think it  
13 has approved on an ongoing basis, this affiliate  
14 relationship.

15           Q     Okay. You know more history than I do on  
16 this, apparently.

17           Do you happen to know the last time that the  
18 Commission addressed that?

19           A     (McDowell) I don't offhand. It's been a  
20 while. When the relationships were first being looked  
21 at, the issue that was coming up was that the costs  
22 were so -- I mean basically, the costs were so low  
23 that the Commissions were all trying to look at how do  
24 you price these, do you price it at cost or --

25           Q     If you don't mind, could you just -- in an

0162

1 e-mail to the judge -- just give a citation to one or  
2 more of the more recent times when we have done that.

3 A (McDowell) I will give you a cite to the most  
4 recent ones. You know, they are all pretty vintage.  
5 I would say maybe at least -- it's been -- these  
6 issues were all raised maybe 10, 15 years ago --

7 Q Okay.

8 A (McDowell) -- and have basically remained in  
9 place since.

10 A (Foisy) Chairman Goltz?

11 Q Yes.

12 A (Foisy) If I'm not mistaken, they do mention  
13 it in their annual affiliated interest report. That  
14 is brought up in there.

15 Q Thank you. Is that in the record, or are we  
16 just -- that's noticeable so we can find that.

17 Let me turn to the collaborative process  
18 that's been agreed to and ask -- just confirm that the  
19 parties are all agreeing to participate actively in  
20 this. I know the Company is. I believe Commission  
21 Staff is.

22 A (Foisy) Yes.

23 Q Mr. Eberdt, I am assuming that you are taking  
24 a pass on that?

25 A (Eberdt) Yes, sir.

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1 Q Ms. Daeschel, is Public Counsel committed to  
2 participating actively in this?

3 A (Daeschel) Yes, we will be participating  
4 actively. We do know it is a rather ambitious agenda,  
5 but we do plan to put in a good faith effort and  
6 participate.

7 Q Mr. Schoenbeck?

8 A (Schoenbeck) Yes, Chairman.

9 Q You or your client are planning to participate  
10 actively in that endeavor?

11 A (Schoenbeck) Yes, we are, Chairman.

12 Q So maybe, Mr. Dalley, what do you think will  
13 come out of that? I notice, as Ms. Daeschel pointed  
14 out, the agenda seems on the ambitious side, and  
15 there's a lot of kind of broad topics. I look at one  
16 that says, Consider alternative test period  
17 conventions. What do you see coming out of that?

18 A (Dalley) It's difficult to tell. The Company  
19 isn't entering this collaborative process with any  
20 kind of preconceived notions about where the  
21 discussion will end. We primarily want to have a  
22 discussion amongst the parties to see if there are  
23 alternatives.

24 On that particular point, I think that there  
25 is a number of things that could be discussed,

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1 including rate base convention, you know, average  
2 versus ending, and some of those type of items.

3 Q Okay.

4 A (Dalley) But we don't have a preconceived plan  
5 of where the discussion is going to take us. We want  
6 to work with the other parties and see where we end  
7 up.

8 Q So what would be -- I will continue with you,  
9 Mr. Dalley, if that's okay. If another member of the  
10 panel wishes to raise your hand that's okay, too.

11 What do you see is the final work product?  
12 What would that look like?

13 A (Dalley) Of that particular point?

14 Q No, of all of the points, with the exception  
15 of the west control area. We'll talk about that  
16 separately.

17 A (Dalley) With the exception of the west  
18 control area review, it's difficult to tell what will  
19 come out of that. If there are some agreements, or I  
20 guess if we come to some type of a conclusion with the  
21 other parties on some of the other points, they might  
22 be part of the Company's next rate case filing. It's  
23 difficult to tell exactly where each of these will end  
24 up without first having the conversations with the  
25 parties to discuss the issues.

0165

1 Q Let's just take alternative test period  
2 conventions as an example. Let's say that your  
3 review -- that there's not -- the collaboration  
4 proceeds, and there's great collaboration but no  
5 agreement. Would there be a product at the end that  
6 would say, well, this is what we talked about, and  
7 this is the Company's position, this is Public  
8 Counsel's position, this is Staff's position, this is  
9 ICNU's position? I mean is that what we might see, or  
10 do you know that yet?

11 A (Dalley) I don't envision that we issue any  
12 type of a report to the Commission on each of these.  
13 I think to the extent there are changes or proposals  
14 that the Company has, whether they are agreed on or  
15 not by other parties, I think that the Commission  
16 would see those in future rate case filings.

17 Q Might we also see a petition for rule making  
18 in the event that some of these are embodied in  
19 existing rules that need changing?

20 A (Dalley) Potentially, yes.

21 Q So a number of these -- I look at your  
22 settlement stipulation on Paragraph 28 that starts --  
23 has a number of bullet points that list these, and I  
24 see the first one is methods to -- consider methods to  
25 streamline the regulatory process. And there's a

0166

1 power cost adjustment mechanism consideration,  
2 alternative test period conventions, production  
3 factor, attrition studies, and the others that are  
4 listed there. Is that -- a lot of those seem to be  
5 addressing issues that are commonly known as  
6 regulatory lag or attrition issues; is that correct?

7 A (Dalley) That is true. We are trying to look  
8 at -- everybody is fatigued, as we have heard today,  
9 with this annual kind of rate case cycle, where the  
10 Company is in year after year, and a lot of these  
11 points get to that very issue. Is there ways that we  
12 could work together with other parties to come up with  
13 a different type of ratemaking proposal that would  
14 avoid that type of annual rate case cycle.

15 Q And you are concerned about what's called  
16 regulatory lag, correct?

17 A (Dalley) Absolutely. In Washington, of all  
18 the six states in which we operate, it's the most  
19 historically focused of any of the other states.

20 Q And is there anything -- any of your other  
21 concerns on regulatory lag or attrition that are not  
22 listed here? I mean is this the -- I can use the word  
23 "laundry list" -- the list of things that give the  
24 Company pause about the process?

25 A (Dalley) I think these are the high level



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1 issues. You know, underneath them, there's probably a  
2 number of other issues that can be addressed. I think  
3 these are broad issues to be discussed and fleshed  
4 out.

5 Q What I am asking you is if there is something  
6 else that didn't make this list, that if you would  
7 have had more negotiating pull, you might have gotten  
8 some more bullet points on here, or does this cover  
9 it?

10 A (Dalley) I think this is a pretty good list.  
11 It was obviously negotiated amongst all parties. Off  
12 the top of my head, I can't think of any other items  
13 that I would add to the list today, and obviously we  
14 would have to get agreement with other parties.

15 Q I noticed Ms. McDowell, in her opening  
16 statement, gave kudos to the settlement administrative  
17 law judge that assisted in reaching this. I  
18 notice that you've got a provision, and it's  
19 collaborative, where the Company might ask for an ALJ  
20 assigned to help facilitate that; is that correct?

21 A (Dalley) That is correct.

22 Q So starting in Paragraph 28, the sentence  
23 prior to the -- or two sentences prior to the first  
24 bullet point, it says, If the agreed to milestones are  
25 not met or the collaborative process ceases, the

0168

1 Company may raise its concerns to the Commission and  
2 may request an appointment of an administrative law  
3 judge.

4           What do you mean? Do you mean if there's a  
5 breakdown, is that what you mean? If the  
6 collaborative process ceases?

7           A   (Dalley) That's correct. I think we -- we  
8 envision at this point, you know, a collaborative  
9 process with all of the parties working together to  
10 come up with solutions and agreement, if possible.  
11 That doesn't mean that parties have to agree, by any  
12 means. We did find it very helpful during the  
13 settlement of this rate case to include a settlement  
14 judge. We found that that was productive to the  
15 discussion, and made it possible to get to an  
16 agreement. We wanted to have that in the body of this  
17 stipulation as an option that might assist us in this  
18 collaborative process.

19           Q   The first task would be within 30 days to  
20 establish milestones. I guess the first milestone is  
21 establishing milestones.

22           A   (Dalley) Yes.

23           Q   Do you envision reporting back to the  
24 Commission of that, of the milestones, or what's  
25 our -- what do you envision our involvement is, the

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1 Commission's involvement is?

2 A (Dalley) I don't anticipate any type of  
3 report, I guess notifying the Commission where we are  
4 in the process. I think that this will be mostly  
5 handled amongst the parties that are participating in  
6 the collaborative process, and working together in  
7 unison with them to come up with specific milestones  
8 and dates and schedules. In fact, this morning, we  
9 were talking already about when can we get together to  
10 get this thing kicked off, because we are ready to get  
11 started.

12 Q And is the -- I guess back to sort of what's  
13 the work product. Are you saying you don't know if  
14 there is going to be an ultimate filing report yet?

15 A (Dalley) I don't. I really don't know what's  
16 going to come of it. It's difficult to say at this  
17 point if we will be able to reach consensus on some of  
18 these issues, if we will have joint proposals before  
19 the Commission in either a rate case filing or a rule  
20 proceeding. It's difficult to tell without having  
21 first the discussions.

22 I guess the only defined report that is due to  
23 the Commission is on the west control area allocation  
24 methodology. There will be a report to the  
25 Commission, either through a rate case or separate

0170

1 filing, that will discuss that review.

2 Q So back to the other issues. Would you object  
3 if we were -- if we approved the settlement and we  
4 were to put in here some requirements of a final  
5 report? Is that problematic in any way?

6 A (Dalley) That hasn't been discussed amongst  
7 the other parties. From the Company's perspective,  
8 no, we don't have an issue with reporting back to the  
9 Commission on the status.

10 Q Any other comments from any of the other  
11 panelists?

12 A (Daeschel) I guess from Public Counsel's  
13 perspective, I just want to point out that we really  
14 do see this collaborative process as having two keys  
15 pieces: One is the WCA review, and the other is to  
16 consider these alternative ratemaking proposals, for  
17 lack of a better word. I guess the point here is that  
18 we do see a lot of value in meeting with the parties  
19 to discuss the WCA methodology review prior to the  
20 Company proposing to change something in its next rate  
21 case.

22 As far as these other issues, we do also see  
23 value in discussing them among the parties, in the  
24 event that the Company does decide to include  
25 something in a future rate case filing.

0171

1           I just want to be clear that we are only  
2 agreeing to consider these options, and we didn't  
3 spend a whole lot of time in the settlement  
4 negotiation going back and forth on what other issues  
5 other parties potentially would want to add to this  
6 list.

7           Q    I guess what I'm wondering is, and maybe I  
8 will ask the other parties as well, you know,  
9 there's -- this is a big, ambitious agenda, full of  
10 issues that are on the mind of a lot of people. If we  
11 are going to have all this work, you know, how am I  
12 going to learn about it other than by rumor if there's  
13 not going to be a resolution? Part of me says I want  
14 to hear what everyone says about all of these issues;  
15 I want to know what everyone is saying. But on the  
16 other hand, if that requirement is going to stifle  
17 free exchange of ideas, then maybe I don't want to.  
18 You know, I don't know.

19           I mean, part of me really wants to know what  
20 the results of this are, even if it's not -- no  
21 agreement. I would like to know what the parties are  
22 viewing as to the, you know, alternative test period  
23 conventions. That term must have taken a lot of  
24 negotiation. Why you didn't say alternative -- other  
25 test periods, or say future test year, I don't know.

0172

1 Apparently, there's some negotiation to talk about  
2 test period conventions.

3           Maybe we don't need to -- we can talk about  
4 that internally. If anyone has a thought on that, on  
5 whether a formal report of the result to the  
6 Commission is -- that's filed is a good thing or a not  
7 so good thing.

8           A     (Foisy) Mr. Chairman, I think we would like to  
9 see it a little more informal at this point, so that  
10 we can actually accomplish something. If we get too  
11 bogged down in formalities, we may not be able to  
12 accomplish very much. Personally, I think once we  
13 have completed the process, I think the Company has  
14 asked that it be done by the end of November, that  
15 something be put out there. I think during the  
16 interim process, I think we would rather have a little  
17 more free hand to work along the lines of necessary.

18                   CHAIRMAN GOLTZ: Any other comments from  
19 any other parties?

20           Mr. ffitich is ready to jump in, which is fine.

21           A     (ffitich) Thank you, Your Honor.

22           I guess just to echo that, we would be  
23 concerned that it might add sort of an administrative  
24 burden to the process, and people would end up  
25 spending a lot of time negotiating and wordsmithing

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1 some sort of report, making sure that everybody's  
2 disagreement and differing positions was reflected.

3 I think the goal more is to try to work  
4 through some issues. If something good comes out of  
5 it, you are likely to see it in a proposal in a rate  
6 case.

7 Conversely, if a future test year is proposed  
8 and nobody else agrees to that, but it ends up in a  
9 rate case, you will see the other views in that  
10 context anyway. I'm not sure it would be helpful to  
11 the process.

12 Q Then I have sort of a question that relates to  
13 the west control area methodology. The Paragraph 29  
14 of the stipulation includes the request by all parties  
15 that the Commission extend the date on which this is  
16 due until January 2013. I assume that's January 1; is  
17 that correct?

18 A (Dalley) Well, we would file a report. The  
19 Company's vision is we would file a report in January  
20 sometime, either as a stand-alone west control area  
21 review or as part of a rate case.

22 Q So in other words, it could be at the end of  
23 January, correct?

24 A (Dalley) That's correct.

25 Q But if you file a rate case on January 1, it

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1 would be January 1?

2 A (Dalley) Yes. Although, we won't file on  
3 New Year's day.

4 Q That's right.

5 A (Dalley) I think it's on a weekend, too.

6 Q Does that mean you have already checked? I  
7 guess you knew it was New Year's.

8 A (Dalley) Just planning for the holidays.

9 Q But over on Paragraph 28, in the fourth line  
10 down -- third line down, which is, The parties agree  
11 to work cooperatively to ensure the process is  
12 substantively complete by November 1. Basically, does  
13 that mean that you will be substantively complete on  
14 your west control area review by November 1?

15 A (Dalley) That's what we envision. We would  
16 like to have it completed there. The Company  
17 anticipates, at least at this point, of most likely  
18 having the rate case in the January 2013 time frame.  
19 In order to incorporate any of the changes or  
20 modifications that we might propose as part of that  
21 case that come from this collaborative, we would need  
22 to have it complete around that time.

23 Q Am I correct that the WCA task will be  
24 incorporated into some sort of a formal report?

25 A (Dalley) That is correct. Either as part of



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1 the rate case or as a stand-alone report, yes.

2 CHAIRMAN GOLTZ: I have no further  
3 questions.

4 JUDGE CLARK: Any other questions from  
5 any of the other commissioners?

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7 FURTHER EXAMINATION

8 BY COMMISSIONER JONES:

9 Q This is Commissioner Jones. On that last  
10 point, are you required to file a similar report with  
11 the Oregon Commission too?

12 A (Dalley) No, we are not. Washington is the  
13 only state that has the west control area methodology.

14 Q And there's no other interjurisdictional cost  
15 allocation method report that you are required to  
16 submit to Oregon?

17 A (Dalley) No. Oregon is on a different  
18 methodology that was recently approved. I don't  
19 believe -- subject to check, I don't believe there's  
20 any report that's due to the Oregon Commission.

21 Q Just a quick question for Mr. Sanger or  
22 Mr. Schoenbeck -- Mr. Schoenbeck, actually. We had a  
23 number of public comments at the Walla Walla hearing  
24 from one of your large customers. I think you know  
25 who it is. You stated that there's going to be a

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1 stay-out, and one of the reasons you are supporting  
2 the settlement agreement is a stay-out, but the  
3 stay-out is only for what, 18 months, 19 months?

4 A (Schoenbeck) Commissioner Jones, it's  
5 basically an additional seven months that the Company  
6 is precluded from staying out, so that when you tack  
7 on an 11- or 12-month period to affect a change in  
8 rates in Washington, I guess we look at the rate  
9 period as being something like 30 to 31 months.

10 Q Go through that --

11 A (Schoenbeck) Through June of 2012.

12 Q Because the new rates become effective June of  
13 2012, right?

14 A (Schoenbeck) That's correct.

15 Q And if the company files a rate case in  
16 January of 2013, the suspension period would be  
17 December 2013, right?

18 A (Schoenbeck) That's correct, so approximately  
19 30 months from June of 2012.

20 Q Is that 30 months or is that 19 months?

21 A (Schoenbeck) Well, from when rates can change  
22 again?

23 Q Yes.

24 (Pause in the proceedings.)

25 CHAIRMAN GOLTZ: Settlement is off.

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1           Q    What I'm driving at is how long, at least for  
2   the industrial -- well, for all customers, industrial  
3   customers, are rates, quote, stable and they don't  
4   change?

5           A    (Schoenbeck) Well, if they filed January 1 of  
6   2013, rates would change on January 1, 2014.

7           Q    Okay.

8                    And that is --

9           A    (Schoenbeck) So you are correct, it is  
10  somewhere -- somewhere in the range of 18 months.

11          Q    Yes, that's about 18 months. I thought my  
12  math was right.

13                    So we heard some pretty strong comments from  
14  the Company at the Walla Walla hearing based on -- I  
15  mean they even mentioned the possibility of moving the  
16  plant at some point, based on these continual rate  
17  increases. I assume that that particular  
18  plant/Company is -- supports this agreement, that they  
19  are satisfied with this element of rate stability?

20          A    (Schoenbeck) As far as I'm aware, Commissioner  
21  Jones, that's correct. Again, that was -- as we tried  
22  to emphasize, that was -- a critical part of the  
23  settlement was when the rates start, it's no different  
24  than the end of the suspension period, the June 1st  
25  date, and the requirement that they could not file

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1 again until, basically, January 1 of 2013.

2 Q Okay. All right. Thank you, Mr. Schoenbeck.

3 JUDGE CLARK: Anything further?

4 Anything further from the parties?

5 All right. Hearing nothing, I would like to  
6 thank all the witnesses on the panel for their  
7 testimony this morning, and counsel for your  
8 participation in opening statements, and we are  
9 adjourned.

10 (Settlement hearing adjourned 11:17 a.m.)

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C E R T I F I C A T E

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3 STATE OF WASHINGTON

4 COUNTY OF KING

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I, Sherrilyn Smith, a Certified

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Shorthand Reporter and Notary Public in and for the

8

State of Washington, do hereby certify that the

9

foregoing transcript is true and accurate to the best

10

of my knowledge, skill and ability.

11

IN WITNESS WHEREOF, I have hereunto

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set my hand and seal this 22th day of March, 2012.

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SHERRILYN SMITH

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23 MY COMMISSION EXPIRES:

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JUNE 2012

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