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2 WITNESS: MARK R. TALLMAN

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7 MRT-3C Tallman - CONFIDENTIAL - Marengo II Approval

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9 MRT-4C Tallman - CONFIDENTIAL - Due Diligence

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13 WITNESS: STEFAN A. BIRD

14 SAB-1T Bird - Prefiled Direct Testimony of Stefan A.

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16 SAB-2 Bird - Chehalis Generation Facility Greenhouse

17 Gas Reporting Monitoring Program Submitted to

18 the Energy Facility Site Evaluation Council

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20 SAB-3 Bird - Chehalis Generation Facility Greenhouse

21 Gas Reporting Monitoring Program Energy

22 Facility Site Evaluation Council Program

23 Approval (1 p.) (2/9/09)

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1 Facility Site Evaluation Council (7 pp.)  
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20 and Resource Balance (1 p.) (2/9/09)  
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1 RBD-3 Dalley - Washington Results of Operations 12  
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3 Summary (5 pp.)(p. 1.1 revised 3/9/09)  
4 Results of Operations (41 pp.)  
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6 O & M Adjustments (46 pp.)  
7 Net Power Cost Adjustments (24 pp.)  
8 Depreciation & Amortization Adj. (8 pp.)  
9 Tax Adjustments (34 pp.)(p.7.1 revised 3/9/09)  
10 Rate Base Adjustments (43 pp.)(p. 8.1 revised  
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12 Production Factor Adjustment (5 pp.)  
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19 Taxes Other Than Income (1 p.)  
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21 D.I.T. Expense & T.T.C. Adj. (5 pp.)  
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25 Misc. Deferred Debits (2 pp.)

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6 Depreciation Reserve (11 pp.)

7 Amortization Reserve (5 pp.)

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9 Customer Advances (1 p.)

10 RBD-4C Dalley - CONFIDENTIAL - Property Taxes (3 pp.)

11 (2/9/09)

12 WITNESS: C. CRAIG PAICE

13 CCP-1T Paice - Prefiled Direct Testimony of C. Craig

14 Paice (9 pp.) (2/9/09)

15 CCP-2 Paice - Cost-of-Service by Rate Schedule -

16 Summaries (2 pp.) (2/9/09)

17 CCP-3 Paice - Cost-of-Service by Rate Schedule - All

18 Functions (6 pp.) (2/9/09)

19 CCP-4 Paice - Classification of Generation and

20 Transmission Costs (1 p.) (2/9/09)

21 CCP-5 Paice - (Tab 1) Class Cost-of-Service

22 Allocation Procedures (10 pp.) (2/9/09)

23 (Tab 2) Functionalized Results of Operation

24 (34 pp.) (2/9/09)

25 (Tab 3) Functionalization Factors (2 pp.)

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1 (2/9/09)  
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3 (Tab 4.1) (G+T+D+R+M) (18 pp.)(2/9/09)  
4 (Tab 4.2) Generation (18 pp.)(2/9/09)  
5 (Tab 4.3) Transmission (18 pp.) (2/9/09)  
6 (Tab 4.4) Distribution (18 pp.) (2/9/09)  
7 (Tab 4.5) Retail Services (18 pp.)(2/9/09)  
8 (Tab 4.6) Miscellaneous (18 pp.)(2/9/09)  
9 (Tab 5) Cost-of-Service Allocation Factors (18  
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11 WITNESS: WILLIAM R. GRIFFITH

12 WRG-1T Griffith - Prefiled Direct Testimony of  
13 William R. Griffith (10 pp.)(2/9/09)  
14 WRG-2 Griffith - Revised Tariffs (15 pp.) (2/9/09)  
15 WRG-3 Griffith - Effect of the Proposed Rate  
16 Increase (1 p.) (2/9/09)  
17 WRG-4 Griffith - Billing Determinants (7 pp.)  
18 (2/9/09)  
19 WRG-5 Griffith - Monthly Billing Comparisons by Rate  
20 Schedule (7 pp.) (2/9/09)  
21 WRG-6 Griffith - Proposed Changes for Schedule 91  
22 and Schedule 17 (2 pp.) (2/9/09)

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

2 JUDGE CLARK: Good afternoon, it's  
3 approximately 1:35 on October 29th, 2009, in the  
4 Commission's hearing room in Olympia, Washington. This  
5 is the time and the place set for hearing in the matter  
6 of Washington Utilities and Transportation Commission,  
7 Complainant, versus PacifiCorp doing business as Pacific  
8 Power and Light, Respondent, given Docket Number  
9 UE-090205, Patricia Clark, Administrative Law Judge for  
10 the Commission presiding. Present for this afternoon's  
11 hearing is Chairman Jeffrey Goltz, Commissioner Patrick  
12 Oshie, and Commissioner Philip Jones.

13 This matter came before the Commission on  
14 February 9th, 2009, when PacifiCorp filed a request for  
15 a general rate increase requesting rate relief in the  
16 amount of \$38.5 Million. On August 25th, 2009, all  
17 parties to this proceeding filed a settlement agreement  
18 for rates that would take effect on January 1, 2010.  
19 According to the settlement, PacifiCorp now seeks to  
20 collect an additional \$13.5 Million in rates or a 5.3%  
21 rate increase.

22 At this time I would like to take appearances  
23 on behalf of the parties, appearing on behalf of  
24 PacifiCorp.

25 MS. MCDOWELL: Katherine McDowell here on

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1    behalf of PacifiCorp.

2                   JUDGE CLARK:  Thank you, Ms. McDowell.

3                   And I'm just going to go down the table,  
4    appearing on behalf of the Industrial Customers of  
5    Northwest Utilities.

6                   MR. SANGER:  This is Irion Sanger appearing  
7    on behalf of ICNU.

8                   JUDGE CLARK:  Thank you, Mr. Sanger.

9                   And appearing on behalf of Public Counsel.

10                  MS. SHIFLEY:  Assistant Attorney General  
11    Sarah Shifley on behalf of Public Counsel.

12                  JUDGE CLARK:  Thank you.

13                  Appearing on behalf of the Commission Staff.

14                  MR. TROTTER:  For UTC Staff Donald T. Trotter  
15    and Jennifer Cameron-Rulkowski.

16                  JUDGE CLARK:  And on the bridge line  
17    appearing on behalf of The Energy Project.

18                  MR. PURDY:  Brad Purdy.

19                  JUDGE CLARK:  Thank you, Mr. Purdy.

20                  All right, at this juncture I just want to  
21    thank everyone for accommodating a somewhat unusual  
22    seating arrangement for counsel this afternoon.  We have  
23    a very large panel that will be presenting testimony for  
24    Commissioner inquiry, and we had to kind of adjust our  
25    seating arrangement, so I would like to thank you for

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1 that.

2 Briefly what we will do this afternoon is we  
3 will turn first to counsel for each of the parties to  
4 give the Commissioners a brief opening statement. After  
5 concluding opening statements, we will empanel the  
6 witnesses in the seats before the Commission and have  
7 those witnesses sworn in so they can present their  
8 testimony. If there's any additional examination of  
9 those witnesses, that should be conducted prior to  
10 Commissioner inquiry.

11 I did distribute the exhibit list of all of  
12 the documents in this proceeding electronically to all  
13 the parties, and so if there is no objection to receipt  
14 of all of those exhibits, they will be received this  
15 afternoon, with the exception of Exhibit Number 2, which  
16 is a compilation of the public comments. The public  
17 comment period has not yet closed, and therefore it  
18 would be premature to expect that that exhibit would  
19 have been submitted. I have provided a copy of the  
20 exhibit list to the court reporter, and so hopefully we  
21 can address having all of those exhibits admitted this  
22 afternoon.

23 Are there any preliminary matters that we  
24 need to address?

25 All right, then I will proceed to call on

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1 counsel for your opening statements this afternoon. I  
2 would like to commence with PacifiCorp, please,  
3 Ms. McDowell.

4 MS. MCDOWELL: Thank you, Judge Clark, and  
5 good afternoon, Commissioners. Thank you so much for  
6 the opportunity to provide an opening statement  
7 supporting the approval of the stipulation the parties  
8 have submitted to you all today. An overview of the  
9 evidence in this case demonstrates that the settlement  
10 is lawful and supported by an appropriate record and  
11 also consistent with the public interest. And those are  
12 the two points I'm going to briefly discuss today  
13 outlining the evidence in support of those two sets of  
14 issues.

15 So first, the settlement is lawful and  
16 supported by an appropriate record. The parties in this  
17 case were fortunate to have some direct guidance from  
18 the Commission in the form of Order 08 issued in early  
19 September I believe clarifying the kind of support the  
20 Commission is looking for when receiving a stipulation  
21 such as the one we submitted in this case. And  
22 consistent with the Commission's direction in that  
23 order, the settlement testimony in this case is framed  
24 and supported by the evidence on file, which in this  
25 case consists of the Company's direct filing, and then

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1 goes on to explain from the perspective of each party  
2 why the agreement satisfies the interests of the  
3 sponsoring party and is also in the interests of the  
4 public. That testimony makes clear that the agreement  
5 in this case occurred only after the parties thoroughly  
6 analyzed the Company's case and only after the company  
7 responded to more than 800 data requests, so clearly the  
8 audit and analysis of the Company's case in this case  
9 leading up to the settlement was thorough and informed  
10 the Company's decision and the parties' decision to  
11 settle this case.

12 I want to highlight the agreements of the  
13 settlement on three issues to show how the settlement is  
14 consistent with the public interest, the other standard  
15 that we need to address today. There are agreements on  
16 three sets of issues that I think are important in terms  
17 of understanding the settlement. First, revenue  
18 requirement and rate of return. Second, rate spread and  
19 rate design and low income bill assistance. And third,  
20 an ancillary set of issues related to the rate increase  
21 but not directly impacting it.

22 So on the first set of issues, the revenue  
23 requirement and rate of return, as Judge Clark indicated  
24 the stipulation in this case supports an annual revenue  
25 increase of \$13.5 Million or 5.3%, and that's in

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1 contrast to the Company's originally filed case of \$38.5  
2 Million or 15.1%, so the stipulation is approximately  
3 one third of what the Company originally filed. The  
4 primary cost driver in this case for the Company was  
5 cost recovery of the Company's new capital resources,  
6 its Chehalis gas resource and the Marengo II and Goodnoe  
7 Hills wind resources. In this case the stipulation  
8 agrees that both the Marengo II and Chehalis facilities  
9 are prudent and used and useful. The Company's filing  
10 in this case included an increase to Washington  
11 allocated net electric plant in service of more than  
12 \$125 Million in excess of what was in the Company's 2008  
13 general rate case. The level of revenue increase  
14 proposed in this stipulation is supported merely by  
15 viewing those specific cost items in isolation of all of  
16 the other Company's costs, but the proposed revenue  
17 increase in this case also includes an agreement to  
18 amortize a total of \$18 Million of deferred cost related  
19 to the Chehalis plant over a period of 6 years. That  
20 agreement permits cost recovery over a shorter time  
21 period than the Company originally proposed, which  
22 reduces costs to customers. So in addition to the  
23 capital cost recovery component, which is a critical  
24 component, the parties also agreed to maintain the rate  
25 of return of 8.06% with no specific agreement on the

0090

1 underlying capital costs or capital structure but an  
2 agreement essentially to hold the status quo from the  
3 Company's last litigated rate case which produced a  
4 return on equity of 10.2%. The agreement also at least  
5 indirectly impacts or addresses environmental concerns  
6 by agreeing to include both the new wind resources and  
7 the Chehalis gas fired plant in rate base. The Chehalis  
8 gas fired plant satisfies Washington's new Greenhouse  
9 Gas Emissions Performance Standard. And additionally as  
10 I will discuss, the parties agreed to renewable energy  
11 credit reporting to increase the transparency of the  
12 Company's REC allocation and use. So in summary on  
13 revenue requirement and rate of return, the Company's  
14 agreed to maintain essentially the status quo with  
15 respect to rate of return, the parties agreed to the  
16 introduction of the new resources in rate base and  
17 agreed to a revenue increase that reflected that.

18           With respect to the second set of agreements  
19 on rate spread and rate design and low income bill  
20 assistance, the agreement on this set of issues  
21 essentially maintains the status quo for Washington  
22 customers, and this was an outcome acceptable to the  
23 Company primarily because it was supported by all of the  
24 other parties. So with respect to rate spread, the  
25 agreement calls for all schedules to receive an equal

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1 percentage increase. With respect to rate design, the  
2 parties agreed to the Company's rate design proposals  
3 with one exception, which is to retain the current basic  
4 residential charge of \$6 a month. And then finally on  
5 this set of issues, the LIBA credit, the low income bill  
6 assistance credit, was increased at the same level as  
7 the overall percentage change in residential rates,  
8 essentially holding that relationship constant.

9           So let me quickly turn to the last set of  
10 issues addressed by the agreement of the parties, and  
11 that is the ancillary issues relating indirectly to the  
12 Company's request for a rate change. The parties agreed  
13 to really three important provisions I just want to  
14 touch on. First, the parties agreed to accept or adopt  
15 the Company's new temperature normalization methodology.  
16 Second, as I mentioned the parties agreed to a REC  
17 reporting regime or a process by which the Company will  
18 report additional information on its REC sales through  
19 December of 2012, and this provision was designed to  
20 permit the parties to better understand the Company's  
21 allocation and use of RECs prior to the effective date  
22 of Washington's renewable portfolio standard. And then  
23 the third ancillary agreement just to touch upon was the  
24 resolution of the Company's pending pension curtailment  
25 filing, and I won't get into the details of that other



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1 than to say that that was a case that was pending  
2 parallel to the rate case, and the rate case essentially  
3 folded in a resolution of that proceeding as a part of  
4 the revenue increase in this case.

5           So in summary, we believe that the testimony  
6 here will show that the agreement before you today is  
7 the result of hard work presenting and analyzing the  
8 Company's filing, perseverance and creativity in the  
9 negotiation process, and flexibility required to produce  
10 balanced outcomes on all of the issues I've just touched  
11 upon. In summary, by combining agreements on revenue  
12 requirement, rate spread and rate design, and the  
13 ancillary issues, the agreement produces a fair result  
14 that is consistent with the public interest. We  
15 respectfully request your approval of the agreement on  
16 that basis. Thank you very much.

17           JUDGE CLARK: Thank you, Ms. McDowell.

18           Mr. Trotter.

19           MR. TROTTER: Thank you, Your Honor. I would  
20 also like to thank the Commissioners for their  
21 flexibility in scheduling this hearing for today as  
22 opposed to some other dates on which I personally was  
23 not going to be available, I appreciate that.

24           Just to follow up on some comments that  
25 Ms. McDowell made, the Company applied for a 15.1%

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1 general rate increase, but as part of that the Company  
2 also asked that after the hydro deferral expired on its  
3 own terms that that same tariff increment be used to  
4 amortize the Chehalis deferral, so that was not  
5 reflected in the 15.1%, so really what was before you  
6 was about a percentage higher than that, percentage  
7 point higher, and the resolution before you combines all  
8 of those issues into a single 5.3% increase. So from  
9 our perspective, we're not going to say that that's  
10 prima facie evidence of reasonableness, the comparison  
11 of those two numbers, 5.3 and something above 15.1, but  
12 we do think it's a good rough check, but rough check  
13 doesn't cut it, of course, and we certainly understand  
14 that.

15           As Ms. McDowell indicated, the parties did  
16 conduct a very extensive and detailed analysis of this  
17 filing. As you can see from the procedural schedule and  
18 filing of this particular settlement, the negotiations  
19 and the filing were very near to the date for filing  
20 testimony. So I can't speak for other parties, I  
21 certainly understand that Staff and other parties were  
22 working on their testimony and getting their case  
23 finalized when this settlement was filed, so we came to  
24 the negotiating table very well prepared and up on all  
25 the issues and after doing a complete investigation. So

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1 this is not a case of an early settlement, but rather I  
2 think a very timely one. Staff is very comfortable with  
3 the result based on the extensive audit that it did.  
4 And Mr. Schooley is here to talk about that and answer  
5 any questions you may have, including the expert that  
6 Staff retained on cost accounting.

7 Ms. McDowell did not specifically identify  
8 the provisions of the settlement that require you to  
9 make findings, specific findings, but those are I think  
10 also reasonable. Those are in two, well, a couple of  
11 areas. One is the settlement asks you to find that the  
12 Chehalis plant and the expansion of the Marengo facility  
13 which we're calling Marengo II were prudent and are used  
14 and useful for service. The Commission in the last  
15 settlement approved a term that found Marengo 1 to be  
16 prudent, and Marengo II we think is even a better deal.  
17 Obviously once you've got a plant there, it's easier to  
18 expand it than to start all over somewhere else, so it  
19 should be a better deal, but in fact it was also a very  
20 good deal, and the testimony is pretty clear on the  
21 beneficial to rate payer price of the Chehalis plant.  
22 So those are findings, Mr. Nightingale is providing you  
23 the factual testimony on the prudence side, he refers to  
24 Company evidence as well, so to some extent that's  
25 cumulative, but he is our witness on those finding

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1 issues.

2                   And then with regard to the Greenhouse Gas  
3 Statute, as the Commission is well aware, that statute  
4 was enacted recently and amended just in the last  
5 session, but this is a mandatory statute applicable to  
6 electric companies regulated by the Commission, and so  
7 Staff through Mr. Nightingale is presenting you with its  
8 investigation of that issue and whether the Company was  
9 compliant with that statute, and also that supports the  
10 element of the stipulation that calls for a deferral,  
11 recovery of the deferred costs. As you well know, the  
12 statute permits companies to defer for Commission  
13 consideration their costs of plants that qualify under  
14 that statute.

15                   Ms. McDowell referred to Docket UE-081997,  
16 which is an accounting petition docket, I just want to  
17 emphasize that that has to do with pension costs, and  
18 that was an issue raised in the case, so it's before you  
19 in two different contexts, we're not trying to fold that  
20 docket in here. And how that works is if you approve  
21 the, I believe it's in Paragraph 18 of the settlement  
22 stipulation, if you approve that provision, the Company  
23 would withdraw its petition in the docket that I  
24 identified.

25                   And then finally, I would note that Staff is

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1 unaware of any public opposition to this settlement. As  
2 the Commission learned itself in Yakima, there wasn't an  
3 extensive amount of public comment, but we didn't  
4 understand there to be any opposition to this particular  
5 resolution. And perhaps Public Counsel can make her  
6 observations about the written comments that will be  
7 filed in Exhibit 2.

8                 So for all of these reasons and reasons that  
9 Mr. Schooley and Mr. Nightingale can provide you on a  
10 factual level, the Staff supports this settlement.

11                 JUDGE CLARK: Thank you, Mr. Trotter. Does  
12 that conclude your remarks?

13                 MR. TROTTER: It does, thank you.

14                 JUDGE CLARK: I'll turn next to you,  
15 Ms. Shifley, for opening statement on behalf of Public  
16 Counsel.

17                 MS. SHIFLEY: Good afternoon, Your Honor,  
18 Commissioners, and Chairman. Like the other parties to  
19 this case, Public Counsel did complete a thorough review  
20 and analysis of the Company's filing, which included the  
21 retention of 4 expert witnesses and the issuance of over  
22 250 data requests. Based on this review, we believe  
23 that the settlement is in the public interest and should  
24 be approved. Public Counsel gave particular attention  
25 to a few issues in this case, net power costs, recovery

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1 of deferred Chehalis plant costs and proposed period of  
2 amortization for those costs, the accounting order  
3 regarding pension curtailment, projected major plant  
4 additions, and the Company's proposed rate design and  
5 cost of capital. As Ms. McDowell noted, the net power  
6 cost component represented a substantial portion of the  
7 Company's request, and so our expert witness on power  
8 costs, Mark Widmer, is here today to appear on the panel  
9 and answer any questions that the Commissioners may have  
10 regarding power costs.

11           There were a few terms in the settlement that  
12 were of particular importance to Public Counsel. One  
13 was the total overall revenue increase requested, which  
14 lowers it dramatically as Mr. Trotter pointed out. The  
15 agreement by the parties to not increase the fixed  
16 customer charge, the lower overall costs to be deferred  
17 for the Washington allocated costs associated with  
18 PacifiCorp's acquisition of the Chehalis plant, the  
19 resolution of the petition regarding the pension  
20 curtailment, and the REC reporting requirement which is  
21 described in the settlement stipulation and Attachment  
22 C. On that point, we would just note that it is our  
23 understanding that the REC reporting requirement is  
24 designed to help the parties and the Commission learn  
25 about and monitor PacifiCorp's activity with regard to

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1 RECs and does not serve to waive any party's right to  
2 take any future litigation position on the treatment of  
3 RECs or their associated revenues for PacifiCorp or any  
4 other regulated utility.

5           And I thank you all for the opportunity to  
6 present this settlement and would once again just repeat  
7 Public Counsel's position that the settlement agreement  
8 is in the public interest and should be approved. Thank  
9 you.

10           JUDGE CLARK: Thank you, Ms. Shifley.

11           Mr. Sanger.

12           MR. SANGER: Thank you, Your Honor, good  
13 afternoon, Commissioners. My name is Irion Sanger, I am  
14 the attorney representing the Industrial Customers of  
15 Northwest Utilities. ICNU strongly recommends that the  
16 Commission approve the settlement. The settlement would  
17 increase rates by \$13.5 Million on an equal percentage  
18 basis and resolve PacifiCorp's Chehalis deferral. The  
19 settlement itself is a black box which does not  
20 specifically identify the revenue requirement components  
21 of PacifiCorp's rate increase. ICNU believes this type  
22 of black box settlement is appropriate if all the major  
23 parties support the settlement and reach an agreement on  
24 the overall revenue requirement and how to allocate  
25 those costs to customers.

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1                   ICNU retained three expert witnesses to  
2 review PacifiCorp's filing, and they conducted  
3 comprehensive analysis of cost of capital issues, rate  
4 spread and rate design, and power costs. ICNU's support  
5 for the settlement is based upon the analysis of these  
6 three consultants. For example, consultant Don  
7 Schoenbeck, who reviewed rate spread and rate design,  
8 supports his -- his analysis supports the equal  
9 percentage rate increase that all the parties agreed to  
10 as part of the settlement.

11                   ICNU encourages the Commission to adopt the  
12 settlement in its entirety. Given that the settlement  
13 would be the third major rate increase in a little over  
14 three years, ICNU hopes that the revenues obtained in  
15 the settlement will allow PacifiCorp an opportunity to  
16 manage its operations and not file a rate increase in  
17 2010. I'm available to answer any questions you may  
18 have regarding ICNU's position, the analysis we  
19 conducted, or our recommendation for the settlement.  
20 Thank you very much.

21                   JUDGE CLARK: Thank you, Mr. Sanger.

22                   And we have Mr. Purdy I'm turning to now  
23 appearing on the bridge line, and I will just remind you  
24 that when you're appearing on the bridge line it might  
25 be necessary for you to speak a little more loudly and



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1 slowly than you would ordinarily speak so that the court  
2 reporter can get your comments. Mr. Purdy.

3 MR. PURDY: All right, thank you very much,  
4 Your Honor and Commissioners. I would be remiss if I  
5 were not to express my appreciation for your allowing me  
6 to join in on the bridge line as well as for my client  
7 Mr. Eberdt. I learned yesterday I have the Swine Flu,  
8 and it was suggested to me that that might not be very  
9 popular at the Commission if I were to show up, so thank  
10 you.

11 And also I think we're getting 3 to 5  
12 minutes, and I note that conveniently The Energy Project  
13 essentially weighed in on 3 issues, so having said what  
14 I've already said now, if I do this right I can make  
15 this fairly quick. The Energy Project did not through  
16 the testimony of Mr. Eberdt address issues of course  
17 that were not germane to the 3 issues which I will  
18 discuss in a moment raised by The Energy Project during  
19 the course of this proceeding, so that's why you won't  
20 see anything about some of these other issues that we  
21 heard discussion of prior to my statement.

22 The rationale for The Energy Project's  
23 agreement to sign the settlement is essentially it  
24 solves any issues that it weighed in on. The Company is  
25 to be commended for having without being limited or

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1 prompted in any way proposed having proposed additional  
2 low income bill payment assistance funding in its direct  
3 case. As you are all aware, this is always a very  
4 important issue to The Energy Project. The Energy  
5 Project while it unconditional supports the settlement  
6 presently before the Commission, it will continue to  
7 work collaboratively with the Company to reduce the  
8 disparity between resources and the needs of the  
9 Company's lowest income customers, and Mr. Eberdt  
10 discussed that in his testimony.

11           The second issue that was of importance to  
12 The Energy Project was how the additional funding would  
13 be allocated. Initially the Company proposed a 50/50  
14 split by which 50% of the funding would go to --  
15 increased funding would go to additional recipients and  
16 50% to the existing member recipients. For reasons that  
17 Mr. Eberdt could much better than I explain, The Energy  
18 Project's preference was that all of the increased LIBA  
19 funding goes to the existing number of customers.

20           Finally the third issue has to do with the  
21 basic charge, and as I believe Public Counsel indicated  
22 there were a number of people that had opinions about  
23 this, The Energy Project was one of them. For most of  
24 PacifiCorp's customers, particularly those whose usage  
25 is relatively non-discretionary, increasing the basic

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1 charge doesn't necessarily lead to a reduce of energy  
2 consumption. You have to consume so much, a certain  
3 amount of energy obviously, to survive, and therefore  
4 increasing the basic charge, which the Company agreed to  
5 not do, and we appreciate that, it really hits the  
6 lowest income customers the hardest. And so again, The  
7 Energy Project is appreciative that the Company changed  
8 its proposal on that issue as well.

9           So in short The Energy Project signed the  
10 settlement because PacifiCorp agreed to the three issues  
11 that my client weighed in on. And again, we do look  
12 forward to a collaborative working relationship with  
13 PacifiCorp in future rate cases. And that is all I have  
14 unless there are any questions, thank you.

15           JUDGE CLARK: Thank you, Mr. Purdy.

16           All right, why don't we take just a couple of  
17 moments off record to allow the panel members to come  
18 forward and take seats. We'll be off record for a  
19 moment.

20           (Discussion off the record.)

21           JUDGE CLARK: The record should reflect that  
22 all of the panel members who will be presenting  
23 testimony this afternoon in the Commission's hearing  
24 room are seated, and in addition we have four  
25 individuals who are appearing on our bridge line and

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1 will be presenting their comments via the bridge line.  
2 At this juncture I need to swear in all witnesses  
3 including those witnesses who are appearing on the  
4 bridge line, at this time if you would rise and raise  
5 your right hand, please.

6

7 Whereupon,

8 CATHIE A. ALLEN, ANDREA L. KELLY, THOMAS  
9 E. SCHOOLEY, DAVID NIGHTINGALE, MARK T.  
10 WIDMER, LEA DAESCHEL, GLEN A. WATKINS,  
11 ROBERT M. MEEK, CHARLES EBERDT, and  
12 DONNA RAMAS,

13 having been first duly sworn, were called as witnesses  
14 herein and were examined and testified as follows:

15

16 JUDGE CLARK: All right, I'm going to now ask  
17 counsel for each of the witnesses that you're sponsoring  
18 to go ahead and identify those individuals briefly on  
19 the record, and if you wish, this would be an  
20 appropriate time to inquire of your witnesses if there's  
21 any corrections, additions, or deletions to the  
22 testimony that they are sponsoring this afternoon, and I  
23 will begin with you again, Ms. McDowell.

24 MS. MCDOWELL: Thank you, Judge Clark, our  
25 witnesses today are Ms. Cathie Allen and Ms. Andrea

0104

1 Kelly.

2

3 DIRECT EXAMINATION

4 BY MS. MCDOWELL:

5 Q. Ms. Allen, can you briefly identify the  
6 testimony that you have prepared in this proceeding.

7 A. (Ms. Allen) Yes, I have prepared testimony  
8 on behalf of the Company.

9 Q. And is that testimony CAA/ALK-1T?

10 A. (Ms. Allen) Correct.

11 Q. And, Ms. Kelly, did you also participate in  
12 the preparation of that testimony?

13 A. (Ms. Kelly) I did.

14 Q. And, Ms. Allen and Ms. Kelly, do either of  
15 you have any changes or corrections to that testimony?

16 A. (Ms. Kelly) I have one on page 13, line 11,  
17 the word --

18 JUDGE CLARK: You need to wait and let us get  
19 there first.

20 MS. KELLY: Sorry.

21 JUDGE CLARK: That's all right. Page 13?

22 MS. KELLY: Yes.

23 JUDGE CLARK: Line 11.

24 A. (Ms. Kelly) Line 11, the word projected  
25 should be project, the E and the D should be removed.

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1 And that's my only change or correction.

2 BY MS. MCDOWELL:

3 Q. And, Ms. Allen, do you have any changes or  
4 corrections?

5 A. (Ms. Allen) No, I have no other changes.

6 MS. MCDOWELL: So with that, we would submit  
7 that testimony as part of the overall submission of  
8 exhibits when the time comes to do that. Thank you,  
9 Judge.

10 JUDGE CLARK: All right, thank you.

11 I'm going to turn next to you, Mr. Trotter.

12 MR. TROTTER: Your Honor, Staff is presenting  
13 two witnesses. Thomas E. Schooley, he's sponsoring  
14 Exhibit TES-1T, and he's the Staff overall witness.  
15 Second one is David Nightingale, he's sponsoring Exhibit  
16 DN-1TC and Exhibit DN-2. And I will just ask them if  
17 they have any corrections to make at this time.

18 MR. SCHOOLEY: I have no corrections.

19 JUDGE CLARK: Thank you, Mr. Schooley.

20 MR. NIGHTINGALE: Neither do I.

21 JUDGE CLARK: Thank you, Mr. Nightingale.

22 MR. TROTTER: That's all, Your Honor.

23 JUDGE CLARK: Thank you.

24 And Ms. Shifley.

25 MS. SHIFLEY: Thank you, Your Honor,

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1 appearing in person on the panel today is Lea Daeschel,  
2 Public Counsel's in-house regulatory analyst.  
3 Ms. Daeschel did not sponsor testimony, but she is here  
4 to answer questions and also to direct questions to our  
5 expert witnesses that are appearing via the bridge line  
6 today.

7 We also have Mark Widmer who has provided  
8 testimony.

9

10 D I R E C T E X A M I N A T I O N

11 BY MS. SHIFLEY:

12 Q. Mr. Widmer, your testimony has been  
13 identified as MTW-1T; is that correct?

14 A. (Mr. Widmer) Yes, it is.

15 Q. And at this time do you have any corrections  
16 to make to your testimony?

17 A. (Mr. Widmer) I do not.

18 MS. SHIFLEY: Thank you.

19 Appearing on the bridge line we have Donna  
20 Ramas.

21 BY MS. SHIFLEY:

22 Q. Ms. Ramas, the testimony that you have  
23 submitted in this case is identified as DR-1T; is that  
24 correct?

25 A. (Ms. Ramas) Yes, it is.

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1 Q. Ms. Ramas, do you have any corrections or  
2 additions to make at this time?

3 A. (Ms. Ramas) No, I do not.

4 MS. SHIFLEY: We also have on the bridge line  
5 Glen Watkins.

6 BY MS. SHIFLEY:

7 Q. Mr. Watkins, have you prepared testimony in  
8 this case?

9 A. (Mr. Watkins) Yes, I have.

10 Q. And is that testimony identified as GAW-1T?

11 A. (Mr. Watkins) Yes, it is.

12 Q. Do you have any corrections to make at this  
13 time?

14 A. (Mr. Watkins) No, I don't.

15 MS. SHIFLEY: Thank you.

16 JUDGE CLARK: Thank you.

17 And Mr. Purdy.

18 Yes, The Energy Project's sole witness is  
19 Mr. Charles Eberdt.

20

21 D I R E C T E X A M I N A T I O N

22 BY MR. PURDY:

23 Q. Mr. Eberdt, have you previously filed and are  
24 sponsoring testimony CME-1T in this proceeding?

25 A. (Mr. Eberdt) Yes, I am.



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1 Q. Do you have any corrections to that  
2 testimony?

3 A. (Mr. Eberdt) no, I do not.

4 Q. Thank you. And you don't have any exhibits  
5 either, do you?

6 A. (Mr. Eberdt) No, sir.

7 MR. PURDY: Thank you.

8 JUDGE CLARK: All right.

9 And Mr. Sanger.

10 MR. SANGER: Appearing on the phone an behalf  
11 of the Industrial Customers of Northwest Utilities is  
12 Mr. Robert Meek.

13

14 D I R E C T E X A M I N A T I O N

15 BY MR. SANGER:

16 Q. Mr. Meek, is it correct that you are  
17 sponsoring your testimony which is identified as RMM-1T?

18 A. (Mr. Meek) Correct.

19 Q. Is it also correct that you do not have any  
20 changes or corrections to that testimony?

21 A. (Mr. Meek) That is also correct.

22 MR. SANGER: When the appropriate time comes,  
23 Judge Clark, we would like to move for the admission of  
24 the testimony of Mr. Meek.

25 JUDGE CLARK: All right, thank you.

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1                   All right, at this time then I'm going to  
2 turn to inquiry by the Commissioners. I'm going to  
3 commence with Commissioner Jones.

4                   BY COMMISSIONER JONES: Good afternoon,  
5 everyone.

6                   My first question is directed to  
7 Ms. McDowell. I think in your opening statement you  
8 were talking about the two generating facilities that  
9 are at issue in this case, and you mentioned something  
10 about jurisdictional rate base and the figure of \$125  
11 Million in terms of a request. I see the agreement  
12 regarding prudence on page 9 of the stipulation, but I  
13 don't see anything regarding or mentioning \$125 Million  
14 rate base, so could you clarify that?

15                   MS. MCDOWELL: Commissioner Jones, that  
16 reference I made was really to one of the recitals in  
17 the stipulation. As background for the stipulation on  
18 page 2 there's a series of recitals.

19                   COMMISSIONER JONES: Okay.

20                   MS. MCDOWELL: And those recitals include  
21 what the rate request was in the Company's original  
22 filing and what components were included in the original  
23 filing including the electric plant in service of more  
24 than \$125 Million since the Company's last general rate  
25 case. So I made that reference to the recital as what

0110

1 was in the Company's original filing, that is not --  
2 there is no finding required or requested in the  
3 stipulation with respect to that particular number.

4 COMMISSIONER JONES: Right.

5 MS. MCDOWELL: That was really more just  
6 background and context, again kind of a rough check on  
7 the reasonableness of the settlement and a different way  
8 of looking at what was the filing and what is now in the  
9 stipulation.

10 COMMISSIONER JONES: So there's no request  
11 for a finding or anything for the Commission to consider  
12 on that particular point that you made --

13 MS. MCDOWELL: That's correct.

14 COMMISSIONER JONES: -- that's listed in the  
15 recital?

16 MS. MCDOWELL: That's correct.

17 COMMISSIONER JONES: The only element in the  
18 stipulation is on page 9 where the parties agreed that  
19 the Marengo II wind project and the Chehalis generating  
20 project were prudent and these facilities are used and  
21 useful for Washington customers?

22 MS. MCDOWELL: That's correct, thank you.

23

24

25

0111

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

2    BY COMMISSIONER JONES:

3            Q.    My next question I think is directed more  
4    toward the Company, maybe Ms. Kelly or you could handle  
5    this one. We understand that the amortization of the  
6    proposed \$18 Million Chehalis regulatory asset is  
7    included in the \$13.5 Million of new revenue agreed to  
8    in the settlement; is that correct?

9            A.    (Ms. Kelly) That's correct.

10          Q.    And is it also correct that in the  
11    stipulation there's an amortization period proposed for  
12    6 years, roughly \$3 Million per year starting January  
13    1st, 2010; is that correct?

14          A.    (Ms. Kelly) Yes.

15          Q.    Please explain how, if at all, this agreement  
16    regarding creation and recovery of the Chehalis asset  
17    will affect Schedule 96, the hydro deferral surcharge?

18          A.    (Ms. Kelly) It will not affect Schedule 96.  
19    Schedule 96 will continue as the hydro deferral  
20    surcharge and will be exhausted when the balance that  
21    was approved by the Commission in the last case is  
22    exhausted.

23          Q.    And when is that expected to go to zero?  
24    This is not in the stipulation I know, but I'm just  
25    asking you.

0112

1           A.     (Ms. Kelly) I believe the date is  
2 approximately in 2011.

3           Q.     Okay.

4                     This is a clarifying question as well. I  
5 think I know the answer, but I would just like you to  
6 state it. Will the amortization of the Chehalis  
7 regulatory asset be recovered in base rates or through a  
8 surcharge?

9           A.     (Ms. Kelly) It will be recovered in base  
10 rates.

11          Q.     In light of these agreements in this docket,  
12 are there any actions necessary regarding the previous  
13 deferred accounting petition that the Commission  
14 approved, UE-082252, this is regarding the Chehalis  
15 generating plant, is the Company asking for any action,  
16 what's going to happen with that accounting petition?

17          A.     (Ms. Kelly) I believe the only action that  
18 will continue in that docket is for the Company to  
19 continue to file its quarterly reports in respect to  
20 that in that docket. However, the docket itself under  
21 the rules was a notice by the Company that it intended  
22 to make the deferral rather than a request for any  
23 action by the Commission, and the action by the  
24 Commission is to be taken in this docket only.

25          Q.     My next question is for all the parties I

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1 think. It regards the January 11, 2010, date, I forget  
2 what it said in the stipulation right away, but is -- I  
3 guess to the -- it's on page 9, Section L, I guess this  
4 is more directed to Ms. Kelly. Is there any, Ms. Kelly,  
5 is there any magic to that number, January 11?

6 A. (Ms. Kelly) Actually there is, that is the  
7 date that the suspension period in this docket would  
8 expire.

9 Q. Okay.

10 A. (Ms. Kelly) And so that's, had we gone to a  
11 fully litigated case, that's the date when most likely  
12 new rates would have gone into effect, and so we've  
13 agreed to not file another general rate case until the  
14 end of that what would have been the suspension period.

15 Q. So how would you suggest the Commission  
16 regard this position, because you've been around this  
17 business of regulation for some time, is it correct to  
18 define -- kind of interpret this as a stay-out  
19 provision, or is it simply stating the Company's right  
20 to file a new rate case on that date or soon after that  
21 date?

22 A. (Ms. Kelly) I think it's probably best  
23 characterized as a very short stay-out provision from  
24 the time of January 1 when the rates become effective  
25 under the stipulation as proposed or when they would

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1 have become effective in a fully litigated case on  
2 January 11.

3 COMMISSIONER JONES: Okay, that's all I have  
4 for now.

5 JUDGE CLARK: Thank you, Commissioner Jones.  
6 Commissioner Oshie.

7 COMMISSIONER OSHIE: Thank you, Judge.

8

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

10 BY COMMISSIONER OSHIE:

11 Q. I want to focus on the temperature  
12 normalization methodology that the parties seem to have  
13 agreed to, and I guess we can maybe start with a  
14 question. Do all the parties agree that this is a  
15 methodology that is to be used in the future for making  
16 this calculation?

17 Mr. Schooley.

18 A. (Mr. Schooley) Yes, we understand this will  
19 be the method used in future rate cases.

20 Q. Okay. And do the other parties agree that  
21 this is -- at least it will be a starting point then, is  
22 that how we can take it I think, and of course in the  
23 provision in the settlement stipulation itself it can be  
24 challenged, so there's a -- it's a little bit of an  
25 unusual methodology, if you will, and maybe we can talk

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1 about that briefly. This is a, you know, it's an  
2 average of every hourly reading over a period of 20  
3 years, so what was the magic of limiting the data input  
4 to 20 years? We used the 30 year methodology in  
5 previous calculations, this is perhaps more robust  
6 because you have more readings, but why not 30? Was it  
7 information not available, it's you don't feel that it  
8 was particularly useful in enlightening the parties and  
9 the Commission as to what the -- what its conclusions  
10 were? Ms. Kelly, I guess you can take a shot at it at  
11 least from the beginning here.

12 A. (Ms. Kelly) Sure. In the Company's prefiled  
13 testimony, there is an exhibit that shows the trends  
14 having to do with heating degree days over a 20 year  
15 period and a 30 year period, and we do see a  
16 considerable warming trend over the past 20 years, which  
17 makes the use of the 20 years a more accurate predictor  
18 of what we're going to see in the future. If you move  
19 out to the 30 year, because of the differences in the  
20 trends the data becomes less reliable.

21 Q. Isn't that the whole purpose though of adding  
22 more years to some determination like temperature  
23 normalization is to include as many data points as  
24 possible so that you tend to pick up trends perhaps not  
25 relying on a particular outcome even over a period of



0116

1 years as pointing out an obvious the temperatures go up,  
2 they go down, the more data you have it will reflect  
3 both the ups and the down periods?

4 A. (Ms. Kelly) I am not a statistician, but in  
5 my discussions with --

6 Q. In your many years in the industry.

7 A. (Ms. Kelly) You keep pointing out my many  
8 years.

9 The statisticians in our temperature  
10 normalization group believe that the inclusion of the  
11 data, it's not that we're seeing some years go up and  
12 some years go down, but we are seeing a trend in the  
13 direction of warming, and based on that they believe  
14 that it's statistically more relevant to use the 20  
15 years historical period.

16 Q. And I assume that the parties, and this isn't  
17 trying to, you know, pick a fight here within the panel,  
18 but that the other parties are going to be looking at  
19 this in the future as well, this methodology going  
20 forward and looking at whether the time period of 20  
21 years is appropriate or perhaps 30 or, I don't know, why  
22 not 15 as an example just to express it as a  
23 hypothetical. So I will just briefly, and it's in the  
24 testimony I think of you, Mr. Schooley, on page 17, the  
25 18 year peak producing weather method. This is a bit of

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1 a change I believe as well?

2 A. (Mr. Schooley) Yes, it is.

3 Q. Okay. And so why the -- and so what's the --  
4 why does Staff believe that this is a more appropriate  
5 way of calculating the monthly peak I guess you could  
6 say rather than taking an average, but I guess it's  
7 using the highest temperature and then the two shoulder  
8 days; did I understand that correctly?

9 A. (Mr. Schooley) Using those shoulder days  
10 seemed to be a confusing aspect of this, but I don't  
11 think that was the important change. The important  
12 change was taking a comparison of the peak day in each  
13 month and comparing it to the peak day whenever it  
14 occurred in other months rather than just taking the  
15 peak day during that month in the test year and  
16 comparing the temperatures on that date throughout time.  
17 So that was what the big change was. The change from  
18 the 20 years to 30 years was a minor change in  
19 calculating those averages.

20 Q. Okay. Is there a -- is this how the Company  
21 is proposing, this is really not to you, Mr. Schooley,  
22 but maybe to you, Ms. Kelly, is this how the Company is  
23 proposing to weather normalize, if you will, in the  
24 states in the western control area?

25 A. (Ms. Kelly) Yes.

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1 Q. And is it true, is it systemwide as well?

2 A. (Ms. Kelly) Yes, we are using the same  
3 methodology in all of our states.

4 Q. And this methodology has been accepted by all  
5 the commissions that you are jurisdictionally involved  
6 with?

7 A. (Ms. Kelly) In each of the rate cases where  
8 it's been used, yes. We have not had a rate case in  
9 California with this methodology, but we will be filing  
10 one later this year.

11 Q. Okay. Now in the settlement agreement you  
12 talk about -- the parties talk about getting together I  
13 guess to discuss this more, I would imagine to refine  
14 your work with regard to this issue, and it's, you know,  
15 it is somewhat of a science and somewhat of an art of  
16 course, so what -- is there anything that we need to do  
17 as part of this settlement? You're going to convene, do  
18 we need to -- is this something the parties are asking  
19 us to do in an order to say that you are to convene  
20 meetings on this subject matter?

21 A. (Mr. Schooley) I don't believe you need to  
22 state that in the order. I think it's something that it  
23 behooves the Company to do to increase the understanding  
24 among the parties if nothing else. If we do have issues  
25 with whether the data is available or if it's not

0119

1 fitting the what the Company says should be happening,  
2 then we'll bring those up, and that's the purpose of the  
3 meetings.

4 Q. Okay.

5 Other members of the panel agree with that?

6 Mr. Trotter.

7 MR. TROTTER: This is Donald T. Trotter since  
8 this borders on a legal question. I believe if you  
9 approve the settlement, that includes Paragraph 19 on  
10 page 7, that would be self executing. It does say the  
11 parties agree to convene discussions prior to the filing  
12 of the Company's next general rate case. So if you  
13 approve the agreement, those meetings will take place.

14 Q. Okay.

15 Now one last question about this, in your  
16 testimony, Mr. Schooley, on page 17, lines 4, 5, and 6,  
17 and perhaps the most -- the language I want to focus on  
18 is on line 4 where you state:

19 However, in this particular rate filing  
20 the shift in temperature data from 30  
21 years to 20 years has a relatively minor  
22 impact on the adjustment.

23 I'm curious as to your use of that phrase, in  
24 this particular rate filing. What did you mean by that?

25 A. (Mr. Schooley) I think in response to data

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1 requests the Company was separating out the effects of  
2 the various changes they were proposing in their  
3 temperature methodology, and the change from the 20  
4 years to 30 years accounted for less than 10% of the  
5 difference compared to the change in the calculation of  
6 the peak that I explained earlier. I think as time goes  
7 by, just the comparison of an average to a volatile  
8 actual could show that a 20 year average would produce  
9 as much or more of a change than a 30 year average might  
10 as the waves correspond or differ over time. So in that  
11 respect, I would not want to categorize a 20 year  
12 average as being closer or farther away from the actual  
13 of that year compared to another period of time.

14 Q. And you weren't meaning then in this by using  
15 that phrase that there -- perhaps in the next rate  
16 filing it might have a significant effect. You're  
17 looking at it in sort of a -- as a general view if --  
18 that it's not likely to have a -- to continue to have a  
19 minor impact over time other than what -- not to restate  
20 what you have just testified to or ask you to do that,  
21 but -- was my question as confusing to you as my stating  
22 is even to me?

23 A. (Mr. Schooley) Would you state that as a  
24 question, please.

25 Q. Okay, counsel. No, and so just strike that.

0121

1           I think what I was getting at, Mr. Schooley,  
2 is that I was only curious about your use of that term  
3 or that phrase, in this particular rate filing. Is it,  
4 you know, what do we have to anticipate in times to  
5 come, and you say here it has had a minor impact, and it  
6 was just a way of just trying to explore whether Staff  
7 anticipates that the methodology would have a more  
8 significant impact in the future or not? Perhaps your  
9 answer, previous answer, explained it, I wanted -- and  
10 if you have more to say about it, you know, you're free  
11 to do so.

12           A.     (Mr. Schooley) What I would add is that I  
13 would not want to categorize a future year as being a  
14 relatively minor impact if that particular period showed  
15 a 20 year average to deviate from the actual compared to  
16 a 30 year average if the 2 were compared. They won't  
17 necessarily always produce minor impacts compared to one  
18 another.

19           Q.     Isn't one of the issues always with, you  
20 know, using these data points, 20 years, 30 years, is if  
21 we don't apply them consistently over time, you tend to  
22 change the base line?

23           A.     (Mr. Schooley) Yes, that is a concern of  
24 Staff's, and it appears that this switch involving more  
25 than one data application was a switch that could be

0122

1 made at this time, and it will be necessary to be  
2 followed in the same manner in the future in order to  
3 have comparable comparisons over time.

4 Q. All right.

5 Let's switch gears, so to speak, and I want  
6 to -- I believe in the settlement agreement it follows a  
7 discussion temperature normalization, and that is the  
8 issues that parties have identified with regard to  
9 renewable energy credits or RECs, and apparently there  
10 is, you know, there's a -- the parties believe there's a  
11 need for reporting on this subject, and is there, you  
12 know, perhaps a little more detail as to why you feel  
13 it's important. We'll start with Staff, Mr. Schooley,  
14 why you think it's important that there be renewable  
15 energy credit reporting made by the Company and  
16 particularly in this period between now and 2012?

17 A. (Mr. Schooley) I think the issue around the  
18 reporting was one of identifying how the Company is, so  
19 to speak, generating the RECs and how they are then  
20 disposing of them and if there are differences between  
21 those. During the next few years if the Company is able  
22 to produce a lot of renewable energy credits and then  
23 immediately sells them all or even sells the future  
24 ones, then we may have nothing left in the future to  
25 mitigate our rates. Or we also want to assure that the

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1 Company will be able to meet its obligations under the  
2 renewable energy portfolio standards that we have in  
3 place. So it's more just making sure we understand what  
4 they're doing as well as being able to use that  
5 information in the future.

6 Q. Is there an interest on the part of Staff to  
7 ensure that we treat this particular issue uniformly  
8 among the three electric companies that we regulate in  
9 the state?

10 A. (Mr. Schooley) Well, that's a good point. I  
11 wasn't part of our discussions in this particular rate  
12 case, but it will lend itself to understanding how this  
13 company is using the RECs and make that comparison with  
14 how the other companies are.

15 Q. And in particular Puget, because I believe  
16 they're probably the only other company that's actually  
17 generating a REC right now?

18 A. (Mr. Schooley) They have a number of plants  
19 that do generate RECs, so that's true.

20 Q. This is a question for Ms. Kelly, and it's  
21 because you also represent the Company throughout in  
22 Oregon and California and I'm sure have contacts in  
23 Utah, Wyoming, and Idaho as well, so is the -- what are  
24 other states requiring the Company to do with regard to  
25 REC reporting?



1           A.       (Ms. Kelly) In the state of California, the  
2 requirements are in place for the renewable portfolio  
3 standard, and so in the state of California we have a  
4 quarterly report that we file with the Commission that  
5 provides an indication of where we are in respect to  
6 compliance. Because the renewable portfolio standard's  
7 in place in California, we're not selling any of  
8 California's allocated RECs. We are banking those or  
9 we're using them for current year compliance.

10                   In Oregon, the renewable portfolio standard  
11 allows for banking of RECs that are generated after  
12 January 1st, 2007, and those can be used in future years  
13 when compliance requirements kick in. So in Oregon,  
14 once again, we are not selling any of the Oregon RECs.  
15 We are banking those for future compliance.

16                   In Washington, the banking rules will allow  
17 us to bank RECs for compliance purposes beginning in  
18 2011, and so we do have a one year period where we are  
19 going to be selling Washington allocated RECs rather  
20 than banking them. That's what I think this report is  
21 getting to, a base line understanding of what the  
22 Company's doing. We see it as a good opportunity to  
23 make sure that if there are issues out there as far as  
24 the actions we're taking, then we would like to hear  
25 those, you know, from the stakeholders and be able to

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1 adjust our strategy if necessary.

2           In the states on the east side of the system,  
3 they do not have any renewable portfolio standards in  
4 place, and so we are in the process of selling RECs for  
5 the east side of the system and their allocated shares.  
6 And in general at this point those are being passed  
7 through in rate case filings and evaluated as part of  
8 the rate cases that we have going in those states, which  
9 have generally been on an annual basis. So the  
10 reporting tends to occur within the rate case and within  
11 the discovery and the discussions in the rate case.

12       Q.     By saying -- by using the term pass through,  
13 and that can have many different meanings, but I'm  
14 assuming it's the revenues or the proceeds from the REC  
15 sales are revenues associated with that particular  
16 generating plant are treated as like some like an off  
17 system sale of some kind?

18       A.     (Ms. Kelly) That's correct, they are treated  
19 as other revenues in the FERC account, and so they are  
20 an offset to other revenue requirement elements.

21       Q.     Okay. And just one last question with regard  
22 to this REC reporting issue, and that's it's similar to  
23 the question that I asked about the temperature  
24 normalization discussions and convening of a meeting,  
25 and this is some -- it would be anticipated the parties

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1 would do this informally, or is this one in which  
2 there's a desire for us to require by including an order  
3 in whatever decision we make here that the parties  
4 should convene meetings with regard to this subject?  
5 How much formality I should say, let's shorthand this,  
6 how much formality do the parties need to get the job  
7 done here?

8 MR. TROTTER: Again, Your Honor, this is  
9 Donald T. Trotter for Commission Staff, this is more of  
10 an interpretive issue, but if you read Paragraph 22, it  
11 says prior to January 1 of 2013, the parties agree to  
12 meet and agree on appropriate changes, if any, to the  
13 reporting, and so that meeting will occur if you approve  
14 the stipulation, so no additional language would be  
15 required of you in my opinion.

16 Q. Okay.

17 Other parties agree?

18 (Ms. Kelly) I do.

19 Q. Counsel?

20 COMMISSIONER JONES: Okay, I don't have any  
21 further questions, Your Honor.

22 JUDGE CLARK: Thank you, Commissioner Oshie.  
23 Chairman Goltz.

24 CHAIRMAN GOLTZ: Thank you.

25 JUDGE CLARK: I don't think your microphone

0127

1 is on, Chairman.

2 CHAIRMAN GOLTZ: Thank you.

3

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

5 BY CHAIRMAN GOLTZ:

6 Q. Referring to page 5 of the stipulation,  
7 Paragraph E or Part E refers to the rate of return, and  
8 in the carryover sentence in the bottom of page 5 and  
9 page 6 states that the parties agree that if needed for  
10 reporting and/or accounting purposes, the Company may  
11 use the authorized return on equity from the Company's  
12 last fully litigated rate case, which is 10.2%, and  
13 that's referenced in a footnote, and in the Company's  
14 testimony on the settlement you basically just reiterate  
15 that, and my question is sort of what is the -- what  
16 reporting requirements that require sort of a  
17 designation by the Commission of an ROE?

18 A. (Ms. Kelly) The primary purpose of  
19 designating the ROE for this -- for use is related to  
20 the calculation of allowance for funds or AFUDC, funds  
21 used during construction, and that calculation is done  
22 in a way that includes an ROE from each of our states as  
23 a weighted element of the cost of capital for the  
24 Company, and so that's the specific purpose for which we  
25 think we will need that. I do also think that the other

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1 parties would look at that level when evaluating the  
2 Company's earnings, but obviously that would also be  
3 done in light of the circumstances at the time when the  
4 Company files its results of operations report. So it  
5 would potentially be a benchmark for the parties to look  
6 at, but I think it's not dispositive of where the  
7 Company should be earning.

8 Q. Is it also true that the average system cost  
9 methodology and residential exchange program contracts  
10 with Bonneville require a Commission approved ROE?

11 A. (Ms. Kelly) Yes, I believe they do.

12 Q. Okay.

13 Is that the understanding of the other  
14 parties?

15 A. (Mr. Schooley) I think I understand it that  
16 way also.

17 Q. Okay. So my question then is that by just  
18 saying -- you just asked for this -- for saying -- a  
19 commission -- an order saying that for purposes of  
20 reporting 10.2 is fine, is that as I think Mr. Trotter  
21 -- is that a rough check, I mean does that cut it with  
22 Bonneville, is that enough for Bonneville's purposes?

23 A. (Ms. Kelly) I believe yes, because we just  
24 went through the AFC calculation, and the average system  
25 cost was calculated using the authorized rate of return

0129

1 that had been settled in the last case, again referring  
2 back to the litigated case in '05, so this would  
3 continue the process.

4 Q. Right, and that -- but at that time, of  
5 course that was before I was here, but at that time that  
6 was an actually Commission determined ROE, correct?

7 A. (Ms. Kelly) It's correct that in the 2005  
8 case it was. In the 2006 case we settled, I'm sorry,  
9 the UE-061546 which was June of 2007, that's where it  
10 was litigated. We had another rate case last year that  
11 was settled, and the terms of the settlement are very  
12 similar to this case in that it referred back to the  
13 last litigated case.

14 Q. And that reference back was good enough for  
15 Bonneville?

16 A. (Ms. Kelly) Yes.

17 Q. Okay.

18 A. (Ms. Kelly) Sorry.

19 Q. Thank you.

20 A. (Ms. Kelly) We got there.

21 CHAIRMAN GOLTZ: I have a couple questions  
22 following up on what my colleagues asked, or maybe it  
23 was earlier on, for Ms. Shifley, I was not able to  
24 attend the public hearing in Yakima, but it was a  
25 relatively modest turnout as public hearings go, and I

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1 haven't seen yet the Exhibit 2, but is there any -- do  
2 you have any -- does Public Counsel have any view as to  
3 the reason for the relatively modest turnout? I think  
4 Mr. Trotter mentioned that there doesn't seem to be a  
5 lot of public or there seems to be some public  
6 acceptance of the proposed settlement, and I was  
7 wondering if that's your understanding as well?

8 MS. SHIFLEY: Chairman, I also was not able  
9 to attend the public comment hearing. Mr. Fitch for  
10 Public Counsel did appear, and I was also informed that  
11 turnout was rather low at that hearing. Our office  
12 hasn't received a notable amount of written comments,  
13 and I know that many times the comments are also  
14 directed to the Commission's Consumer Protection  
15 Division, so I would want to also defer to them  
16 regarding the type of feedback they've received from  
17 customers.

18 CHAIRMAN GOLTZ: Let me ask another question  
19 following up on a point raised by Commissioner Jones.  
20 He asked the Company about the provision that was  
21 referred to by Ms. Kelly as a limited stay-out  
22 provision, which I think would be limited to nine days,  
23 and I was wondering if Staff or Public Counsel has a --  
24 would characterize that in a different way?

25 MR. TROTTER: This is Donald T. Trotter

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1 again, do you want to hear from Mr. Schooley or me?

2 CHAIRMAN GOLTZ: Either one.

3 MR. TROTTER: I think limited stay-out is an  
4 apt description. I don't think it's been precisely  
5 characterized because it just says they will stay out  
6 until sometime January 11th or later. It would be  
7 speculation as to when this Commission would have issued  
8 an order in a litigated proceeding. Normally a company  
9 has to have permission from a commission to file rates  
10 while rates are pending, but on the schedule you might  
11 have issued an order in November, so the stay-out  
12 compared to that would be a couple months, which is  
13 still not particularly long, but it's longer than nine  
14 days. So I think there was a general assumption an  
15 order would come out maybe around the first of the year,  
16 but that's up to you. So I think it depends on how you  
17 look at it, but I would characterize it as a limited  
18 stay-out provision.

19 CHAIRMAN GOLTZ: Or more aptly here absence  
20 of a stay-out provision?

21 MR. TROTTER: Again it depends on when you  
22 think an order would have been issued in the case had it  
23 been litigated.

24 BY CHAIRMAN GOLTZ:

25 Q. Finally a question for Mr. Eberdt, you're



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1 still there?

2 A. (Mr. Eberdt) Yes, sir.

3 Q. The low income bill assistance as I  
4 understand it, the low income bill assistance amount  
5 goes up, so do I have this right that the per customer  
6 benefit would sort of stay equal with sort of the  
7 increased costs so they would be no worse off than they  
8 are today?

9 A. (Mr. Eberdt) Well, the intention is to  
10 reduce the damage as much as possible. They're still  
11 going to be worse off, because the assistance never pays  
12 the whole bill, so the part of the bill that doesn't get  
13 covered is going up.

14 Q. Okay. So even the part -- so even for those  
15 -- and as I understand it, it's the same number of  
16 customers would be --

17 A. (Mr. Eberdt) Yes.

18 Q. -- would have this assistance available to  
19 them now as in the future?

20 A. (Mr. Eberdt) Yes, we did not want to  
21 increase the number of customers served.

22 Q. And can you give some description about the,  
23 if it's possible in PacifiCorp's service territory,  
24 about the number of customers that would be eligible for  
25 this, is it growing, is it staying the same, is it

0133

1 shrinking?

2           A.     (Mr. Eberdt) Well, PacifiCorp's service  
3 territory particularly in the Yakima County area is one  
4 of the highest rates of low income in the state, and I  
5 don't think under the current economic times that's  
6 getting better, so I would expect that we will see more  
7 people applying for assistance than we have in the past.  
8 The difficulty is that the people who get into the  
9 program really are at the bottom of the rung, and so if  
10 you try to spread it to more people, I think you tend to  
11 endanger the people who get into the program still not  
12 be able to maintain access.

13           Q.     So I understand the decision was or your  
14 preference was to serve fewer people with greater  
15 assistance rather than diminish the amount of assistance  
16 and spread it over more people?

17           A.     (Mr. Eberdt) Yes, because we were afraid  
18 that in the latter case we would risk actually not  
19 keeping people -- we would risk not keeping -- we would  
20 risk more people not being able to maintain service,  
21 that's what I'm trying to say. There were also some  
22 other considerations that go into it in terms of not  
23 wanting to end up having to spend more of the money on  
24 administering the program, because every additional  
25 person you see requires more administrative costs. And

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1 what the agencies feel, actually all three of the  
2 agencies feel fairly maxed out in terms of their ability  
3 to serve the number of people with the space and staff  
4 that they have. So a small increase in the funding like  
5 this would give that a few more people, but it doesn't  
6 actually provide you with enough admin to hire. You  
7 can't hire a tenth of a person.

8 Q. Right.

9 A. (Mr. Eberdt) You know, what it comes down  
10 to, you can't buy a tenth of a desk.

11 Q. Okay, thank you, and I have no further  
12 questions.

13 A. (Mr. Schooley) Commissioner Goltz, I would  
14 like to clarify that the tariff in Schedule 17 states  
15 specifically that 4,475 customers will be served by the  
16 low income assistance, and that will stay the same.

17 CHAIRMAN GOLTZ: Okay, thank you.

18 JUDGE CLARK: Thank you, Chairman Goltz.

19

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

21 BY JUDGE CLARK:

22 Q. I have just one I would categorize it as a  
23 clarifying question for you, Ms. Ramas.

24 A. (Ms. Ramas) Yes.

25 Q. Are you still with us?

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1 A. (Ms. Ramas) Yes.

2 Q. Okay, great. And I'm looking at page 14 of  
3 your testimony. My understanding is in this proceeding  
4 according to the settlement that the parties have agreed  
5 to a \$13.5 Million revenue increase, and my  
6 understanding is there's a different number on that  
7 page. Can you explain that for me, or is that just a  
8 mistake?

9 A. (Ms. Ramas) I'm sorry, which page were you  
10 on?

11 Q. I believe it's page 14.

12 MR. TROTTER: I believe it's 4, Your Honor.

13 Q. I'm sorry, page 4, line 14, I misspoke.

14 A. (Ms. Ramas) Yes, that would be a  
15 typographical error, I meant to reference the amount  
16 that was specifically identified in the stipulation.

17 JUDGE CLARK: All right, thank you.

18 Is there any other inquiry?

19 Yes, Commissioner Jones.

20

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

22 BY COMMISSIONER JONES:

23 Q. Just a short one following up on Commissioner  
24 Oshie's line of inquiry on the RECs, since it is in the  
25 record as Appendix C, you know, this REC, you submit

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1 something called the illustrative form of quarterly REC  
2 report, so I would just like to inquire is this going to  
3 be the basis of the report, are you using this in other  
4 states, has this been developed for Washington, and this  
5 is for Ms. Kelly I guess?

6 A. (Ms. Kelly) Yes, this report was developed  
7 for the state of Washington in discussions with the  
8 parties. It represents the intent of the parties to  
9 have a report similar to this, but we know that as we  
10 continue down the path and have dialogue, there may be  
11 amendments and changes to the report that we would agree  
12 to make that would provide additional detail, those  
13 types of things. So we didn't want to lock into a  
14 report form that could never change, so that's why it's  
15 indicated as illustrative form, but we worked with the  
16 parties to develop this.

17 Q. So it's illustrative, and it could be amended  
18 or changed based on discussions among the parties?

19 A. (Ms. Kelly) That's correct.

20 Q. Okay.

21 And I don't want Mr. Widmer to feel left out,  
22 so I have one for you.

23 A. (Mr. Widmer) Thank you.

24 Q. It's nice to see you are here again wearing  
25 another hat, because previously you were with the

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1 Company, but -- at least that's when I've seen you when  
2 I've been on the Bench.

3 But just a question about the prudence of  
4 Chehalis, and you've been looking at resources for a  
5 long time I know both for the Company and now as a  
6 consultant, so in your testimony I think on page 3 or 4  
7 you talk about why you think the acquisition was  
8 prudent, and you talked about looking at alternatives  
9 in the region, and then you use the words "lost  
10 opportunity", you know, if the Company didn't act. So  
11 could you just at a higher level kind of tell me at  
12 least what you look at when you look at the prudence of  
13 a combined cycle gas turbine, is it cost, is it how many  
14 plants are in the region, et cetera, what kinds of  
15 criteria do you look at the most?

16 A. (Mr. Widmer) There are several things that  
17 we look at in terms of trying to determine prudence of a  
18 resourced acquisition. Number one is resource need, if  
19 the Company has a resource need, there's a reason for  
20 them to acquire a resource. Number two would be the  
21 economics of the resources they're acquiring. We always  
22 want to make sure that the resource that they do acquire  
23 is the best deal available for customers so that they  
24 don't have to pay too much money. We also want to make  
25 sure that the resource is used and useful for customers.

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1 As in the case of Chehalis, I think through the month of  
2 August it generated approximately a million megawatt  
3 hours for Washington customers or to make sales in the  
4 wholesale market. And then last but not least if there  
5 are any type of emission requirements or so forth, you  
6 would want to make sure that the resource was compliant  
7 with those emission requirements, because if it wasn't,  
8 it would be not very useful to the utility and the  
9 customers.

10 COMMISSIONER JONES: Okay, thank you.

11 JUDGE CLARK: All right, thank you,  
12 Commissioner Jones.

13 Is there anything further that we need to  
14 address with the panel this afternoon?

15 All right, hearing nothing, thank you all  
16 very much for your testimony including those individuals  
17 who are participating on the bridge.

18 I'm going to see if there are any closing  
19 remarks from the Commissioners, otherwise I'm going to  
20 take a brief recess to allow the panel members to get in  
21 more comfortable seats, and the Commissioners can leave  
22 the hearing room, and we can undertake the exciting and  
23 interesting aspect of introducing all the exhibits in  
24 this afternoon's proceedings.

25 CHAIRMAN GOLTZ: I would just like to thank

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1 you, I thought the written testimony in the settlement  
2 was very thorough and helpful, thank you.

3 COMMISSIONER OSHIE: And I concur.

4 COMMISSIONER JONES: I concur.

5 JUDGE CLARK: Thank you, we'll take a brief  
6 recess.

7 (Recess taken.)

8 JUDGE CLARK: We're back on the record, and  
9 the record should reflect that the Commissioners are not  
10 present for this portion of this afternoon's hearing,  
11 and I believe the sole thing that I have left on the  
12 agenda, although I will check with the parties one more  
13 time, is to deal with the exhibits that have been  
14 offered, well, not offered yet but filed in this  
15 particular proceeding. I'm going to work off the  
16 exhibit list that I E-mailed that all of the parties,  
17 and I'm just going to deal with these in numerical order  
18 starting with obviously Exhibit Number 1, which is a  
19 response to Bench Requests 1 and 2, which were received  
20 by the Commission on March 27, 2009; is there any  
21 objection to its admission?

22 Hearing none, it is received.

23 And then I am going to turn to the parties  
24 for offering and describing Exhibit 3 and then the  
25 testimony of the witnesses in support of this



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1 settlement. So either Mr. Trotter or Ms. McDowell, if  
2 you could please address Exhibit Number 3, which is the  
3 settlement itself.

4 MR. TROTTER: Well, Your Honor, I'm happy to  
5 do that. Also we did review your excellent compilation  
6 and description, I believe it's accurate. If you want  
7 to do it more summarily, that's fine with me.

8 JUDGE CLARK: I would love to do it  
9 summarily, and so I would like to ask then at this  
10 juncture if anyone has any objection to the admission of  
11 any of the exhibits which are presented on the exhibit  
12 list previously electronically submitted to the parties?

13 MR. SANGER: No objection, Your Honor.

14 MS. MCDOWELL: No objection.

15 MS. SHIFLEY: No objection.

16 JUDGE CLARK: All right, hearing none, all of  
17 the documents that are on that 7-page exhibit list with  
18 the exception of Exhibit Number 2, which is the  
19 compilation of public comments which will be filed at a  
20 later date, are received.

21 Are there any other matters that we need to  
22 address at this afternoon's hearing?

23 Hearing nothing, we are adjourned.

24 MR. PURDY: Judge, this is Brad Purdy, I'm  
25 sorry, I thought I heard somebody earlier mention

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1 something about putting into the record testimony, is  
2 that still necessary?

3 JUDGE CLARK: No, that's not necessary any  
4 more, Mr. Purdy, I just now sort of summarily admitted  
5 all 7 pages of exhibits, which did actually save us all,  
6 thank you to Mr. Trotter's suggestion, a rather slow and  
7 painful time period.

8 MR. PURDY: Thank you for that.

9 JUDGE CLARK: No problem.

10 Is there anything further to be heard on this  
11 afternoon's record?

12 Hearing nothing, we are adjourned.

13 (Hearing adjourned at 3:00 p.m.)

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