

0023

1                                   BEFORE THE WASHINGTON STATE  
2                                   UTILITIES AND TRANSPORTATION COMMISSION  
3   WASHINGTON UTILITIES AND        )  
4   TRANSPORTATION COMMISSION,    )   DOCKET NO. UE-070565  
5                                    )     
6                                    )   Complainant,   )   Volume II  
7                                    )   Pages 23 to 56  
8                                    )     
9                                    )   vs.             )  
10                                   )     
11   PUGET SOUND ENERGY, INC.,    )  
12                                    )     
13                                    )   Respondent.    )  
14   \_\_\_\_\_ )

9                                   A hearing in the above matter was held on  
10   July 25, 2007, from 1:30 p.m to 1:50 p.m., at 1300  
11   South Evergreen Park Drive Southwest, Room 206, Olympia,  
12   Washington, before Administrative Law Judge DENNIS MOSS  
13   and Chairman MARK H. SIDRAN and Commissioner PATRICK J.  
14   OSHIE and Commissioner PHILIP B. JONES.

15

16                                   The parties were present as follows:

17                                   THE COMMISSION, by ROBERT D. CEDARBAUM,  
18   Assistant Attorney General, 1400 South Evergreen Park  
19   Drive Southwest, Post Office Box 40128, Olympia,  
20   Washington 98504. Telephone (360) 664-1188, Fax (360)  
21   586-5522, E-Mail bcedarba@wutc.wa.gov.

22                                   PUGET SOUND ENERGY, by SHEREE STROM CARSON,  
23   Attorney at Law, Perkins Coie, LLP, 10885 Northeast  
24   Fourth Street, Suite 700, Bellevue, Washington 98004,  
25   Telephone (425) 635-1400, Fax (425) 635-2400, E-Mail  
26   scarson@perkinscoie.com.

27

28   Joan E. Kinn, CCR, RPR

29   Court Reporter

1                   THE PUBLIC, by SIMON FFITCH, Assistant  
2                   Attorney General, 800 Fifth Avenue, Suite 2000, Seattle,  
3                   Washington 98104-3188, Telephone (206) 389-2055, Fax  
4                   (206) 464-6451, E-Mail simonf@atg.wa.gov.

5                   INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES,  
6                   by S. BRADLEY VAN CLEVE, Attorney at Law, Davison Van  
7                   Cleve, 333 Southwest Taylor Street, Suite 400, Portland,  
8                   Oregon, 97204, Telephone (503) 241-7242, Fax (503)  
9                   241-8160, E-Mail mail@dvclaw.com.

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6 GENE L. WAAS, and STEVEN JOHNSON

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1                            E X H I B I T   L I S T

2    BENCH EXHIBITS AND EXHIBITS NOT SPONSORED BY AN  
3    INDIVIDUAL WITNESS

- 4        1        Settlement Agreement
- 5        2        Joint Testimony of Tom DeBoer, Roland C.  
6                    Martin, Steve Johnson and Donald W. Schoenbeck  
7                    in Support of Settlement Agreement
- 8        3        Public Comment

9    PUGET SOUND ENERGY  
10   W. JAMES ELSEA

- 11        11HC        WJE-1HCT: Prefiled Direct Testimony re  
12                    modeling tools and quantitative analyses in  
13                    resource evaluation process
- 14        12        WJE-2: Professional Qualifications
- 15        13C        WJE-3C: AURORA and Portfolio Screening Model  
16                    (PSM) Phase 2 Analysis 4/14/2006
- 17        14HC        WJE-4HC: Portfolio Benefit Ratios
- 18        15C        WJE-5C: Sumas Hub Natural Gas Prices 2007-2026
- 19        16C        WJE-6C: Mid-C Electric Prices 2007-2026
- 20        17HC        WJE-7HC: PSM Phase 1 Analytical Detail by  
21                    Project
- 22        18HC        WJE-8HC: PSM Phase 1 Analytical Detail by PPA
- 23        19HC        WJE-9HC: Levelized Costs, Portfolio Benefit  
24                    (Cost) and \$Benefit/\$Project Revenue  
25                    Requirement-Projects and PPAs

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1       20HC     WJE-10HC: 20 Year Levelized Costs, Portfolio  
2               Benefit (Cost) and \$Benefit/\$Project Revenue  
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5               20-Year Portfolio Benefit (Cost); and  
6               Portfolio Benefit Ratio  
7       22HC     WJE-12HC: Capacity Offers: Levelized Costs;  
8               20-Year Portfolio Benefit (Cost); and  
9               Portfolio Benefit Ratio  
10      23HC     WJE-13HC: PPAs: Levelized Costs; 20-Year  
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13      24HC     WJE-14HC: Expected Market Savings per \$1 Spent  
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15              PSE's 2005 RFP  
16      26C      WJE-16C: WECC Sumas Hub Natural Gas 2007-2026  
17      27C      WJE-17C: WECC PNW Washington Central 2007-2026  
18      28C      WJE-18C: Annual Average Market Heat Rates  
19              2007-2026  
20      29HC     WJE-19HC: Plot of Portfolio Benefit and  
21              Portfolio Benefit Ratio  
22      30HC     WJE-20HC: Levelized Cost of Candidate Short  
23              List Resources  
24      31HC     WJE-21HC: Portfolio Combinations of Projects  
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1 32HC WJE-22HC: Plot of Portfolio Benefit and  
2 Portfolio Benefit Ratio With Four Price  
3 Scenarios  
4 33HC WJE-23HC: Resource Cost and Risk-Current  
5 Trends  
6 34 WJE-24: Portfolio Cost and Risk  
7 35HC WJE-25HC: Projects Short Listed for  
8 Acquisition  
9 36C WJE-26C: Annual Sumas and Mid-C Natural Gas  
10 Prices; Annual Market Heat Rate 2007-2026  
11 37HC WJE-27HC: Levelized Cost v Portfolio Benefit  
12 DONALD E. GAINES  
13 38 DEG-1CT: Prefiled Direct Testimony re Hedging  
14 Line of Credit  
15 39 DEG-2: Witness qualifications  
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17 40 DWH-1T: Prefiled Direct Testimony re rate  
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21 41 DWH-2: Witness Qualifications  
22 42 DWH-3: Calculation of Schedule 95 Rate  
23 43 DWH-4: Statement of Proforma and Proposed  
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25 44 DWH-5: Schedule 95 Tariff Sheets (as filed)

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1 45 DWH-6T: Supplemental Testimony re  
2 recalculation of Schedule 95 rates using  
3 updated revenue requirement  
4 46 DWH-7: Calculation of Schedule 95 Rate  
5 47 DWH-8: Statement of Proforma and Proposed  
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8 48HC RG-1HCT: Prefiled Direct Testimony re PSE's  
9 Evaluation of Resource Alternatives;  
10 Goldendale; Wild Horse Wind Project Update  
11 49 RG-2: Professional Qualifications  
12 50HC RG-3HC: 2005 All-Source RFP Evaluation - June  
13 16, 2006  
14 51HC RG-4HC: Qualitative Ratings of Resource  
15 Alternatives  
16 52HC RG-5HC: Draft Technical Review of Wind Power  
17 Proposals-May 5, 2006  
18 53HC RG-6HC: 2005 RFP Update - July 20, 2006  
19 54HC RG-7HC: 2005 All-Source RFP Evaluation - Phase  
20 II - September 29, 2006  
21 55HC RG-8HC: 2005 RFP Phase II Project Ratings  
22 56HC RG-9HC: Resource Acquisition Update All-Source  
23 RFP Short List Selections - September 11, 2006  
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1 57HC RG-10HC: Resource Acquisition Update  
2 All-Source RFP Short List Selections - October  
3 13, 2006  
4 58 RG-11: Correspondence dated August 18, 2006,  
5 from Roger Garratt (PSE) to Richard Thomas  
6 (Calpine Corporation)  
7 59 RG-12: Membership Interests Purchase Agreement  
8 By and Between Goldendale Energy Center, LLC,  
9 as Seller and Puget Sound Energy, Inc., as  
10 Buyer - November 3, 2006  
11 60 RG-13: United States Bankruptcy Court,  
12 Southern District of New York - Notice of  
13 Motions Related to Disposition of Goldendale  
14 in Chapter 11 Bankruptcy Proceeding, Case No.  
15 05-60200 (BRL)  
16 61 RG-14: United States Bankruptcy Court,  
17 Southern District of New York - Order  
18 Approving Bidding Procedures, the Form and  
19 Manner of Notice, Scheduling and Auction and  
20 Sale Hearing, and Approving Procedures for  
21 Determining Cure Amounts  
22 62 RG-15: Transcript-Goldendale Auction Sale  
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24 63 RG-16: Order Authorizing Transfer of  
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1       64       RG-17: In Re Goldendale Energy Center, LLC and  
2               Puget Sound Energy, Inc., Docket No.  
3               EC07-31-000. FERC Order Authorizing  
4               Disposition of Jurisdictional Facilities  
5               and Acquisition of Generating Facilities  
6               (February 1, 2007)

7       65C       RG-18C: Goldendale Costs Summary - Excluding  
8               Fuel Costs

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10       67C       RG-20CT: Supplemental Testimony re Updated  
11               Capital and O&M Expenditures for Goldendale  
12               and Wild Horse; Removal of SUMAS Cogeneration  
13               PPA and SUMAS Recovered Energy Project

14       68       RG-21: Wild Horse Capital Costs

15   ERIC M. MARKELL

16       69HC       EMM-1HCT: Prefiled Direct Testimony PSE's need  
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22       72       EMM-4: PSE Least Cost Plan April 2005

23       73HC       EMM-5HC: Goldendale Energy Center Board of  
24               Director's Meeting November 3, 2006

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1 74 EMM-6: PSE Minutes Board of Directors' Meeting  
2 November 3, 2006  
3 75 EMM-7: Energy Load-Resource Balance  
4 76HC EMM-8HC: Energy Resources Progress Report  
5 Board of Director's Meeting July 13, 2006  
6 77 EMM-9: PSE Minutes Board of Directors' Meeting  
7 July 13, 2006  
8 78HC EMM-10HC: PSE Energy Management Committee  
9 Meeting Minutes October 19, 2006  
10 79HC EMM-11HC: Goldendale Acquisition Update  
11 January 9, 2007  
12 80 EMM-12: PSE Minutes Board of Directors'  
13 Meeting January 9, 2007  
14  
15 DAVID E. MILLS  
16 81C DEM-1CT: Prefiled Direct Testimony re  
17 Management of Power and Gas Cost Risks,  
18 Projected Rate Year Power Costs and Comparison  
19 of Projected Power Costs to PSE's 2006 General  
20 Rate Case  
21 82 DEM-2: Witness Qualifications  
22 83C DEM-3C: Additional Prefiled Direct Testimony  
23 re Organizational Structures, Policies and  
24 Strategies to Manage Electric and Natural Gas  
25 Portfolio Risks, Modeling Tools; Attachment A



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1 re Hedging Strategy; Attachment B re Margin at  
2 Risk and Forward Hedging  
3 84 DEM-4: Rate Case Power Cost Projections  
4 85 DEM-5: 2007 PCORC vs 2006 GRC Power Cost  
5 Projections  
6 86 DEM-6: Rate Case Power Cost Projections with  
7 and without Goldendale  
8 87 DEM-7T: Supplemental Direct Testimony re  
9 update to projected power costs  
10 88 DEM-8: Rate Year (9/07-8/08) Power Costs  
11 89 DEM-9: Updated 2007 PCORC vs. As-Filed 2007  
12 PCORC Power Cost Projections  
13 90 DEM-10: Updated 2007 PCORC Power Cost  
14 Projections Rate Year: AURORA + Non-AURORA  
15 Power Costs (5/10/2007 Model Run)  
16 JOHN H. STORY  
17 91 JHS-1T: Prefiled Direct Testimony re  
18 Adjustments to Power Cost Rate, Test Year  
19 Power Costs, and Adjustments Attributable to  
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21 92 JHS-2: Professional Qualifications  
22 93 JHS-3: Settlement Terms for the Power Cost  
23 Adjustment Mechanism (PCA)  
24 94 JHS-4: Revised Terms for the Power Cost  
25 Adjustment Mechanism (PCA)

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1 95 JHS-5: PCORC Adjustments  
2 96C JHS-6C: Power Cost Rate Test Year (12/31/2006)  
3 and Rate Year (August 31, 2008)  
4 97 JHS-7: Revenue Deficiency 2007 PCORC Compared  
5 to 2006 GRC  
6 98 JHS-8: Tenaska Flow Through Tax  
7 Computation of Pro Forma Income Taxes Year  
8 Ended June 30, 2001  
9 99 JHS-9T: Supplemental Direct Testimony re  
10 Updated Revenue Requirement (to \$77,838,215  
11 from \$64,680,804) (4.43% increase vs. 3.67%)  
12 100 JHS-10: Revenue Requirement  
13 101C JHS 11C: Power Cost Rate  
14 102 JHS-12: 2007 PCORC Compared to 2006 GRC  
15 ICNU  
16 DONALD W. SCHOENBECK  
17 103CT DWS-1CT: Prefiled Response Testimony  
18 104 DWS-2: Witness Qualifications  
19 105C DWS-3C: Colstrip Availability  
20 106C DWS-4C: Excerpt of PSE Response to ICNU  
21 1.028--Core Gas Portfolio Presentation  
22 107C DWS-5C: PSE's Supplemental Response to ICNU DR  
23 1.008--April Gas Detail  
24 108C DWS-6C: March 15, 2007 Renewable Energy Credit  
25 Presentation to Energy Management Committee

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1 109C DWS-7C: February 15, 2007 Renewable Energy  
2 Credit Presentation to Energy Management  
3 Committee  
4 110 DWS-8: Comparison of PSE and ICNU Proposals  
5 Using the Supplemental Filing  
6 111CT DWS-9CT: Supplemental Prefiled Response  
7 Testimony  
8 112 DWS-10: Northwest Regional Forecast - August  
9 2007 - July 2017  
10 113 DWS-11: Electricity Generation for the  
11 Pacific Northwest - June 2006  
12 114 DWS-12: December 2004 Pacific Northwest Loads  
13 and Resources Study Operating Years 2006 -  
14 2015 - Technical Appendix Volume 2 Capacity  
15 Analysis  
16 115 DWS-13: March 2006 Pacific Northwest Loads  
17 and Resources Study Operating Years 2007 -  
18 2016 - Technical Appendix Volume 2 Capacity  
19 Analysis  
20 116 DWS-14: Excerpt of Direct Testimony of Clint  
21 G. Kalich in Avista Proceeding  
22 COMMISSION STAFF  
23 DOUGLAS KILPATRICK  
24 117 DEK-1T: Prefiled Response Testimony re  
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1 YOHANNES K.G. MARIAM

2 118CT YKGM-1T: Prefiled Response Testimony re Pro  
3 Forma Power Costs For The Rate Year

4 119 YKGM-2: Updated 2007 PCORC Power Cost  
5 Projections, Rate Year, AURORA + Non-AURORA  
6 Power Costs

7 120C YKGM-3C: Statistical Tests for Colstrip 1&2,  
8 and 3&4

9 ROLAND C. MARTIN

10 121 RCM-1T: Prefiled Response Testimony re Staff's  
11 Overall Recommendation

12 122 RCM-2: Restating and Pro forma Power Cost  
13 Adjustments

14 123C RCM-3C: PCA-2 Power Cost Rates and Exhibits

15 124 RCM-4: Revenue Deficiency Calculation

16 125 RCM-5: Allocation of PCORC Revenue Deficiency

17 126 RCM-6: Statement of Current and Proposed  
18 Revenues

19 GENE L. WAAS

20 127 GLW-1T: Testimony Stating Qualifications and  
21 Adopting Testimony of Roland C. Martin.

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

2 JUDGE MOSS: Good afternoon, everybody, my  
3 name is Dennis Moss, I'm an Administrative Law Judge of  
4 the Washington Utilities and Transportation Commission.  
5 We are convened this afternoon in Docket UE-070565  
6 styled Washington Utilities and Transportation  
7 Commission against Puget Sound Energy, Inc. This is the  
8 Company's 2007 power cost only rate case, PCORC.

9 The first order of business today will be to  
10 take appearances, and we'll start with the company.

11 MS. CARSON: Good afternoon, I'm Sheree Strom  
12 Carson representing Puget Sound Energy. My address is  
13 10885 Northeast Fourth Street, Bellevue, Washington,  
14 telephone number (425) 635-1422, fax number (425)  
15 635-2422, and my E-mail address is  
16 scarson@perkinscoie.com.

17 JUDGE MOSS: And I didn't want to interrupt  
18 you there, but for other counsel we can use the short  
19 form of appearance today since you have all previously  
20 entered your appearances in this proceeding.

21 Go ahead, Mr. Van Cleve.

22 MR. VAN CLEVE: Your Honor, Brad Van Cleve on  
23 behalf of the Industrial Customers of Northwest  
24 Utilities, and my contact information has previously  
25 been entered into the record.

0044

1 JUDGE MOSS: Thank you very much.

2 Mr. ffitch.

3 MR. FFITCH: Simon ffitch, Assistant Attorney  
4 General for the Public Counsel Office.

5 JUDGE MOSS: Thank you.

6 Mr. Cedarbaum.

7 MR. CEDARBAUM: Robert Cedarbaum, Assistant  
8 Attorney General for Commission Staff.

9 JUDGE MOSS: Okay, and are there any  
10 participants on the telephone who wish to enter their  
11 appearance today?

12 Okay, hearing nothing, we are convened today  
13 in a hearing to consider a settlement filed in this  
14 proceeding among those parties present here and who have  
15 entered appearances today. I should note for the record  
16 that I have received letters from the remaining parties  
17 in the proceeding in the last couple of days, these have  
18 been filed with the Commission. Mr. Kurtz for the  
19 Kroger Company has indicated that his client has no  
20 opposition to the settlement. And we heard I believe it  
21 was yesterday from Mr. Furuta for the Federal Executive  
22 Agencies that they have no objection or opposition to  
23 the settlement either. So we are in what is essentially  
24 an uncontested hearing today.

25 I want to first take care of the question of

0045

1 our record. The settlement agreement provides as I  
2 recall that we will have as part of our record the  
3 prefiled testimonies and exhibits from the company and  
4 those filed in response by ICNU's witness and those for  
5 Staff. I am assuming that we can take all of those into  
6 the record by stipulation, including as modified by  
7 errata and supplements; is that correct?

8 MR. CEDARBAUM: Yes.

9 JUDGE MOSS: All right, hearing no objection  
10 to that, then those will be admitted. I have provided  
11 the exhibit list to the court reporter, and that will be  
12 made part of the record reflecting the admission of the  
13 exhibits indicated there as being admitted today.

14 I want to mention too before we turn to our  
15 witness panel that we also have a public comment hearing  
16 scheduled in this proceeding, and that will be this  
17 evening at 6:30 p.m. in this hearing room, and Judge  
18 Adam Torem will preside at that hearing.

19 I have spoken to counsel prior to the hearing  
20 today and understand that they do not wish to have an  
21 opening statement unless the Commission desires to hear  
22 from them. Mr. Cedarbaum is prepared to introduce our  
23 witness panel, I will swear the witnesses, and we will  
24 have inquiry from the Bench.

25 That is the Bench's pleasure, Mr. Cedarbaum,

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1 proceed.

2 MS. CARSON: Excuse me, Judge Moss.

3 JUDGE MOSS: Yes.

4 MS. CARSON: Just one clarification issue.

5 JUDGE MOSS: Yes.

6 MS. CARSON: Just for the record I wanted to  
7 note that notice for the public hearing has been given  
8 as required by WAC 480-100-197, and the Company will be  
9 filing a certification of that today.

10 JUDGE MOSS: All right, very good, thank you.

11 With that, Mr. Cedarbaum.

12 MR. CEDARBAUM: Thank you, Your Honor. First  
13 I would like to thank the Commission for scheduling the  
14 hearing on such a timely basis for presentation of the  
15 stipulation, parties appreciate that very much.

16 I will just introduce the panel, and then  
17 they're available for questions. Starting from my right  
18 is Don Schoenbeck, who is the witness for the Industrial  
19 Customers of Northwest Utilities, Tom DeBoer, a witness  
20 for Puget Sound Energy Company, Gene Waas, a witness for  
21 Commission Staff, as indicated in the last couple days,  
22 Mr. Waas is adopting the testimony of Roland Martin, and  
23 then Steven Johnson, who is a witness for Public  
24 Counsel.

25 JUDGE MOSS: Thank you, Mr. Cedarbaum.





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1 future PCORCs. Now I don't recall rate spread and rate  
2 design being a particularly thorny issue in the prior  
3 PCORCs that have been filed by the company, and I think  
4 I understand what the issue is with Schedule 40, so but  
5 I would like some explanation of that a bit further as  
6 to why we wouldn't, you know, why we would exclude  
7 Schedule 40 from the impact, but also I think really I  
8 would like you to focus a bit on why it is that the  
9 parties are recommending that we adopt in this order the  
10 provision that excludes future rate design and rate  
11 spread issues from any PCORCs that may be filed in the  
12 future.

13 A. (Johnson) Thank you for that question. The  
14 PCORCs in their inception were designed to be a narrowly  
15 focused adjustment of power costs. And in keeping with  
16 that, we're trying to, and you can see the language on  
17 the collaborative, trying to focus the PCORC on its  
18 fundamental purpose. Rate spread, rate design, and cost  
19 allocations really do require greater studies, sometimes  
20 cost of service studies, at least analyses of  
21 fundamental usage patterns, and the shortened schedule  
22 of PCORC and the fact that there's different witnesses  
23 creates a burden.

24 And in the -- under the PCORC we do  
25 anticipate at least in the language of the settlement a

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1 rate case within three months in which that issue can  
2 then be hashed out with the full data of company costs  
3 and usage patterns. And rather than duplicate it or  
4 make a record based on a limited amount of information,  
5 it seems both expedient and to relieve burden to keep  
6 the focus of the PCORC narrow as it was originally  
7 designed, and that was our intent, if that helps to  
8 answer your question.

9 Q. Well, is it -- is this a hard exclusion, or  
10 is the door open for a material change of circumstances  
11 that might lead us to perhaps the same conclusion that  
12 you're asking us to reach here, which is to deal with  
13 Schedule 40 differently than the other rate schedules?  
14 It seems to me that the exclusion operates that in some  
15 respect you're asking us to adopt this for Schedule 40,  
16 and there's a good reason I assume for that, but in the  
17 future would not we are to consider things like that in  
18 making a change through the PCORC process?

19 A. (Johnson) Well, let me speak, I mean yes,  
20 this is a settlement, so there are a number of  
21 compromises parties made in order to reach the  
22 settlement, and the Schedule 40 is one of those many  
23 compromises many of the parties made. In the sense of  
24 it being hard that we are committing as parties to the  
25 settlement agreement not to raise rate spread/rate

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1 design issues in the PCORC. The Commission, of course,  
2 is not bound by a settlement, and so Bench requests are  
3 certainly your prerogative if you feel there are some  
4 issues of rate spread/rate design that need to be  
5 addressed in order to determine fair, just, and  
6 reasonable rates. But it is a commitment by all the  
7 parties not to raise rate spread/rate design issues, and  
8 in this one sort of a partial, a portion of it, we  
9 aren't reinvestigating and redoing a cost of service  
10 study or full analysis. So it was our intention to have  
11 the PCORCs exclude that review until we had an  
12 opportunity to do it in full in a general rate case.

13 Q. All right, thank you.

14 A. (DeBoer) Tom DeBoer for the Company. We  
15 generally are indifferent at the Company about the rate  
16 spread/rate design as long as the parties all agree on  
17 how that is, but we agree with the reason behind this  
18 was to try to streamline the PCORC, limit the issues so  
19 that we get through these quicker with fewer issues. I  
20 don't, and maybe my fellow panelists might disagree, see  
21 that this would preclude the parties from reaching a  
22 rate design/rate spread in a settlement in a future  
23 PCORC, I don't see that as being excluded by the  
24 language here, only raised as an affirmative in a case,  
25 as an issue in a case.

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1 JUDGE MOSS: Commissioner Jones.

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

4 BY COMMISSIONER JONES:

5 Q. This is a question on the collaborative I  
6 think in the settlement. What is proposed in the  
7 settlement on the collaborative and Gas optimization  
8 review, it covers quite a few issues that we sometimes  
9 deal with in rate cases and in PCORCs, sometimes in  
10 other venues, but the agreement doesn't contain any  
11 specific schedule for a timeline for completion of these  
12 discussions. In fact, at some point I think we could  
13 have a GRC going on and this collaborative going on in  
14 parallel with a possibility of similar discussions in  
15 each forum. So do the parties have a view of what the  
16 schedule for completion of the collaborative might be  
17 and when the work and recommendations might be finished?

18 A. (Waas) Commissioner Jones, for Commission  
19 Staff, it's certainly our intent that these discussions  
20 be completed prior to PSC filing its next rate case.  
21 Now if that doesn't happen, obviously PSE is not  
22 prohibited from filing a general rate case, but it's the  
23 intent of the parties to complete these discussions as  
24 quickly as possible.

25 Q. And, Mr. Waas, Staff is going to be the lead

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1 in organizing these discussions and making sure each  
2 party is aware of the collaborative and when it's  
3 meeting and things like that?

4 A. (Waas) Staff can certainly be the organizer  
5 of the discussions. We think that this is kind of an  
6 equal partnership to get these problems solved and to  
7 work our way through these discussions, but Staff can  
8 certainly be on the lead as far as the administration of  
9 the discussions are concerned.

10 Q. Anybody else want to comment on that,  
11 Mr. DeBoer?

12 A. (DeBoer) I would agree with Mr. Waas, our  
13 intent is to accomplish all of these collaboratives  
14 before we file our next general rate case, but one of  
15 our concerns was, you know, if things slowed down or if  
16 we were making progress and it was just taking longer  
17 that we didn't want to be prohibited from filing our  
18 next GRC. But it is our commitment to try to get this  
19 done before we file, and we will be working closely with  
20 Staff to get the meetings organized. In fact, we're  
21 having an internal meeting tomorrow to talk about the  
22 issues, and then we'll be contacting Staff and the other  
23 parties to get this process going as soon as possible.

24 Q. My last, second to last question is on the  
25 prudence of Goldendale. This is more for, well, it's

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1 both for the Staff and the Company. I think in the  
2 testimony of the Company and Staff's analysis of it, you  
3 looked at the prudence in terms of the IRP and the most  
4 recent all source RFP that was issued. And in that you  
5 did some sort of assessment of natural gas prices,  
6 volatility of prices, and transmission issues affecting  
7 delivery of fuel to that plant in the future. So my  
8 question is, describe for me a little bit how you looked  
9 at the price volatility issue over a 15 or 20 or 10, 15,  
10 or 20 year period, and did you seriously look at the  
11 potential for regulatory changes related to carbon taxes  
12 or carbon adders by this particular plant, and if so  
13 what sort of prices or what sort of adders did you look  
14 at? So it's both on the environmental impact of that  
15 plant and on the price volatility issue, the qualitative  
16 assessment that you did in coming up with the prudence.  
17 It's really more for the Staff I think.

18 A. (Waas) Okay, just kind of a general overview  
19 in terms of how the prudence of Goldendale was assessed.  
20 I think that we went substantially, and of course it's  
21 Mr. Kilpatrick's testimony that speaks to this in  
22 detail, but we certainly looked at gas prices with the  
23 assistance of the Company. The Company utilized it's  
24 overall evaluation methodology that it uses in assessing  
25 any future resource, any plant, and looked at -- it's my

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1 understanding they did sensitivity runs to look at  
2 possible changes in gas prices. We made a trip to the  
3 plant, or Mr. Kilpatrick made a trip to the plant,  
4 inspected the plant, looked at the plant and operating  
5 conditions.

6 I think perhaps the most perhaps telling  
7 statistic with respect to prudence is of course that  
8 they, they Puget Sound Energy, were able to purchase 277  
9 megawatts for \$120 Million. In 2004 that plant was  
10 built for \$334 Million, so that's -- they were able to  
11 purchase it from Calpine as a part of their bankruptcy,  
12 so they were purchasing megawatts at a fairly cheap  
13 price.

14 So I think we looked at it from the  
15 standpoint of this overall evaluation methodology, and  
16 it certainly proved to be economic and prudent from that  
17 perspective, and then we looked at it from a costing  
18 methodology and also from a physical operational  
19 standpoint. And again, that's covered largely in the  
20 testimony of Doug Kilpatrick.

21 MR. CEDARBAUM: Commissioner Jones, if  
22 Mr. Waas's answers are not in enough detail for you,  
23 Mr. Kilpatrick is in the building and he's available,  
24 he's on call. If he's needed now or later, we can get  
25 him.



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1                   COMMISSIONER JONES: Thank you, that's all I  
2 have.

3                   CHAIRMAN SIDRAN: I don't have any questions,  
4 I just have a comment, which is to commend the parties  
5 for reaching what I think is a very good settlement on  
6 its face. As you know, settlements are favored under  
7 the law, and multiparty uncontested settlements are more  
8 favored, probably just short of global settlements. So  
9 this in my view worked as I think the PCORC process was  
10 intended to work. It was relatively quick, it was  
11 relatively non-controversial, and business got taken  
12 care of. I do think it's a good thing and timely to  
13 review the PCORC process as is envisioned in this  
14 collaborative as described in the settlement. So I  
15 appreciate your taking the time to come down here for  
16 the hearing this afternoon.

17                   JUDGE MOSS: Anything further from the  
18 parties?

19                   Then I will add my thanks to you all for  
20 being here today and presenting us with a very efficient  
21 panel and process, and with that our record is closed  
22 with the exception of taking in the public comment  
23 exhibit, which we will do after the hearing tonight.  
24 And, of course, that will be a part of our record too,  
25 so I should just say that we are in recess until 6:30

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1 this evening I suppose.

2 Mr. ffitch, do you have something?

3 MR. FFITCH: Just on that exhibit, Your  
4 Honor, I don't know that it needs to be on the record,  
5 but we are compiling it, we may need a little bit of  
6 processing time to file it within the week.

7 JUDGE MOSS: Sure.

8 MR. FFITCH: My understanding is that the  
9 Bench only requires one copy for the record center, and  
10 I want to inquire of other counsel here how many copies  
11 they would like us to provide them with.

12 JUDGE MOSS: Okay, they can tell you that  
13 after we're closed, and yes, I can confirm that one copy  
14 would be sufficient for our needs. And I have, by the  
15 way, amended the exhibit list, the copy I gave you today  
16 reflects that as Exhibit 3.

17 MR. FFITCH: Thank you, Your Honor.

18 JUDGE MOSS: Anything else?

19 All right, well, we'll see some of you at  
20 least at 6:30 this evening, thank you.

21 (Hearing adjourned at 1:50 p.m.)

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