

Docket No. UE-161204 - Vol. II

WUTC v. Pacific Power & Light Company

June 13, 2017



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1 BEFORE THE WASHINGTON
 2 UTILITIES AND TRANSPORTATION COMMISSION

4 WASHINGTON UTILITIES AND)
 TRANSPORTATION COMMISSION,)
 5 Complainant,) Docket No. UE-161204
 6 v.)
 7 PACIFIC POWER & LIGHT COMPANY,)
 8 Respondent.)
 9

11 EVIDENTIARY HEARING, VOLUME II
 12 Pages 29 - 168
 13 ADMINISTRATIVE LAW JUDGE RAYNE PEARSON

15 1:26 p.m.
 16 June 13, 2017
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1 Columbia Rural Electric Association. With me also is
2 Stanley Schwartz.
3 JUDGE PEARSON: Okay. Thank you.
4 MR. FFITCH: Good afternoon. Simon ffitch
5 on behalf of The Energy Project.
6 MR. COWELL: Good afternoon, your Honor.
7 Jesse Cowell on behalf of Boise White Paper, LLC.
8 MS. GAFKEN: Good afternoon. Lisa Gafken,
9 Assistant Attorney General, on behalf of Public
10 Counsel.
11 MR. ROBERSON: Jeff Roberson, Assistant
12 Attorney General, on behalf of Commission staff.
13 MR. CASEY: Christopher Casey, Assistant
14 Attorney General, also on behalf of Commission staff.
15 MR. WILLIAMS: J.D. Williams on behalf of
16 Yakama Power.
17 JUDGE PEARSON: Let's go off the record for
18 a minute.
19 (Brief pause in the proceedings.)
20 JUDGE PEARSON: Okay. We'll be back on the
21 record.
22 And before we are joined by the
23 commissioners, we'll address the parties' objection to
24 certain pre-filed cross-examination exhibits. So for
25 the record, I will just ask the parties if they

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1 OLYMPIA, WASHINGTON; JUNE 13, 2017
2 1:26 P.M.
3 -o0o-
4
5 JUDGE PEARSON: Let's go ahead and be on
6 the record. Today is Tuesday, June 13th, 2017, just
7 before 1:30 p.m., and we are here today for an
8 evidentiary hearing in Docket UE-161204, which is
9 captioned Washington Utilities and Transportation
10 Commission versus Pacific Power & Light Company.
11 My name is Rayne Pearson. I'm an
12 administrative law judge with the Commission.
13 Let's begin by taking short appearances
14 from the parties, beginning with the Company, and then
15 we'll just go around the room.
16 MR. TILL: Dustin Till on behalf of
17 PacifiCorp.
18 JUDGE PEARSON: Okay. Is your microphone
19 on? And can you please --
20 MR. TILL: Dustin Till on behalf of
21 PacifiCorp.
22 MR. GREENFIELD: Troy Greenfield on behalf
23 of Pacific Power.
24 JUDGE PEARSON: Okay.
25 MR. PEPPLE: Tyler Pepple on behalf of

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1 stipulate to the admission of all pre-filed exhibits
2 and testimony, or to otherwise state their objections
3 now.
4 So Mr. Till?
5 MR. TILL: For Pacific Power, we provided
6 the service list with a list of exhibits that we're
7 willing to stipulate to the admissibility.
8 For the exhibits that we were unwilling at
9 the time to pre-stipulate to admissibility, we believe
10 that the foundation for relevance hasn't been
11 established. For those, there is one that we have
12 identified, and that is RBD-41CX, and we would be
13 willing to stipulate to the admissibility of that
14 document so long as all of the attachments that were
15 provided -- it's a data request response, CREA 12, to
16 the Company, and the cross-exhibit that was provided
17 did not include all of the exhibits to the original
18 response. So we'd be willing to stipulate to the
19 admissibility of that exhibit so long as all of the
20 entirety of the Company's response is included in that
21 exhibit.
22 JUDGE PEARSON: Mr. Cowell?
23 MR. COWELL: Your Honor, Boise would have
24 no objections to that. For logistical purposes, we'd
25 be happy to do so, if the Company's prepared with the

<p>Page 37</p> <p>37</p> <p>1 full exhibit, that would be fine. 2 JUDGE PEARSON: Okay. 3 MR. TILL: And we have copies. 4 JUDGE PEARSON: Okay. Great. I would like 5 a copy for myself and the commissioners. I did notice 6 that it was missing attachments when I looked at it, so 7 that would be helpful. 8 And if you could, just for the record, let 9 me know which other exhibits you have objections to. 10 MR. TILL: Those are RBD-9, RBD-10 -- 11 JUDGE PEARSON: And those are X, right? 12 RBD-9X -- 13 MR. TILL: Yes. RBD-9X, RBD-10X, RBD-11X, 14 RBD-15X, RBD-17X, RBD-18X, RBD-24X, RBD-28X, RBD-29X, 15 RBD-30X, RBD-31X, RBD-32X, RBD-37X, RBD-39X, RBD-40X, 16 RBD-42X, RBD-43X, RBD-44X and RBD-45X. 17 JUDGE PEARSON: Okay. Thank you. 18 And then Mr. Pepple? 19 MR. PEPPLER: Your Honor, so Columbia REA 20 stipulates to the exhibits that were pre-filed with the 21 testimony. We do have objections to a few of the 22 Pacific Power and Boise data requests -- or excuse me, 23 cross-exhibits. 24 JUDGE PEARSON: Actually, that just brings 25 me back to something. Maybe, Mr. Till, you could let</p>	<p>Page 39</p> <p>39</p> <p>1 was not objected to, but has been withdrawn; is that 2 correct? 3 MR. GREENFIELD: That's correct, 4 your Honor. 5 JUDGE PEARSON: And did you say 27 as well? 6 MR. GREENFIELD: Yes, your Honor. 7 JUDGE PEARSON: Okay. I think those were 8 the only ones, because everything else seems to be 9 sequentially numbered. 10 MR. PEPPLER: I believe that's correct. 11 JUDGE PEARSON: Go ahead, Mr. Pepple, if 12 you're ready. 13 MR. PEPPLER: So with the remaining ones, 14 Columbia REA still has objections to MPG-13X, 16X, 18X, 15 25X and 26X. 16 JUDGE PEARSON: Okay. What about 11X and 17 12X? You had indicated objections to those. They're 18 offered by Boise. 19 MR. PEPPLER: Yeah. So actually -- so we 20 had objections to pages 1 and 2 of 11X and pages 4 to 5 21 of 12X. I believe those were all duplicates of 22 Pacific Power exhibits, so I just need to check whether 23 those have now been withdrawn by Pacific Power. 24 JUDGE PEARSON: MPG-29X was the same as 25 MPG-12X.</p>
<p>Page 38</p> <p>38</p> <p>1 us know which of the exhibits that you've proposed for 2 Mr. Gorman that you're withdrawing. 3 MR. GREENFIELD: I can do that, your Honor. 4 JUDGE PEARSON: You can do that. Okay. 5 Thank you. 6 MR. GREENFIELD: Thank you. So we will be 7 withdrawing MPG-14X, 15, 17, 19, 20, 21, 22, 23, 24, 8 27, 28, 29, 30, 31, 32, 33 and 34, subject to their 9 availability for other parties who may have been 10 relying on our designation. 11 JUDGE PEARSON: Okay. Thank you. So -- 12 MR. GREENFIELD: That leaves 13, 16, 18, 25 13 and 26. 14 JUDGE PEARSON: 13 -- 15 MR. GREENFIELD: -- 16, 18, 25 and 26. 16 JUDGE PEARSON: Okay. 17 Go ahead, Mr. Pepple. 18 MR. PEPPLER: Okay. So let's see. Just 19 give me one second here to get organized. 20 JUDGE PEARSON: And actually, while you're 21 doing that, I want to -- you withdrew some exhibits 22 that were not -- that no one voiced objections to, so 23 I'd like to get those from you again so that I take 24 them out of my master exhibit list. 25 So you said -- let's see -- 23, I think,</p>	<p>Page 40</p> <p>40</p> <p>1 MR. PEPPLER: Okay. 2 JUDGE PEARSON: So you still have 3 objections to that? 4 MR. PEPPLER: Correct. 5 JUDGE PEARSON: Okay. 6 MR. PEPPLER: And with respect to MPG-11X, 7 that was Pacific Power data requests 1 and 4, which I 8 believe they withdrew Public Counsel -- response to 9 Public Counsel DR-1, that was 32X. So we continue to 10 have an objection to MPG-11X and -- page two of 11 MPG-11X. 12 JUDGE PEARSON: Okay. And is that it? 13 MR. PEPPLER: Sorry. That was -- that's -- 14 and that's also MPG-13X as well. So we continue to 15 have an objection to that. I think that one's still in 16 the record. 17 JUDGE PEARSON: Right. Those are 18 duplicative. 19 MR. PEPPLER: Correct. So -- 20 JUDGE PEARSON: Got it. Okay. 21 Mr. Cowell? 22 MR. COWELL: So your Honor, I have had a 23 conversation with Mr. Pepple already about these. 24 Boise is not going to seek to admit these exhibits. 25 And for clarity purposes, I'd be happy to refile a</p>

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1 corrected MPG-11X and 12X, which would basically be,
 2 for 11X, Pacific Power data request responses to --
 3 responses to data requests 23 and 24, which is leaving
 4 pages 3 and 4 of 11X.
 5 And then for 12X, that would leave pages 1,
 6 2 and 3, which is the Company's responses to Public
 7 Counsel data requests 2 and 6.
 8 JUDGE PEARSON: So you're saying that you
 9 won't be using them in any way that's objectionable to
 10 Columbia REA?
 11 MR. COWELL: What -- I guess what I'm
 12 trying to say, and correct me, Mr. Pepple, if I'm
 13 wrong, but I understood that Columbia REA did not have
 14 objections to the Company's responses in 11X to Public
 15 Counsel data requests 23 and 25, which is pages 3 and 4
 16 of 11X; is that correct?
 17 MR. PEPPLER: Correct. And those are
 18 Pacific Power data requests, just for clarity.
 19 MR. COWELL: Sorry. Excuse me. And in
 20 12X, my understanding was -- is CREA looking to just
 21 object to the whole 12X?
 22 MR. PEPPLER: No, the -- well, I should note
 23 that the first page of 12X is the same as MPG-10X. We
 24 don't have an objection to that, but we may just want
 25 to keep it as one exhibit. And also pages 2 to 3,

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1 which is the response to Public Counsel's 6, we do not
 2 have an objection to.
 3 JUDGE PEARSON: And you are withdrawing
 4 pages 4 and 5. Is that what I'm hearing?
 5 MR. COWELL: Yeah. I've agreed to do that,
 6 your Honor.
 7 JUDGE PEARSON: Okay. So it sounds like we
 8 can eliminate those two.
 9 MR. COWELL: Which are pages of the
 10 exhibit?
 11 JUDGE PEARSON: We can work that out --
 12 yes, and eliminate that I need to make a ruling on the
 13 admissibility of either of those because the parties
 14 have worked that out.
 15 MR. COWELL: Correct.
 16 JUDGE PEARSON: Okay.
 17 And then, Mr. Cowell, what about your
 18 objections?
 19 MR. COWELL: Nothing's changed, your Honor,
 20 from what was indicated to you earlier. Still
 21 objecting at this point to BGM-8X, BGM-10X, BGM-11X and
 22 BGM-14X.
 23 JUDGE PEARSON: Okay. And then,
 24 Mr. Williams, I never heard from you about whether you
 25 are stipulating to the cross-exhibits.

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1 MR. WILLIAMS: Yakama has no objections to
 2 the cross-exhibits.
 3 JUDGE PEARSON: Okay. Thank you.
 4 Okay. Then go back to my now revised list,
 5 and we'll start with MPG-13X, which Pacific Power has
 6 offered and Columbia REA has objected to.
 7 So Mr. Till, if you'd like to address that
 8 first, and then I'll let Mr. Pepple respond.
 9 MR. TILL: Sorry. Which exhibit are we on?
 10 JUDGE PEARSON: MPG-13X.
 11 MR. TILL: Well, with respect to the --
 12 MPG-13X -- one moment.
 13 MR. GREENFIELD: I can address this one,
 14 your Honor.
 15 JUDGE PEARSON: Sure.
 16 MR. GREENFIELD: The DR was propounded
 17 to -- is that buzz on the phone, is that something we
 18 need to address or --
 19 JUDGE PEARSON: No. Go ahead.
 20 MR. GREENFIELD: Okay. It was propounded
 21 to address CREA's policy with regard to whether it will
 22 be responsible for any removal costs that are tied to a
 23 customer permanently disconnecting from Pacific Power's
 24 system. And obviously, the intent is to establish,
 25 through Mr. Gorman, that his client has this

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1 significant financial interest in this proceeding, in
 2 that certain costs may end up ultimately being borne by
 3 Columbia REA.
 4 JUDGE PEARSON: Okay. Thank you.
 5 Mr. Pepple, your objection?
 6 MR. PEPPLER: Your Honor, we have two -- two
 7 objections. I would say that they kind of apply to all
 8 of the exhibits that remain from Pacific Power.
 9 The first one is, you know, our
 10 understanding is that the issues that you're being
 11 asked to resolve in this case relate to what the impact
 12 of a departing customer is on remaining customers. And
 13 you know, what Columbia REA's business is, what its
 14 practices are, what its rates are, all of that has
 15 nothing to do with what the impact to remaining
 16 customers is if there is, in fact, any remaining
 17 impact, and what, in fact, you should do about it if
 18 there is an impact.
 19 Pacific Power has stated in testimony, I
 20 presume that they will adopt that testimony under oath
 21 today, that -- the purpose of their tariff provisions
 22 and how to prevent customers from departing.
 23 Now, all of these remaining exhibits that
 24 they continue to seek admission for have to do with
 25 what Columbia REA does in the competitive zone. They

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1 don't relate to what the impact of the departing
 2 customer is on a remaining customer.
 3 JUDGE PEARSON: Okay. Thank you. So --
 4 MR. PEPPLER: Sorry. I had one other.
 5 JUDGE PEARSON: Sure.
 6 MR. PEPPLER: The other objection, which I
 7 believe applies to all of the remaining exhibits, is
 8 that all of these exhibits are outside the scope of
 9 Mr. Gorman's testimony. Mr. Gorman didn't testify
 10 about Columbia REA's practices, he has no knowledge of
 11 Columbia REA's practices. And Mr. Gorman was not
 12 identified as the witness in response to any of these
 13 data requests.
 14 JUDGE PEARSON: Okay. And to address that
 15 concern, I'll just note that Columbia REA didn't offer
 16 anyone from the Company who may be able to answer
 17 questions about the Company's practices, and so if
 18 Mr. Gorman is unable to answer any questions and the
 19 commissioners would like the answer to those questions,
 20 we can just issue bench requests and you can direct
 21 them to the appropriate person at the Company.
 22 With respect to this exhibit, I am going to
 23 allow it. I think that it provides context for the
 24 competitive environment in which Pacific Power is
 25 operating and, so, therefore, gives context to the need

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1 for the permanent disconnection tariff.
 2 So the next exhibit is MPG-16X.
 3 MR. GREENFIELD: Your Honor, this was a DR,
 4 because Mr. Gorman did actually testify regarding
 5 energy-efficiency programs, low-income programs and
 6 such. We simply were propounding a DR as to Columbia
 7 REA's compliance with various Washington standards, and
 8 they responded that they're not required to comply with
 9 the same standards as Pacific Power. Again, I agree
 10 with Mr. Pepple. A lot of these exhibits go to issues
 11 to that competitive environment, and I understand
 12 your Honor's ruling on that.
 13 JUDGE PEARSON: Okay.
 14 MR. PEPPLER: Your Honor, I believe --
 15 sorry. This is 16X?
 16 MR. GREENFIELD: 16X.
 17 MR. PEPPLER: We'll withdraw our objection
 18 to this one, your Honor.
 19 JUDGE PEARSON: Okay. Thank you. And
 20 MPG-18X?
 21 MR. GREENFIELD: Same issue, your Honor.
 22 There's a DR to Columbia REA regarding preference power
 23 access by a BPA, and CREA responded that they do have
 24 access to preference power through BPA.
 25 MR. PEPPLER: Your Honor, again, what power

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1 Columbia REA has access to has no impact on remaining
 2 customers when the customer departs. The question
 3 isn't why customers depart; it's whether there's an
 4 impact, and whether the Commission should do anything
 5 about it.
 6 JUDGE PEARSON: Okay. And I am going to
 7 allow this because, again, I think it speaks to the
 8 context for the competitive environment that
 9 Pacific Power finds itself operating in.
 10 And the next one is MPG-25X. This was a
 11 brochure about Columbia REA's contribution to the
 12 community it serves.
 13 MR. GREENFIELD: Correct, your Honor. And
 14 on page 4, there's a clear statement that in 1996 the
 15 board of directors elected to put forth a business plan
 16 to ensure the economic viability of the cooperative
 17 with a decision to diversify load from mostly
 18 agricultural to include commercial and residential.
 19 We had a number of DRs regarding business
 20 plans and efforts of CREA to acquire customers of
 21 Pacific Power, and there was a denial that there were
 22 business plans available, and here's a citation to the
 23 fact that there was a business plan.
 24 MR. PEPPLER: I'll just reiterate the same
 25 objections, your Honor. I don't see how any of this is

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1 relevant to the issues in the case.
 2 JUDGE PEARSON: Okay. I'm going to sustain
 3 your objection on this one and not allow it into
 4 evidence. I think that it -- you said something from
 5 1996, that's -- it's too -- a little too deep in the
 6 weeds, I think, for the purposes for which you're
 7 trying to offer it.
 8 So the next one is MPG-26X. This is --
 9 MR. GREENFIELD: This is a follow on to 25,
 10 so with your Honor's ruling on 25, I think that moots
 11 the issue with regard to 26.
 12 JUDGE PEARSON: Okay. And it was also a
 13 nonresponsive data request, which I don't tend to like
 14 putting in the record because it doesn't really serve
 15 any purpose to have a nonresponsive data request. So I
 16 will remove that.
 17 MPG-30X, Columbia REA objects only to the
 18 admission of its service interruption data, I believe.
 19 MR. GREENFIELD: 30X we withdrew,
 20 your Honor.
 21 JUDGE PEARSON: You did. Okay. I'm sorry.
 22 MR. GREENFIELD: I think we've gone through
 23 the remaining five that would be used.
 24 JUDGE PEARSON: That's right. Okay. Let
 25 me just delete these. Okay.

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1 So next let's turn to the cross-exhibits
 2 offered by Pacific Power for Boise for Mr. Mullins.
 3 The first one is BGM-8X.
 4 MR. TILL: And your Honor, this data
 5 request has to do with Mr. Mullins' contentions that
 6 the issues in this docket have already been litigated
 7 in the Walla Walla Country Club case, so there's
 8 testimony directly on that issue that this data request
 9 probes.
 10 JUDGE PEARSON: Mr. Cowell?
 11 MR. COWELL: Your Honor, and as stated in
 12 the written response, a twofold objection. One, to the
 13 extent that the request is for what would Boise agree
 14 to, and that answer would be covered by attorney-client
 15 privilege, but then, second, that the Company was
 16 requesting a legal conclusion from our witness.
 17 JUDGE PEARSON: Okay. I'm just reviewing
 18 it right now. I'm going to sustain the objection. If
 19 you have questions for Mr. Mullins that don't require a
 20 legal conclusion, you're welcome to ask those during
 21 cross. But I'll sustain the objection to the exhibit.
 22 The next is BGM-10X.
 23 MR. TILL: And that refers to Mr. Mullins'
 24 testimony -- it's a data request that refers to
 25 Mr. Mullins' testimony that certain costs will be

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1 eliminated when a customer departs, and so we ask him
 2 to describe those costs with specificity, and hear how
 3 the costs are calculated.
 4 MR. COWELL: Your Honor, the chief
 5 objection here -- and I believe this was drawn directly
 6 from the Commission's rules, that the information the
 7 Company's asking for is obtainable from another source
 8 more convenient and less burdensome, which is, namely,
 9 Pacific Power would know the answer to this before
 10 asking. And essentially, what Mr. Mullins was doing in
 11 his testimony was just pointing a fact out which the
 12 Company already knows to try to contest against the
 13 validity of the Company's proposal.
 14 JUDGE PEARSON: Okay. I'm going to
 15 overrule the objection. I'll allow it because it is
 16 directly related to testimony that Mr. Mullins
 17 provided, so the Company can ask follow-up questions
 18 about that.
 19 The next exhibit is BGM-11X.
 20 MR. TILL: And similarly, this question
 21 probes Mr. Mullins' testimony that departing customers
 22 in Washington will reduce the overhead for other
 23 Washington customers, which is a fundamental part of
 24 Mr. Mullins' testimony.
 25 MR. COWELL: And your Honor, again, the

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1 same objection here. And I think the difference
 2 between the last one, in the terms of objecting to
 3 what's burdensome for our witness, is the fact that
 4 there's not much more to be answered than the Company
 5 already knows its interjurisdictional allocation
 6 factors, and that's as far as it goes. And they asked
 7 for -- to explain in detail all the reasons why it
 8 would cost less overhead costs. The Company would be
 9 able to answer that more readily with a less burdensome
 10 fashion than Mr. Mullins.
 11 JUDGE PEARSON: Okay. I will overrule that
 12 objection and allow it because, again, Mr. Mullins did
 13 raise this issue in his testimony, so he should be
 14 prepared to answer questions related to that testimony.
 15 And then next is the BGM-14X.
 16 MR. TILL: This data response goes to
 17 Mr. Mullins' opinions regarding redundant service. A
 18 part of the issue that the Company is trying to address
 19 in its proposal is the issue of redundant service.
 20 Mr. Mullins testifies in his opinion that redundant
 21 service isn't a problem, so this data request is aimed
 22 at digging into his opinions on that issue.
 23 MR. COWELL: And your Honor, the objection
 24 here, first, the quoted testimony here in the request
 25 from Mr. Mullins states that, "from my review of the

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1 information the Company presented in this matter." He
 2 limits his testimony based on what he's reviewed in
 3 this matter. And subpart A asks for any other
 4 documentation he's reviewed; hence, the objection that
 5 it's not relevant to his quoted testimony here, and
 6 that it's unduly burdensome and overly broad.
 7 JUDGE PEARSON: Okay. I'm going to
 8 overrule the objection and allow that because, again,
 9 he did make that statement in his testimony.
 10 And we'll turn now to Columbia REA's
 11 exhibits for Mr. -- now Mr. Bolton. The first is
 12 RBD-9X.
 13 MR. PEPPLER: I guess I'd like to hear the
 14 objection from the Company before responding.
 15 JUDGE PEARSON: Sure. So this was a
 16 response to a data request that was relatively
 17 nonresponsive regarding the total cost a residential
 18 customer would pay to permanently disconnect under each
 19 scenario proposed in the tariff.
 20 So if the Company wants to --
 21 MR. TILL: Just one moment, your Honor.
 22 I'm reviewing this.
 23 JUDGE PEARSON: Sure.
 24 MR. TILL: This is a bit of a speculative
 25 data request that -- for the subpart A, we haven't

<p>Page 53</p> <p>53</p> <p>1 prepared any sort of actual analysis and we shouldn't 2 be required to perform specific analyses on those, and 3 what holds true for parts B and C. 4 JUDGE PEARSON: Okay. 5 MR. PEPPLER: So your Honor, as I understand 6 it, the Company's proposing to revise its tariffs to 7 provide three potential options for a departing 8 customer: Either pay the actual cost of removal as 9 defined in the tariff, purchase facilities at their 10 fair market value, also as defined in the tariff, or, 11 on occasion, abandon and decommission the facilities. 12 The request goes to, you know, what cost a 13 customer would, in fact, expect from this, and the 14 response also goes to the potential that customers 15 would be faced with significant uncertainty as to the 16 costs that they will be faced with. We think that 17 that's a relevant response. 18 JUDGE PEARSON: Okay. The response is 19 based on the Company's pre-rebuttal position, so it's 20 not applicable -- portions of it, at least, aren't 21 applicable now, specifically with the calculation of 22 the stranded cost recovery fee, and the rest of it is 23 relatively nonresponsive. So I'm going to sustain the 24 objection. If you want to ask Mr. Bolton, 25 or Mr. Meredith perhaps would be the more appropriate</p>	<p>Page 55</p> <p>55</p> <p>1 MR. TILL: Schedule 296 is also a very 2 different program in where the departing customers 3 remained distribution customers of the Company. And so 4 its application isn't really analogous at all to the 5 facts that are presented under the scenario of a 6 permanent disconnection, which is the issue that we're 7 trying to resolve in this proceeding. 8 MR. PEPPLER: Your Honor, they're the ones 9 who analogized to this schedule, not us. 10 JUDGE PEARSON: Okay. Let me just look at 11 the exhibit again and make sure that my -- I'm looking 12 at the wrong exhibit. Hold on. 13 Okay. So I'm going to sustain the 14 objection because it -- the answer to the data request 15 has to do with the number of customers who have opted 16 out, and I don't see how that's relevant to this 17 proceeding before us. 18 So the next exhibit is RBD-11X. 19 MR. TILL: And this objection was that the 20 records that were requested aren't ordinarily kept -- 21 are kept in the ordinary course of business. 22 JUDGE PEARSON: Okay. So you were unable 23 to respond to -- 24 MR. TILL: That's correct. 25 JUDGE PEARSON: -- the request. Okay.</p>
<p>Page 54</p> <p>54</p> <p>1 person to address these questions to, that would be 2 fine. But this document isn't particularly useful. 3 So the next exhibit is RBD-10X. 4 MR. TILL: We don't feel that the number of 5 customers who have elected to participate in Oregon's 6 transition program is really relevant to the issue here 7 in Washington as to the appropriate calculation of the 8 revisions that have been proposed to the net removal 9 tariff. 10 JUDGE PEARSON: Okay. 11 Mr. Pepple? 12 MR. PEPPLER: So this program was used as 13 the basis for calculating the stranded cost period over 14 a ten-year period in the opening testimony. The 15 Company has revised it to six years in rebuttal; 16 however, the Commission hasn't picked six or ten or any 17 other year. It remains an open question whether either 18 of those is accurate. 19 Using this as the basis for their initial 20 proposal, I think the Commission should understand a 21 little bit more about this program, given that that 22 was, in fact, the basis for it at the time. 23 MR. TILL: And if I could respond briefly, 24 your Honor. 25 JUDGE PEARSON: Sure.</p>	<p>Page 56</p> <p>56</p> <p>1 MR. TILL: And it's also unduly burdensome 2 given the scope of what's been requested here. 3 JUDGE PEARSON: Okay. 4 And Mr. Pepple, what's your basis for 5 offering it? 6 MR. PEPPLER: So your Honor, the testimony 7 says that for a customer-installed facility, the 8 Company can be subject to significant costs to 9 maintain, replace and repair. We simply asked for the 10 costs so that we could verify whether they were, in 11 fact, significant. The fact that the Company isn't 12 able to respond suggests that maybe they don't know 13 whether it's significant or not. 14 JUDGE PEARSON: Okay. I will overrule the 15 objection and allow that exhibit. 16 RBD-15X. 17 MR. SCHWARTZ: Your Honor, could I address 18 this one, please? 19 JUDGE PEARSON: Sure. 20 MR. SCHWARTZ: Thank you. I'm assuming you 21 don't want us both addressing the same objection, out 22 of fairness to counsel. 23 JUDGE PEARSON: Sure. 24 MR. SCHWARTZ: So this data request, I 25 think, is particularly important because it goes really</p>

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1 to the crux of the case. This is the Pacific Power
 2 theory in terms of how they should recover their net
 3 removal costs.
 4 I'm not sure of the basis of the objection
 5 other than the preface talks about that the testimony
 6 of Mr. Dalley apparently is not accurately reproduced
 7 in
 8 DR-22. But what is crystal clear is, in the response
 9 in item number A [sic], these are statements of fact
 10 that they have previously made in the testimony. With
 11 regard to the second paragraph, Net Book Value, that's
 12 precisely the issue here in terms of their claim in
 13 order to recover a fair market value purchase or be
 14 able to decommission the facilities and thus compensate
 15 the remaining customers.
 16 And then finally, with regard to subsection
 17 B, they talk about the proceeds of the sale of the
 18 facilities will be credited back to remaining
 19 Pacific Power customers, that is repeated in their
 20 opening testimony as well as in their rebuttal
 21 testimony, so I think this is extremely germane to this
 22 case and really goes to the heart of the matter. So I
 23 do request that this DR-22 be allowed for
 24 cross-examination purposes.
 25 I will also say that, if for some reason

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1 the testimony is misrepresented, we can certainly
 2 correct that during the question and answer session
 3 with Mr. Bolton. Thank you.
 4 MR. TILL: And in response, the Company
 5 would be willing to stipulate to the admissibility of
 6 this exhibit if we could strike the characterization of
 7 Mr. Bolton's testimony. So that would be the first --
 8 basically the prefatory [sic] sentence, the first
 9 sentence of the data response -- request.
 10 JUDGE PEARSON: That's referencing the
 11 portion of the testimony?
 12 MR. TILL: Correct, and the
 13 characterization of the testimony.
 14 MR. SCHWARTZ: I don't object to that. If
 15 it was inartfully phrased, I understand that. Thank
 16 you, your Honor.
 17 JUDGE PEARSON: Okay. So I will take that
 18 one off the list.
 19 The next is RBD-17X.
 20 MR. TILL: And this we don't believe that
 21 the foundation for relevance has been established with
 22 respect to how the Company -- the proposals would
 23 affect the Company's competitive position. We just
 24 don't feel that that type of inquiry is relevant to the
 25 calculation of the stranded cost fee, which is intended

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1 to protect customers from the cost of departing
 2 customers.
 3 JUDGE PEARSON: Okay.
 4 MR. SCHWARTZ: It's fine, your Honor.
 5 We'll remove it. It's covered elsewhere.
 6 JUDGE PEARSON: Okay. So then next is
 7 RBD-18X.
 8 MR. TILL: In that, we had some mechanical
 9 objections to this. With respect to the cited
 10 testimony, the question does not make sense.
 11 JUDGE PEARSON: Okay. So that's really the
 12 objection. The cited testimony doesn't support the
 13 question itself?
 14 MR. SCHWARTZ: The only interest I actually
 15 have in the response to this DR is really the last
 16 sentence, which, again, is a statement of fact in terms
 17 of what occurred in the Walla Walla Country Club case.
 18 I prefer that it remain. With regard to the objection,
 19 I certainly will be careful not to ask any question
 20 that would be objectionable, and, if necessary, will
 21 simply rely upon the summary from Docket UE-143932.
 22 MR. TILL: The order speaks for itself, and
 23 we think the parties, if they want to cite to the order
 24 in support of what they feel the Commission did in
 25 that, they're free to do that during the briefing

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1 stage.
 2 JUDGE PEARSON: Okay. I agree. I'll
 3 sustain the objection.
 4 RBD-24X, this is offered by Yakama Power.
 5 MR. TILL: And RBD-24X, we objected to this
 6 on the grounds that it was overly broad, unduly
 7 burdensome, and would not lead to the presentation of
 8 admissible evidence. The types of maps that are
 9 requested here aren't maintained by the Company in the
 10 ordinary course of business. And the location of
 11 company facilities isn't relevant to the calculation of
 12 net removal tariff costs and stranded cost fees that
 13 have been proposed here.
 14 JUDGE PEARSON: Mr. Williams?
 15 MR. WILLIAMS: Your Honor, Yakama Power
 16 would agree with almost all of the statement except the
 17 last part, but we're happy to withdraw it.
 18 JUDGE PEARSON: Okay.
 19 And then RBD-28X, also offered by Yakama
 20 Power.
 21 MR. TILL: The bilateral sale of assets
 22 between two utilities has no relevance as to the issue
 23 of unilateral customer departures, which the Company's
 24 proposed revisions are intended to address.
 25 JUDGE PEARSON: Mr. Williams?

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1 MR. WILLIAMS: We think it's relevant
 2 because this exhibit goes straight to the issue of
 3 whether PacifiCorp has been given adequate notice that
 4 they don't have reasonable expectation of recovery or
 5 continued service on tribal lands, given the unique
 6 nature of federal regulations in tribal trust lands.
 7 JUDGE PEARSON: Okay. I'm going to sustain
 8 the objection because I don't think this is relevant to
 9 the Company's proposed tariff revisions.
 10 Next is RBD-29X.
 11 MR. TILL: We're objecting to this. This
 12 isn't a Company statement. So we're not prepared to
 13 offer -- depending on the admissibility, it's not --
 14 this isn't a data request that's been directed to the
 15 Company.
 16 JUDGE PEARSON: It was one that the Company
 17 propounded to Yakama Power, correct?
 18 MR. TILL: The question, correct. Not the
 19 response.
 20 JUDGE PEARSON: Okay. Mr. Williams?
 21 MR. TILL: And just to be clear,
 22 your Honor, the next stretch -- I can get you the
 23 numbers -- of objections will all be the same, that
 24 these are data requests that were propounded by the
 25 Company, so the questions come from the Company, the

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1 responses come from Yakama Power. So we would maintain
 2 those objections through this next series of DRs, and I
 3 think we could probably resolve them all.
 4 JUDGE PEARSON: Through 32X?
 5 MR. TILL: Through 32X, correct.
 6 JUDGE PEARSON: Okay.
 7 Mr. Williams, if you just want to respond
 8 generally to these.
 9 MR. WILLIAMS: Actually, your Honor, I
 10 don't have an objection to most of those being
 11 withdrawn except for 30X. As with the earlier comment
 12 I made, we think the letter from the Bureau of Indian
 13 Affairs to PacifiCorp puts them on notice that there's
 14 not a reasonable expectation of recovery or continued
 15 service on tribal lands and, thus, the tariff should
 16 not apply. So we think it just puts PacifiCorp on
 17 notice and goes straight to the issue of whether they
 18 have a reasonable expectation.
 19 MR. TILL: Your Honor, and that's a legal
 20 issue that's outside the scope of this proceeding.
 21 JUDGE PEARSON: I agree, and I'll sustain
 22 the objection.
 23 Next is RBD-37X, which was offered by
 24 Boise.
 25 MR. TILL: Again, we had objected to this

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1 response as overly burdensome, not reasonable to lead
 2 to the admission -- the discovery of admissible
 3 evidence, and it also misrepresents the testimony
 4 that's cited at RBD-1T, 420 through 423.
 5 JUDGE PEARSON: Mr. Cowell?
 6 MR. COWELL: Your Honor, I think this goes
 7 to the whole issue of competitive context. What Boise
 8 did here was ask the obverse of the very thing that was
 9 testified to in the Company's direct testimony. So in
 10 that sense, we do believe it's relevant and that
 11 there's no mischaracterization. It's a quote from the
 12 Company's testimony.
 13 MR. TILL: Your Honor -- actually,
 14 your Honor, we withdraw our objection to this exhibit,
 15 RBD-37X.
 16 JUDGE PEARSON: Okay.
 17 Then next is RBD-39X.
 18 MR. TILL: And I think we'll withdraw our
 19 objection to that response.
 20 JUDGE PEARSON: Okay. RBD --
 21 MR. TILL: One moment, your Honor. We'll
 22 withdraw our objection to that.
 23 JUDGE PEARSON: To 39X?
 24 MR. TILL: To 39.
 25 JUDGE PEARSON: Okay.

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1 RBD-40X is the same as RBD-9X, which I
 2 already sustained the objection to. So that brings us
 3 to --
 4 MR. COWELL: Your Honor, forgive me, if I
 5 could, I'd like to speak on that. I maybe didn't pick
 6 up that this was being spoken about when there were
 7 another parties' objections.
 8 JUDGE PEARSON: Okay.
 9 MR. COWELL: And I think our argument would
 10 be that the Company's proposing subparts A and B
 11 changes the net removal tariff concerning both charges
 12 to the actual costs of removal and fair market
 13 valuation. And in the sense that these -- the Company
 14 has the burden of proof to demonstrate that these
 15 changes are justified, and the answers respond that
 16 they've not performed the analyses that these questions
 17 go to.
 18 JUDGE PEARSON: And I'll tell you the same
 19 thing I said before, that you can get at that through
 20 cross-examination questions.
 21 MR. COWELL: Thank you, your Honor.
 22 JUDGE PEARSON: Next is RBD-41X.
 23 MR. TILL: Your Honor, Pacific Power
 24 objected to this. It's really the nature of the
 25 question itself and how it misrepresents certain facts

<p>Page 65</p> <p>65</p> <p>1 that --</p> <p>2 JUDGE PEARSON: Was this the one that you</p> <p>3 said that, if we have the entire exhibit with the</p> <p>4 attachments --</p> <p>5 MR. TILL: Oh, no. I'm sorry. Yeah,</p> <p>6 correct, that's the objection. I apologize.</p> <p>7 JUDGE PEARSON: Okay. So I'll take that</p> <p>8 off the list since we're going to make that correction.</p> <p>9 MR. TILL: Yep.</p> <p>10 JUDGE PEARSON: Next is RBD-42X. This is</p> <p>11 questions about Mr. Dalley's calculation.</p> <p>12 MR. TILL: And Mr. Dalley's -- Mr. Bolton's</p> <p>13 testimony was not based on specific estimates of margin</p> <p>14 that the Company earns from serving customers in</p> <p>15 different rate classes, that the requested calculation</p> <p>16 itself has no bearing on his testimony.</p> <p>17 MR. COWELL: Your Honor, I would say, this</p> <p>18 is the whole purpose of discovery. We're trying to</p> <p>19 probe what the Company's analyzed and looked at to</p> <p>20 carry its burden of the net removal changes that it's</p> <p>21 proposed. So I think this goes directly in that.</p> <p>22 JUDGE PEARSON: Okay. I will allow that</p> <p>23 exhibit.</p> <p>24 And next is RBD-43X.</p> <p>25 MR. TILL: The Company objected to this on</p>	<p>Page 67</p> <p>67</p> <p>1 redundancy of service, redundancy of facilities, and</p> <p>2 just how much of a problem this is, reliability and</p> <p>3 safety concerns. And so a question directly to that</p> <p>4 point, I think, is fundamentally relevant.</p> <p>5 JUDGE PEARSON: I agree, and I'll overrule</p> <p>6 the objection.</p> <p>7 And the last exhibit I have is RBD-45X, and</p> <p>8 this is concerning service territory agreements.</p> <p>9 MR. TILL: We withdraw our objections to</p> <p>10 that exhibit, your Honor.</p> <p>11 JUDGE PEARSON: Okay. Thank you.</p> <p>12 So all of the pre-filed testimonies and</p> <p>13 exhibits in their most recent revised form, including</p> <p>14 those which I just ruled admissible, will be admitted</p> <p>15 as marked, and we will provide an exhibit list to the</p> <p>16 court reporter.</p> <p>17 (All admissible exhibits admitted.)</p> <p>18 MR. TILL: Your Honor, with respect to 41,</p> <p>19 RBD-41, I have the missing pages --</p> <p>20 JUDGE PEARSON: Okay.</p> <p>21 MR. TILL: -- from that. So may I approach</p> <p>22 the bench?</p> <p>23 JUDGE PEARSON: Please. Can I have a copy</p> <p>24 for each commissioner?</p> <p>25 MR. TILL: Oh.</p>
<p>Page 66</p> <p>66</p> <p>1 the grounds that the stranded cost recovery fee isn't</p> <p>2 based on an analysis of the cost of service by a class.</p> <p>3 That's not an analysis that the Company performed, and</p> <p>4 its relevance to the Company's proposal, there is no</p> <p>5 relevance.</p> <p>6 MR. COWELL: Your Honor, and I think it's</p> <p>7 the exact same of this last one [sic], that there's a</p> <p>8 very material stranded cost recovery fee being proposed</p> <p>9 by the Company. And if parties can't question what the</p> <p>10 Company looked at to analyze the possibilities and</p> <p>11 decide upon what they would propose, then it would kind</p> <p>12 of take away the whole point of being able to issue</p> <p>13 discovery on these proposals.</p> <p>14 JUDGE PEARSON: Okay. And I will overrule</p> <p>15 that objection and allow that as well for the same</p> <p>16 reason, because it does address how the Company did or</p> <p>17 did not make its calculations.</p> <p>18 And then next is RBD-44X.</p> <p>19 MR. TILL: And for this exhibit, the</p> <p>20 Company objected to the data response on grounds</p> <p>21 that -- trying to respond regarding the frequency of</p> <p>22 future circumstances is speculative.</p> <p>23 JUDGE PEARSON: Mr. Cowell?</p> <p>24 MR. COWELL: Your Honor, again, I think</p> <p>25 this is a material issue in this case regarding</p>	<p>Page 68</p> <p>68</p> <p>1 JUDGE PEARSON: Thank you.</p> <p>2 MR. GREENFIELD: Your Honor, we have one</p> <p>3 other exhibit housekeeping issue, if I may address it.</p> <p>4 JUDGE PEARSON: Sure.</p> <p>5 MR. GREENFIELD: The original proposed</p> <p>6 revisions to Rules 1 and 4 were submitted with</p> <p>7 Mr. Dalley's initial testimony, not marked as a</p> <p>8 separate exhibit. The subsequent modifications of Rule</p> <p>9 6 and Schedule 300 were submitted as RMM-3. So the</p> <p>10 Company would propose to append to RMM-3 the proposed</p> <p>11 revisions to 1 and 4 that were not modified by virtue</p> <p>12 of rebuttal testimony.</p> <p>13 JUDGE PEARSON: Does anybody have any</p> <p>14 objection to that? That sounds logical to me. Okay.</p> <p>15 Hearing nothing, if you'll just refile that</p> <p>16 with the records center.</p> <p>17 MR. GREENFIELD: Okay.</p> <p>18 JUDGE PEARSON: Doesn't have to be today,</p> <p>19 but shortly after the conclusion of the hearing. And</p> <p>20 similarly with this, if this could be refiled, just so</p> <p>21 we have an electronic copy available to us.</p> <p>22 MR. GREENFIELD: Okay.</p> <p>23 JUDGE PEARSON: Thank you. Okay.</p> <p>24 Are there any other preliminary matters</p> <p>25 before I go and retrieve the commissioners? Okay.</p>

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1 Then we will take a brief recess. Let's be back at
 2 2:25, so in about eight minutes.
 3 (A break was taken from
 4 2:17 p.m. to 2:26 p.m.)
 5 JUDGE PEARSON: So we are back on the
 6 record following a short recess, and I am joined now by
 7 Chairman Danner, Commissioner Rendahl and Commissioner
 8 Balasbas. So let's take short appearances again for
 9 their benefit, beginning with the Company.
 10 MR. TILL: Good afternoon, Commissioners.
 11 I'm Dustin Till on behalf of PacifiCorp.
 12 MR. GREENFIELD: Good afternoon. I'm Troy
 13 Greenfield on behalf of Pacific Power.
 14 MR. PEPPLE: Tyler Pepple here on behalf of
 15 the Columbia Rural Electric Association. With me also
 16 is Stanley Schwartz.
 17 MR. FFITCH: Simon ffitch on behalf of The
 18 Energy Project.
 19 MR. COWELL: Jesse Cowell on behalf of
 20 Boise White Paper, LLC.
 21 MS. GAFKEN: Good afternoon. Lisa Gafken,
 22 Assistant Attorney General, on behalf of Public
 23 Counsel.
 24 MR. ROBERSON: Good afternoon. Jeff
 25 Roberson, Assistant Attorney General, on behalf of

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1 Commission staff.
 2 MR. CASEY: Good afternoon. Christopher
 3 Casey, Assistant Attorney General, also on behalf of
 4 Commission staff.
 5 MR. WILLIAMS: Good afternoon. This is
 6 J.D. Williams for Yakama Power.
 7 JUDGE PEARSON: Okay. Thank you.
 8 So the parties have prepared and agreed to
 9 order of witnesses, so we will follow that order.
 10 We'll take at least one break this afternoon, and I
 11 invite anyone who needs a break, please just speak up
 12 and let me know.
 13 So let's call our first witness,
 14 Mr. Gorman, up to the stand. Mr. Gorman, if you could
 15 please stand and raise your right hand.
 16
 17 MICHAEL GORMAN, witness herein, having been
 18 first duly sworn on oath,
 19 was examined and testified
 20 as follows:
 21
 22 JUDGE PEARSON: Please make sure that your
 23 microphone is turned on and you speak directly into it.
 24 Thank you.
 25 THE WITNESS: Okay. There's a red light,

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DIRECT EXAMINATION BY MR. PEPPLE / GORMAN 71

1 yeah. Thank you.
 2 JUDGE PEARSON: That means it's working.
 3 Mr. Pepple, go ahead. And I'll just remind
 4 the parties that we've already admitted all of the
 5 exhibits, so we don't need to offer those for
 6 admission. You do just ask if there are any
 7 corrections and offer him for cross.
 8 DIRECT EXAMINATION
 9 BY MR. PEPPLE:
 10 Q. Good afternoon, Mr. Gorman. Do you have with
 11 you Exhibits MPG-1T and MPG-2 through 7, as well as
 12 rebuttal testimony MPG-8T and MPG-9?
 13 A. Yes.
 14 Q. And do you have any corrections or additions to
 15 your testimony today?
 16 A. Not at this time, no.
 17 Q. And if I asked you the same questions, would
 18 your answers be the same today?
 19 A. Yes.
 20 MR. PEPPLE: The witness is available for
 21 cross.
 22 JUDGE PEARSON: Okay. Mr. Gorman, let's
 23 just have you state and spell your last name for the
 24 record.
 25 THE WITNESS: Name is Michael Gorman,

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 72

1 M-I-C-H-A-E-L G-O-R-M-A-N.
 2 JUDGE PEARSON: Okay. Thank you. And I
 3 believe the Company intends to go first.
 4 MR. GREENFIELD: Yes. Thank you,
 5 your Honor.
 6 CROSS-EXAMINATION
 7 BY MR. GREENFIELD:
 8 Q. Good afternoon, Mr. Gorman.
 9 A. Good afternoon.
 10 Q. When did the Commission last address the
 11 application of Pacific Power's net removal tariff?
 12 A. I would have to check the date. I don't have
 13 that with me.
 14 Q. Did your client make you aware that it was in
 15 the Walla Walla Country Club matter?
 16 A. I don't think I looked to identify the specific
 17 date of the last change in the net removal tariff. I
 18 don't recall doing that.
 19 Q. Your client didn't advise you that the last time
 20 the Commission addressed the net removal tariff was in
 21 the adjudicated Walla Walla Country Club matter?
 22 A. I believe --
 23 MR. PEPPLE: I'm going to object, your
 24 Honor. Mr. Gorman testified about the impact of the
 25 tariff. He didn't testify about the history of the net

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 73

1 removal tariff.

2 JUDGE PEARSON: And again, I think that's

3 been asked and answered, so --

4 BY MR. GREENFIELD:

5 Q. Do you know who the witness was hired by your

6 client to oppose the Company in the Walla Walla Country

7 Club matter?

8 MR. PEPPLE: Objection, your Honor, to the

9 characterization opposing the Company.

10 JUDGE PEARSON: I didn't actually hear the

11 question clearly. Do you want to try restating it?

12 MR. GREENFIELD: Certainly, your Honor.

13 BY MR. GREENFIELD:

14 Q. Mr. Gorman, do you know who your client hired as

15 an oppositional witness in the Walla Walla Country Club

16 matter?

17 **A. I do not.**

18 Q. I trust that you've been made aware that Docket

19 UE-143932 was an adjudicative proceeding between the

20 Walla Walla Country Club and Pacific Power?

21 MR. PEPPLE: Again, your Honor, Mr. Gorman

22 didn't testify about anything related to the Walla

23 Walla Country Club.

24 MR. GREENFIELD: And your Honor, this gets

25 to that point that you mentioned, that Mr. Gorman's

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 74

1 testimony is very confined, and yet we have issues that

2 go beyond that testimony and no witnesses offered on

3 behalf of Columbia REA to address some of those issues.

4 JUDGE PEARSON: Okay. Can you get to the

5 point of your question so that we can figure out who

6 it's more appropriately addressed to.

7 CHAIRMAN DANNER: And could I ask -- I'm

8 having trouble hearing you, too. It would be great if

9 you could move the microphone so it's pointed at your

10 mouth.

11 MR. GREENFIELD: Thank you.

12 BY MR. GREENFIELD:

13 Q. Were you made aware that your client, Columbia

14 REA, contractually bound itself to pay the costs

15 incurred by the Walla Walla Country Club to disconnect

16 from Pacific Power's system and transfer service to

17 Columbia REA?

18 MR. PEPPLE: Objection again, your Honor.

19 JUDGE PEARSON: Overruled. I'll see if

20 he's able to answer the question.

21 **A. I've written a data request that that**

22 **representation was made to Columbia REA.**

23 BY MR. GREENFIELD:

24 Q. Did you discuss that with your client?

25 **A. I did not.**

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 75

1 Q. Were you made aware that your client prepared an

2 estimate of the cost of installing replacement

3 facilities on the grounds of the Walla Walla Country

4 Club, and that cost was \$318,732.50?

5 MR. PEPPLE: Objection, your Honor.

6 JUDGE PEARSON: Overruled. I'll see if

7 he's able to answer the question.

8 **A. I'm not aware of that.**

9 BY MR. GREENFIELD:

10 Q. Were you made aware that a USPAP-compliant

11 appraisal was performed, and the fair market value of

12 the subject facilities was determined to be \$108,262?

13 MR. PEPPLE: Objection, your Honor.

14 JUDGE PEARSON: Sorry, Mr. Greenfield. Can

15 you explain where you're going with this?

16 MR. GREENFIELD: Certainly, your Honor. I

17 want to explore, as I mentioned when we were on the

18 record earlier, the financial interest that Columbia

19 REA has in this competitive environment with regard to

20 the Company's net removal tariff. And Mr. Gorman's

21 offered a number of opinions, and I, again, want to

22 demonstrate potential bias, prejudice based on his

23 client's financial interest.

24 And we have in this circumstance, in the

25 Walla Walla Country Club, Columbia REA putting together

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 76

1 an estimate that would cost over \$308,000 to install

2 the subject facilities new. We had an appraisal done,

3 and the fair market value of those facilities were

4 \$108,000.

5 Columbia REA was seeking to acquire those

6 facilities at net book value, which was about \$24,000.

7 I'm simply exploring with this witness whether his

8 client made him aware of those facts.

9 MR. PEPPLE: Your Honor, Mr. Gorman

10 explicitly testified that he was not opining on any

11 competitive issues between Columbia REA and

12 Pacific Power, and that he has been hired to evaluate

13 the tariff revisions in this case and how they impact

14 remaining PacifiCorp customers, which are the

15 jurisdictional customers at issue in this case.

16 JUDGE PEARSON: Okay. And given the

17 content of Mr. Gorman's testimony, I do think it would

18 be difficult for him to answer these questions, so I

19 guess I would ask the commissioners if they have any

20 interest in going down this path. And if so, then we

21 could direct a bench request to Columbia REA.

22 CHAIRMAN DANNER: I think it's a valid

23 concern that is being raised by Mr. Greenfield, and I

24 -- speaking for myself, I think since Mr. Gorman does

25 not work for the Company, and apparently does not have

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 77

1 knowledge of this, that perhaps we could do a bench
 2 request and find out some of the information
 3 Mr. Greenfield's asking for.
 4 COMMISSIONER RENDAHL: That's fine.
 5 JUDGE PEARSON: Okay. So I think we can do
 6 that -- probably not right this minute, but if you want
 7 to move on to your next set of questions, bear it in
 8 mind that we will draft a bench request to the Company.
 9 MR. GREENFIELD: Thank you, your Honor.
 10 BY MR. GREENFIELD:
 11 Q. I had one more question tied to this line of
 12 inquiry, and it's whether you're aware that your client
 13 generally agrees to pay the costs of disconnection from
 14 Pacific Power's system when a current Pacific Power
 15 customer requests a disconnect.
 16 **A. Can you repeat that question, please.**
 17 Q. Certainly.
 18 Have you been made aware by your client that it
 19 generally routinely agrees to cover a departing
 20 customer's costs in order to permanently disconnect from
 21 Pacific Power's system? In other words, your client may
 22 have to pay net book value or it may have to pay fair
 23 market value and stranded cost recovery fees, so there's
 24 a significant delta. Did your client explain that to
 25 you?

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 78

1 **A. Well, in the economics of the transactions that**
 2 **I looked at, it seemed like that would be something that**
 3 **my client would take into consideration. If they were**
 4 **gonna pay the disconnect fee, then that's a cost that**
 5 **would have to be recovered in the price they would**
 6 **charge the customer when it moves to their system.**
 7 **So the customer would essentially pay the same**
 8 **price for distribution service, regardless of which**
 9 **utility it takes service from. But the difference or**
 10 **the incentive for moving would be related to costs that**
 11 **are outside of the customer's specific costs when you**
 12 **compare Pacific Power to Columbia REA. So I would**
 13 **expect that in either -- either instance, that the**
 14 **customer would pay for all costs in being provided**
 15 **service.**
 16 Q. My question was a little more confined.
 17 Has your client told you that it generally -- it
 18 routinely covers the costs of Pacific Power's customers
 19 permanently disconnecting and going on to the Columbia
 20 REA system?
 21 **A. My client has not told me that, no.**
 22 Q. Mr. Gorman, you testified that, quote, "Allowing
 23 the Company to use a fair market value determination,
 24 option two, exposes existing customers to subjective
 25 valuation based on estimated costs and, thus, grants

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 79

1 Pacific Power the right to charge exiting customers exit
 2 fees in excess of Pacific Power's actual costs of the
 3 facilities dedicated to serving the exiting customer,"
 4 correct?
 5 **A. Yes.**
 6 MR. PEPPLE: Your Honor, could we get a
 7 citation from Mr. Greenfield?
 8 MR. GREENFIELD: Certainly. It's MPG-8T,
 9 page 3, lines 20 through 23.
 10 BY MR. GREENFIELD:
 11 Q. Mr. Gorman, I assume you reviewed the testimony
 12 of the other witnesses in this case, including
 13 Ms. Kelly, correct?
 14 **A. Yes.**
 15 Q. And you understand that Ms. Kelly took issue
 16 with the process of determining fair market value,
 17 specifically pointing to the absence of an independent
 18 valuation, correct?
 19 **A. Yes.**
 20 Q. And I assume you've also been made aware that
 21 the Company modified its proposal to now provide for a
 22 second fair market value determination by an appraiser
 23 chosen by the customer from a list pre-approved by the
 24 Commission, correct?
 25 **A. In the rebuttal, that's correct.**

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 80

1 Q. Yes. And the lower of those two fair market
 2 value determinations will control, correct?
 3 **A. If the Commission decides that's how it will**
 4 **write the tariff, then yes.**
 5 Q. Mr. Gorman, how does the Company define "net
 6 book value" in Rule 1?
 7 **A. Rule 1, I would have to review the definition,**
 8 **but generally it is the difference between the gross**
 9 **investment cost of the utility and the amount of**
 10 **depreciation or accumulated depreciation recovered by**
 11 **the utility from retail customers.**
 12 Q. And you note in your testimony that the
 13 Company's approved depreciation rates for distribution
 14 facilities include a component for the cost of removing
 15 the facility when it's necessarily replaced, correct?
 16 **A. A salvage value, that's right.**
 17 Q. But again, removal costs are included within
 18 depreciation rates of the Company, correct?
 19 **A. Yes.**
 20 Q. So as defined by the Company, depreciation,
 21 which, as you know, includes removal costs, is
 22 subtracted from the installed cost to reach net book
 23 value, correct?
 24 **A. Yes.**
 25 Q. Mr. Gorman, on page 15 of your responsive

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 81

1 testimony, you claim that Pacific Power, quote, "has not
 2 established that there will be any change in the use of
 3 transmission assets serving customers in the Walla Walla
 4 area, regardless of whether or not they're served at
 5 retail by Pacific Power or Columbia REA or any other
 6 retail supplier in this district," close quote.
 7 Is that accurate?
 8 **A. In this proceeding, yes.**
 9 Q. Do you have any evidence that customers who
 10 switch from Pacific Power to your client will receive
 11 power via Pacific Power's transmission system?
 12 **A. I don't have any evidence that the use of the**
 13 **transmission facilities will change regardless of who**
 14 **the retail supplier is.**
 15 Q. Okay.
 16 Do you have any evidence that customers
 17 departing Pacific Power's system and going to Columbia
 18 REA's system will become, you know, wheeling -- well,
 19 actually, let me back up.
 20 Is Columbia REA a wheeling customer of
 21 Pacific Power?
 22 **A. It's -- I have no evidence on how the**
 23 **transactions for -- transaction service between Columbia**
 24 **REA and Pacific Power take place.**
 25 Q. So to your knowledge, your client, Columbia REA,

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 82

1 is not a wheeling customer of Pacific Power, correct?
 2 **A. I reviewed your direct filing in this case**
 3 **claiming stranded costs, and I did not find anything**
 4 **that suggested Pacific Power's transmission assets would**
 5 **no longer be used --**
 6 Q. Mr. Gorman --
 7 **A. -- if a retail customer changed service.**
 8 Q. You didn't answer my question.
 9 Do you have a scintilla of evidence that
 10 Columbia REA is a wheeling customer of Pacific Power,
 11 yes or no?
 12 **A. My evidence on this, sir, is a review of your**
 13 **testimony claiming stranded costs exist. And in that**
 14 **evidence, there was no discussion of changed use of**
 15 **transmission facilities in the event a customer switches**
 16 **from Pacific Power to Columbia REA. So based on a**
 17 **review of your evidence, I concluded that there is no**
 18 **evidence of change in use of transmission facilities.**
 19 Q. Did your client tell you that it's a wheeling
 20 customer of Pacific Power?
 21 MR. PEPPLE: Objection, your Honor. I
 22 think Mr. Gorman's provided his response to this
 23 question.
 24 JUDGE PEARSON: It's actually a yes-or-no
 25 question, which we haven't heard that response yet.

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 83

1 MR. GREENFIELD: Thank you, your Honor.
 2 **A. I didn't ask them because I relied on the**
 3 **Company to support its case. In this case, the Company**
 4 **provided no evidence of change in use of transmission**
 5 **facilities.**
 6 **JUDGE PEARSON: So Mr. Gorman, can you**
 7 **provide a yes-or-no answer to the question?**
 8 THE WITNESS: Can you repeat the question?
 9 BY MR. GREENFIELD:
 10 Q. Do you have a scintilla of evidence that
 11 Columbia REA is a wheeling customer of Pacific Power?
 12 **A. I do not.**
 13 Q. Do you have any proof that a customer who
 14 switches from Pacific Power's system to Columbia REA's
 15 system would increase Pacific Power's wheeling revenue?
 16 **A. Let me make sure I understand that question. If**
 17 **a retail customer switched from using one set of**
 18 **utility's transmission assets to another set, and they**
 19 **paid for the use of those transmission assets, would**
 20 **that increase the utility's revenue on the transmission**
 21 **asset as the additional customer?**
 22 Q. My question's very specific. If a Pacific Power
 23 customer departs the Pacific Power system and moves to
 24 the Columbia REA system, do you have any evidence that
 25 Pacific Power's wheeling revenue would increase?

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 84

1 **A. I do not. Again, I relied on the Company to**
 2 **make the case for its stranded cost claim.**
 3 Q. Mr. Gorman, how many of the former Pacific Power
 4 customers who permanently disconnected and switched to
 5 your client qualify for your client's low-income
 6 program?
 7 MR. PEPPLE: What was the number you just
 8 gave?
 9 MR. GREENFIELD: Pardon me?
 10 MR. PEPPLE: How many customers did you say
 11 switched?
 12 MR. GREENFIELD: I didn't. I said any
 13 customer.
 14 MR. PEPPLE: Okay.
 15 BY MR. GREENFIELD:
 16 Q. Mr. Gorman, how many former Pacific Power
 17 customers who have switched to be served by Columbia REA
 18 qualify for your client's low-income programs?
 19 **A. I didn't look at the number of customers that**
 20 **switched, and I don't know if any of them qualified for**
 21 **the low-income program.**
 22 Q. Did you review your client's DR responses?
 23 **A. Most of them.**
 24 Q. I'd like the witness to take a look at MPG-10X.
 25 **A. Can you give me the direct -- I mean, I**

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 85

1 didn't -- I printed off the cross-exhibits, but didn't
 2 write the numbers down on them.
 3 Q. So it's MPG-10X and, it's Public Counsel's data
 4 request 2 to Columbia REA.
 5 **A. PC-1?**
 6 Q. Dash 2.
 7 **A. I believe -- I don't believe I have that.**
 8 MR. GREENFIELD: May I approach,
 9 your Honor?
 10 JUDGE PEARSON: Sure.
 11 MR. GREENFIELD: Here we go. Just hand you
 12 a page.
 13 THE WITNESS: Thank you.
 14 BY MR. GREENFIELD:
 15 Q. For the record, did your client respond to a DR
 16 request indicating that no customers who have
 17 transferred from Pacific Power's system to Columbia
 18 REA's system actually qualify for Columbia REA's
 19 low-income programs?
 20 **A. What this response indicates is that the**
 21 **customers that have switched did not qualify for ^ the**
 22 **low-income program.**
 23 Q. Thank you, Mr. Gorman.
 24 Mr. Gorman, does your client comply with the
 25 state of Washington's renewable portfolio standards,

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 86

1 requirements, conservation acquisition standards and the
 2 clean air rule?
 3 MR. PEPPLE: Objection, your Honor.
 4 Mr. Gorman didn't testify on this.
 5 JUDGE PEARSON: So --
 6 MR. GREENFIELD: Mr. Gorman testified, I
 7 believe, that he was critical of the two additional
 8 fees that were suggested by Ms. Kelly, one of which
 9 relates to conservation and energy efficiency.
 10 JUDGE PEARSON: I do believe there is a
 11 cross-exhibit that goes with this, is there not?
 12 MR. GREENFIELD: There is. It's MPG-16X.
 13 JUDGE PEARSON: Okay. To which there was
 14 no objection, if I recall. So with respect to that, he
 15 can look at the exhibit and answer the question.
 16 MR. GREENFIELD: Thank you, your Honor.
 17 **A. Again, I apologize. Can you give me the**
 18 **specific data response? Thank you.**
 19 **///**
 20 BY MR. GREENFIELD:
 21 Q. It's Pacific Power's data request 12 to Columbia
 22 REA.
 23 **A. Okay. Thank you. Can you repeat your question**
 24 **for me?**
 25 Q. Certainly.

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CROSS-EXAMINATION BY MR. GREENFIELD / GORMAN 87

1 Does your client comply with the state of
 2 Washington's renewable portfolio standards and
 3 requirements, conservation acquisition standards and the
 4 clean air rule?
 5 **A. Well, this response indicates that they were not**
 6 **required to comply, but they did undertake**
 7 **conservation-related activities. I don't know whether**
 8 **or not what they do is greater than, less than or equal**
 9 **to what they would have been required to do if the law**
 10 **applied to them.**
 11 Q. Has your client indicated whether it complies
 12 with those standards?
 13 **A. Alls I know is what you handed me.**
 14 Q. Mr. Gorman, does your client have access to
 15 preference power from Bonneville Power Administration?
 16 **A. Has access to Bonneville Power Administration**
 17 **power, yes.**
 18 Q. Does it have access to preference power?
 19 **A. I don't know the distinction.**
 20 Q. Mr. Gorman, does your client have business plans
 21 articulating how it will pursue competition with
 22 Pacific Power?
 23 **A. I'm not aware of it. I didn't speak with my**
 24 **client concerning that issue.**
 25 MR. GREENFIELD: Thank you, Mr. Gorman.

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CROSS-EXAMINATION BY MS. GAFKEN / GORMAN 88

1 That's all I have.
 2 THE WITNESS: Thank you.
 3 JUDGE PEARSON: Okay. Thank you. So I
 4 believe Public Counsel is next.
 5 CROSS-EXAMINATION
 6 BY MS. GAFKEN:
 7 Q. Good afternoon.
 8 **A. Good afternoon.**
 9 Q. Would you please turn to your cross-answering
 10 testimony, which is Exhibit MPG-8T, and turn to page 7,
 11 lines 1 through 3?
 12 **A. Sorry?**
 13 Q. 1 through 3.
 14 **A. Thank you. I'm there.**
 15 Q. And actually, I'm going to refer you down to
 16 footnote 1. Footnote 1 cites to FERC Order 888 for the
 17 proposition that stranded costs are appropriate only
 18 when a utility has a reasonable expectation of continued
 19 service to a customer; is that correct?
 20 **A. Yes.**
 21 Q. In your opinion, would a utility that does not
 22 have an exclusive service territory ever have a
 23 reasonable expectation of continued service?
 24 **A. Well, there's no contractual obligation or**
 25 **tariff rate obligation or legal obligation, so from that**

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CROSS-EXAMINATION BY MS. GAFKEN / GORMAN 89

1 standpoint, I think the utilities should be aware that
 2 the customer has a right to switch suppliers. In that
 3 instance, then the utility would have a right to recover
 4 whatever costs the commission tariffs allow it to
 5 recover. So in those instances, the utility is to
 6 operate within the laws and rules of the jurisdiction it
 7 operates under.
 8 Q. But does that utility have a reasonable
 9 expectation of continued service?
 10 **A. Not --**
 11 MR. PEPPL: Objection, your Honor. I
 12 believe it was asked and answered.
 13 JUDGE PEARSON: Okay. If you could just
 14 give a clear yes-or-no answer.
 15 **A. Well, it depends on the laws and the regulatory**
 16 **requirements approved by the regulatory commission. In**
 17 **a jurisdiction where customers have the right to choose**
 18 **a different supplier, then the utility does not have an**
 19 **expectation of continued service to that customer.**
 20 **Based on the law -- I'm not a lawyer, but based**
 21 **from an economic and a financial principle, the utility**
 22 **would not have an expectation to be able to continue to**
 23 **provide service to that customer if it can't be a**
 24 **competitively priced and high-quality service provider**
 25 **to that customer. In those instances, the customer has**

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CROSS-EXAMINATION BY MS. GAFKEN / GORMAN 90

1 a right to move or switch suppliers.
 2 BY MS. GAFKEN:
 3 Q. FERC Order 888 stated that a reasonable
 4 expectation of continued service would be determined on
 5 a case-by-case basis; is that correct?
 6 **A. I'd have to review it again, but I believe**
 7 **that's correct, yes.**
 8 Q. And that's kind of what you were getting to in
 9 your answer; is that a fair representation?
 10 **A. I think it is, yes.**
 11 Q. FERC Order 888 did not require utilities to have
 12 an exclusive service territory in order to have a
 13 reasonable expectation of continued service, did it?
 14 **A. Well, generally there isn't franchise service**
 15 **rights in wholesale contracts, so I would have to review**
 16 **the order again from that standpoint. But that's**
 17 **probably true with the exception of contractual**
 18 **provisions between the utility and the wholesale**
 19 **customer.**
 20 Q. But an exclusive service territory isn't
 21 required in order for a utility to have a reasonable
 22 expectation of continued service, is it?
 23 **A. No. But some obligation of the customer to the**
 24 **utility, I think, is. That would be either contractual**
 25 **or regulatory or a jurisdictional/legal requirement.**

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REDIRECT EXAMINATION BY MR. PEPPL / GORMAN 91

1 Q. You were critical of Public Counsel's testimony
 2 with respect to the stranded costs related to low-income
 3 and energy-efficiency programs; is that correct?
 4 **A. Yes.**
 5 Q. There are administrative costs that are fixed
 6 costs with respect to those programs, are there not?
 7 **A. Well, there are employees, I would think, within**
 8 **the customer service function that monitor customers who**
 9 **are not able to pay and those customers who simply just**
 10 **don't pay, and distinguish between the two. So I would**
 11 **think there would be some overhead costs associated with**
 12 **that function.**
 13 MS. GAFKEN: Thank you.
 14 JUDGE PEARSON: Thank you.
 15 Mr. ffitc, did you have questions for
 16 Mr. Gorman?
 17 MR. FFITCH: I don't have any questions for
 18 Mr. Gorman. Thank you, your Honor.
 19 JUDGE PEARSON: All right.
 20 Mr. Pepple, did you have any redirect for
 21 the witness?
 22 MR. PEPPL: I do have a couple,
 23 your Honor.
 24 REDIRECT EXAMINATION
 25 BY MR. PEPPL:

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REDIRECT EXAMINATION BY MR. PEPPL / GORMAN 92

1 Q. Mr. Gorman, Mr. Greenfield represented to you
 2 that Columbia REA pays the costs for disconnecting
 3 customers. Do you recall that?
 4 **A. I do.**
 5 Q. If Columbia REA did that, would that have any
 6 impact on the costs that remaining customers paid to
 7 Pacific Power?
 8 **A. It would not, and it would not have impacted my**
 9 **analysis in reviewing the reasonableness of**
 10 **Pacific Power's proposal in this case. From that**
 11 **standpoint, I looked at whether or not the costs that**
 12 **would be recovered by Pacific Power would leave other**
 13 **customers indifferent from the decision by a customer to**
 14 **exercise its right to choose an alternative supplier.**
 15 Q. Thank you, Mr. Gorman.
 16 Can you turn now back to Public Counsel data
 17 request PC-2, which is Exhibit MPG-12X?
 18 **A. I have it.**
 19 Q. In the second paragraph of the response, can you
 20 read the second sentence, please?
 21 **A. "Although residential customers switch their**
 22 **service to CREA each year, CREA's residential rates are**
 23 **higher than Pacific Power's."**
 24 Q. Thank you.
 25 One more question. I may need to give you this

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REDIRECT EXAMINATION BY MR. PEPPLÉ / GORMAN 93

1 exhibit. Mr. Greenfield asked you whether Columbia REA
 2 has access to preference power from Bonneville. Do you
 3 recall that?
 4 **A. I do.**
 5 Q. I'm looking at Exhibit RBD-6X. Do you have that
 6 exhibit in front of you?
 7 **A. I'm not sure what that is.**
 8 Q. I'll hand you one.
 9 **A. Thank you.**
 10 Q. Okay.
 11 Mr. Gorman, in the chart at the bottom of the
 12 page, there are various rates. Do you see that?
 13 **A. I do.**
 14 Q. The second one, PF Tier 1, I'll represent to you
 15 that stands for Priority Firm. Do you see the second --
 16 the second one there?
 17 **A. Yes.**
 18 Q. What's the rate?
 19 **A. \$33.75 a megawatt hour.**
 20 Q. Okay.
 21 Now, can you turn to page 3 of that exhibit?
 22 **A. I'm there.**
 23 Q. The graph in the bottom left corner is
 24 Pacific Power's October official forward price curve.
 25 Do you see that?

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EXAMINATION BY CHAIRMAN DANNER / GORMAN 94

1 **A. I do.**
 2 Q. So what, approximately, is the rate -- the
 3 wholesale power rate for -- based on this curve, for
 4 2017, say, through 2020? Is it above or below \$33
 5 and --
 6 **A. It's below 33; in fact, it's below 30.**
 7 MR. PEPPLÉ: Okay. Thank you. I have no
 8 further questions.
 9 JUDGE PEARSON: Thank you. Are there any
 10 questions from the bench?
 11 EXAMINATION
 12 BY CHAIRMAN DANNER:
 13 Q. So I just want to get some clarification because
 14 it wasn't clear in reading the record.
 15 In Ms. Kelly's testimony, she was talking about
 16 the Blue Mountain programs, and you or Columbia REA
 17 mentioned -- and I don't know if this is a question for
 18 you or if we'll have to get it from the Company -- it
 19 wasn't clear to me whether Columbia REA customers
 20 received low-income assistance solely through Blue
 21 Mountain, and in doing so, did they actually contribute
 22 to Blue Mountain, or did they simply receive from Blue
 23 Mountain?
 24 **A. It's my understanding that Columbia REA does**
 25 **contribute to Blue Mountain Action Council, and their**

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EXAMINATION BY CHAIRMAN DANNER / GORMAN 95

1 customers are able to apply for assistance.
 2 Q. Okay.
 3 So how much -- do you know how much Columbia REA
 4 contributes to Blue Mountain, or can you cite in the
 5 record --
 6 **A. I think one of my data -- cross data requests**
 7 **had that information in it.**
 8 Q. Okay. That would be great.
 9 MR. PEPPLÉ: Your Honor, may I provide a
 10 reference?
 11 JUDGE PEARSON: Sure.
 12 MR. PEPPLÉ: So I believe the KAK-15 has a
 13 response that is from Columbia REA that is responsive
 14 to the chairman's request.
 15 CHAIRMAN DANNER: All right.
 16 So this in answer, what I'm seeing is, in
 17 addition to support through BMAC, CREA provided \$10,873
 18 in rate assistance for its low income, but that's in
 19 addition to what was provided by BMAC.
 20 My question was, was there any contribution
 21 from CREA to BMAC?
 22 MR. PEPPLÉ: And I believe -- I don't -- I
 23 agree, that response doesn't answer that question. I'm
 24 sure we can provide that response to a bench request.
 25 CHAIRMAN DANNER: Okay. I think I'd like

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EXAMINATION BY CHAIRMAN DANNER / GORMAN 96

1 to have that bench request. Thank you.
 2 JUDGE PEARSON: Okay.
 3 BY CHAIRMAN DANNER:
 4 Q. And the other question I have -- let's see if I
 5 can find the document again -- is going back to MPG-16,
 6 that you're not required to comply with decided laws and
 7 regulations, which I assume is 937 -- I-937. But you
 8 say you do pay for conservation and you say you put out
 9 an annual average of \$288,820.
 10 Knowing that we have a process for
 11 investor-owned utilities that's actually quite demanding
 12 in justifying costs for conservation and energy
 13 efficiency, I'm curious about what the -- what kind of
 14 vetting of these numbers goes through.
 15 Does any third party vet these numbers, or is
 16 this -- I mean, how do we know that this is the kind of
 17 stuff that is -- you know, would it be equivalent, so
 18 we're comparing apples to apples in terms of
 19 energy-efficiency expenditures?
 20 **A. Yeah, I have not performed an analysis to**
 21 **compare specifically the energy-efficiency-supported**
 22 **programs by Columbia REA to those of PacifiCorp that the**
 23 **State mandates. And I don't think any other witness in**
 24 **this proceeding has either, from the testimony I've**
 25 **read. So that would be an analysis I have not yet done.**

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1 Q. Okay.

2 So we take these numbers at face value, but with

3 the understanding that they haven't really been vetted

4 other than the Columbia REA management; is that correct?

5 **A. And whatever association that they work in**

6 **cooperation with to accomplish reasonable**

7 **energy-efficiency improvements.**

8 Q. Okay.

9 **A. But generally yes.**

10 Q. There's a figure here of 288,820, but there's no

11 information behind that, and I don't know how to -- to

12 vet that or to provide an analysis of that number to see

13 if that's something that would be considered by, for

14 example, IOU regulators, as being a justifiable -- an

15 expense that one could justify as energy efficiency.

16 That was my only question.

17 **A. I understand that. I have not performed that**

18 **analysis, but I would think it could be done.**

19 **CHAIRMAN DANNER: All right. Well, thank**

20 **you. That's all I have.**

21 **JUDGE PEARSON: Anything else?**

22 **EXAMINATION**

23 **BY COMMISSIONER RENDAHL:**

24 Q. So Mr. Gorman, from the earlier questions today,

25 I'm assuming you were not aware of the -- or haven't

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1 discussed with your client the history of the

2 discussions over a lack of exclusive territory in

3 between Columbia REA and PacifiCorp?

4 **A. Well, generally, reviewing the Company's**

5 **testimony in this case, that seemed pretty clear. And I**

6 **did attempt to do some discovery to get more information**

7 **on some of the claims Pacific Power was making along**

8 **those lines, but they, unfortunately, didn't provide**

9 **much detail in supporting most of their assertions.**

10 Q. All right.

11 Well, you are the only witness for Columbia REA

12 in this proceeding, so if you can't answer this

13 question, then maybe we can ask this as a bench request

14 to Columbia REA.

15 But my question is, this is the only -- the lack

16 of an agreement in this territory is the sole area in

17 Washington state without such an agreement, and it's

18 been the root cause of this and other disagreements

19 between these two parties before the Commission. So I'd

20 like to hear what the major obstacle is from Columbia

21 REA's perspective to reaching such an agreement. And if

22 you can't answer that question, we'll make it a bench

23 request to Columbia REA.

24 **A. I'm not able to answer that question.**

25 **COMMISSIONER RENDAHL: Okay. Then that**

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1 **will be a bench request, then. Thank you.**

2 **JUDGE PEARSON: Okay.**

3 **Anything else? Okay. Then Mr. Gorman, you**

4 **may step down.**

5 THE WITNESS: Thank you.

6 JUDGE PEARSON: And our next witness is

7 Mr. Bolton for Pacific Power. Mr. Bolton, if you could

8 please raise your right hand. Thank you.

9

10 SCOTT BOLTON, witness herein, having been

11 first duly sworn on oath,

12 was examined and testified

13 as follows:

14

15 JUDGE PEARSON: Go ahead and be seated.

16 THE WITNESS: Thank you.

17 JUDGE PEARSON: If you would, just please

18 state your first and last name and spell your last name

19 for the record.

20 THE WITNESS: Yes. My name is Scott

21 Bolton. My last name is spelled B-O-L-T-O-N.

22 JUDGE PEARSON: Thank you.

23 MR. GREENFIELD: Your Honor, for the

24 record, Mr. Bolton's qualifications were circulated to

25 the service list, but they're not officially part of

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DIRECT EXAMINATION BY MR. GREENFIELD / BOLTON 100

1 the record. So I'm going to ask Mr. Bolton to state

2 his professional and educational background on the

3 record.

4 JUDGE PEARSON: Just to clarify, were those

5 refiled in the revised testimony that was filed? Did

6 you substitute --

7 MR. GREENFIELD: I don't believe --

8 JUDGE PEARSON: -- Mr. Bolton?

9 MR. GREENFIELD: -- so, no.

10 JUDGE PEARSON: No?

11 MR. TILL: Your Honor, those were

12 distributed by an electronic mail to the service list,

13 and we indicated to the service list that when

14 Mr. Bolton was presented for cross-examination that we

15 would walk him through his qualifications.

16 JUDGE PEARSON: Okay. Sounds good.

17 MR. GREENFIELD: Thank you, your Honor.

18 **DIRECT EXAMINATION**

19 **BY MR. GREENFIELD:**

20 Q. Mr. Bolton, would you please describe your

21 educational and professional background?

22 **A. Yes. Thank you. I have a Bachelor of Political**

23 **Science degree from Portland State University, a**

24 **master's of Business Administration from Marylhurst**

25 **University, and I have a Utility Management Certificate**

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DIRECT EXAMINATION BY MR. GREENFIELD / BOLTON 101

1 from Willamette University.

2 Q. And your professional background?

3 **A. Professionally, I was hired at PacifiCorp in**

4 **2004 as an analyst in the government affairs department.**

5 **I have moved up in both responsibility and position**

6 **within the company since then.**

7 **Prior to my current role, I was vice president**

8 **of external affairs and customer solutions. And since**

9 **the end of May, I am senior vice president of external**

10 **affairs and customer solutions.**

11 **In general, I have quite a bit of experience**

12 **working with our community and customer service**

13 **departments, have a general level of familiarity with --**

14 **since coming to the company in 2004, with the ongoing**

15 **issues with lack of service territory and issues around**

16 **customer disconnection requests in the Walla Walla,**

17 **Dayton, College Place parts of our service territory,**

18 **and am now in a position where I'm responsible for our**

19 **regulatory affairs work as well.**

20 Q. Mr. Bolton, have you adopted testimony in

21 sponsored exhibits of Mr. Dalley?

22 **A. Yes, I have, with the exception of page 15 in**

23 **RBD -- RBD-T1, page 15, lines 1 through 16, which I**

24 **believe Mr. Meredith will speak to.**

25 Q. Okay.

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DIRECT EXAMINATION BY MR. GREENFIELD / BOLTON 102

1 And also RBD Exhibit 4, but that's essentially

2 stale, correct, in that the company has --

3 **A. That's correct, we've modified our proposal.**

4 Q. -- modified the proposal?

5 Thank you.

6 What circumstances led you to adopting

7 Mr. Dalley's testimony and exhibits?

8 **A. Mr. Dalley left the company recently, calling**

9 **for an opportunity to step in and pick up his testimony**

10 **in this proceeding. Since Mr. Dalley's departure, he**

11 **has been replaced by Etta Lockey, our new vice president**

12 **of regulatory affairs.**

13 Q. I believe there was a question presented before

14 we went on the record today from Staff counsel as to

15 whether the Company's modified proposed revisions are

16 essentially the Company's proposal or just simply an

17 alternative to be considered with the initial proposal.

18 Which is it, from your perspective?

19 **A. Certainly the Company stands behind its proposal**

20 **as initially presented to the Commission. However,**

21 **through this process, we believe that the modified**

22 **proposal does reflect a balance of interests without**

23 **conceding that certainly we may have had it right in the**

24 **first instance.**

25 MR. GREENFIELD: Your Honor, for the

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1 record, I understand that RBD-1T and RMM-1T have been

2 refiled to correct the transfer of adopted testimony to

3 Mr. Meredith.

4 JUDGE PEARSON: Correct.

5 MR. GREENFIELD: With that, your Honor,

6 I'll offer Mr. Bolton for cross-examination.

7 JUDGE PEARSON: Okay. Thank you.

8 So I believe Staff is going first.

9 MR. CASEY: Yes.

10 CROSS-EXAMINATION

11 BY MR. CASEY:

12 Q. Good afternoon, Mr. Bolton. Thank you very much

13 for adopting Mr. Dalley's testimony and helping keep

14 this proceeding on track. We all have to deal with

15 these kind of practical difficulties from time to time.

16 Can I have you please turn to RBD-1T, page 8? I

17 just want to very quickly talk about the definition of

18 permanent disconnection.

19 **A. Certainly.**

20 Q. So I'm looking at lines 20 through the beginning

21 of -- through the first line of the next page.

22 **A. Yes, I see it.**

23 Q. So my question here, it says, "A permanent

24 disconnection occurs when a customer seeks to

25 permanently disconnect Company's facilities or to be

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 104

1 served by another electric utility provider," correct?

2 **A. That is correct.**

3 Q. Why the "or" here? Why not "and"?

4 **A. It's a very good question because, in our**

5 **experience, the choosing of an alternative service**

6 **provider, particularly in the case of those that have**

7 **been solicited and acquired by Columbia REA, are**

8 **permanent disconnections where the physical connectivity**

9 **between Pacific Power's system has been changed over to**

10 **physical connectivity with Columbia REA's system, and I**

11 **believe that the inclusion of "or" contemplates a**

12 **circumstance that we don't see as often, and certainly**

13 **experience in other states, such as Oregon where there**

14 **may be a different provider of generation or of energy**

15 **services, but that connection to the customer may still**

16 **remain intact. But primarily what we're speaking about**

17 **here, and to the net removal tariff's purpose, is for**

18 **the permanent disconnection.**

19 Q. So would permanent disconnection include a

20 customer who puts distributed generation on their house?

21 **A. No.**

22 Q. What about a customer who has distributed

23 generation plus a battery?

24 **A. If the customer remains grid connected, then**

25 **that does not constitute permanent disconnection from**

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 105

1 the Company's service.
 2 Q. Okay. Thank you.
 3 All the money collected as a result of either
 4 the net removal or the free market sale of
 5 customer-dedicated facilities and/or from the stranded
 6 cost fee, all of that would be passed back to customers,
 7 correct?
 8 **A. Yes, that's correct.**
 9 Q. So none of that money would go to shareholders,
 10 correct?
 11 **A. Correct.**
 12 Q. And the Company would not directly profit from
 13 this proposal, correct?
 14 **A. That is correct.**
 15 Q. And so we're all on the same page, the Company
 16 is not seeking to address a cost shift between departing
 17 customers and company shareholders, correct?
 18 **A. Correct. The Company is seeking to address the**
 19 **cost shift between departing customers and remaining**
 20 **customers.**
 21 Q. From an accounting perspective, has the
 22 Company's property been devalued at all as a result of
 23 customer disconnections?
 24 **A. The customer disconnections ultimately result in**
 25 **stranded costs, that's that the cost basis for service**

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 106

1 remains the same while the revenue support to support
 2 those costs are diminished through that customer
 3 departure. I guess I am a little confused by the term
 4 "devalued" here, as far as your use of -- you might want
 5 to explain that to me.
 6 Q. You said costs are stranded. How are they
 7 stranded? Are they stranded from recovery?
 8 **A. Yes, that the -- well, they're -- the costs have**
 9 **a potential for stranding unless they're recovered or**
 10 **carried by the remaining customers. So the stranded**
 11 **cost recovery fee is intended to ensure that the cost**
 12 **causation from the customer departing the system is**
 13 **borne by that customer electing to make that decision,**
 14 **so that that customer's revenue support for the system**
 15 **that remains in place to serve remaining customers makes**
 16 **those customers whole, so that those costs of the**
 17 **departing customer are not shifted to the remaining**
 18 **customers.**
 19 Q. So is it fair to say that the costs are not so
 20 much stranded as they are shifted potentially from one
 21 customer to another?
 22 **A. Primarily that is the concern that we're trying**
 23 **to address.**
 24 Q. The Company does not have -- does the Company
 25 have a financial interest in retaining customers?

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 107

1 **A. The Company has an interest in ensuring that it**
 2 **provides its service to customers in as affordable and**
 3 **efficient way as possible. That ability to provide**
 4 **service on that basis is challenged by the loss of**
 5 **revenue support while the fixed costs component of**
 6 **providing that service remains the same.**
 7 Q. Would you agree that there's an opportunity cost
 8 associated with a customer's permanent disconnection for
 9 the Company?
 10 **A. Yes.**
 11 Q. If a customer permanently disconnects, the
 12 Company will lose an opportunity to make money off of
 13 serving the future load of that customer, correct?
 14 **A. Yes.**
 15 Q. Does Pacific Power have a service territory?
 16 **A. We have what I would describe as a traditional**
 17 **service area. And in fact, the primary communities that**
 18 **are, you know, under consideration here are the founding**
 19 **communities of the Company from 1910. Yakima and**
 20 **Walla Walla were the first communities that investors**
 21 **created the business that is now today Pacific Power**
 22 **within.**
 23 Q. Can you give a quick high-level overview of what
 24 the Company considers the boundaries of its service
 25 territory?

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 108

1 **A. Sure. It's generally the six, seven counties**
 2 **that we serve in Washington, the portions of which the**
 3 **Company has historically had distribution system and**
 4 **customer assets in place. Certainly our system expands**
 5 **beyond that as far as our transmission and generation**
 6 **network, but the service area is really that area within**
 7 **which we provide direct service to customers. And it**
 8 **really goes back to kind of first-arrival status to**
 9 **provide service to those customers.**
 10 Q. So is it fair -- how does the Company know what
 11 is its service territory?
 12 **A. Well, in Washington, we know our service**
 13 **territory by what customers we serve, and by the areas**
 14 **closest to the customers that we serve if it's currently**
 15 **not occupied. So if there's a new development, a new**
 16 **building that is built and we do have existing**
 17 **customers, existing facilities nearby, and it's cost**
 18 **effective to reach out to serve those customers, that**
 19 **would be considered our service area.**
 20 Q. And in that area, is the Company obligated to
 21 serve everyone in that area, that service territory?
 22 **A. We believe that the regulatory compact requires**
 23 **us to provide service to any and all customers in that**
 24 **area on a transparent and nondiscriminatory basis.**
 25 Q. Is the Company entitled to serve all customers

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 109

1 in that service territory?

2 **A. The Company is obligated under the regulatory**

3 **compact to provide service.**

4 Q. That was your previous answer.

5 **A. Right.**

6 Q. I was wondering, is the Company entitled to

7 serve all customers in that service territory?

8 **A. I would say, in essence, yes, because in many of**

9 **those communities, we do have a franchise agreement with**

10 **municipal and local governments. We do have permits for**

11 **facilities. There's quite a bit of government sanction**

12 **for the Company to be there in the first place to**

13 **provide service, so I do think that it does stand to**

14 **reason that -- or that logical extension is that the**

15 **Company is entitled to provide service, and, in doing**

16 **so, comes under the jurisdiction and regulation of the**

17 **Utilities and Transportation Commission.**

18 Q. Do you know whether any of the companies who

19 have left, have permanently disconnected are government

20 entities?

21 **A. Yes.**

22 Q. Which ones?

23 **A. The courthouse in Dayton has switched from being**

24 **a long-time Pacific Power customer to being a customer**

25 **of Columbia REA.**

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 110

1 Q. Do you have knowledge of whether a school

2 district also disconnected from Pacific Power?

3 **A. Off the top of my head, I can't answer that.**

4 Q. What about a water district?

5 **A. Yes, I believe that has happened.**

6 Q. Do you know if some of the government entities

7 mentioned are some of the bigger customers that have

8 left Pacific Power --

9 **A. I imagine --**

10 Q. -- in terms of load?

11 **A. I imagine there's probably some significant**

12 **loads that have been associated with government**

13 **customers.**

14 Q. Has the State of Washington granted

15 Pacific Power an exclusive service territory?

16 **A. No, the State of Washington has not.**

17 Q. Have any Municipals granted Pacific Power in

18 Washington an exclusive service territory?

19 **A. No. Our franchise authority allows us to do**

20 **business in those communities, but on a nonexclusive**

21 **basis.**

22 Q. To your knowledge, has the State granted any

23 for-profit electric utility regulated by this Commission

24 an exclusive service territory?

25 **A. I don't believe that's the case.**

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 111

1 Q. Is the Company's proposal designed or otherwise

2 intended to mitigate the lost opportunity costs

3 associated with a customer's permanent disconnection?

4 **A. The Company's net removal tariff revisions are**

5 **to address the cost shifting that occurs due to the**

6 **condition of competition where customers depart the**

7 **system.**

8 Q. So back to that question, yes or no, is the

9 Company's proposal designed or otherwise intended to

10 mitigate the lost opportunity costs associated with a

11 customer's permanent disconnection?

12 **A. Yes, to the degree that the opportunity cost is**

13 **the revenue support for the remaining system and**

14 **customers. Absolutely the permanent disconnection**

15 **basically means that there will be no opportunity to**

16 **serve that or the next customer over those same**

17 **facilities.**

18 Q. Will the Company's proposal have the practical

19 effect of serving as an economic impediment to permanent

20 disconnection?

21 **A. It's difficult to affirm that. I honestly don't**

22 **know, because the economics and the drivers of customers**

23 **choosing to permanently disconnect can be varied.**

24 Q. Would it be fair to say that the Company's

25 proposed revisions will make permanent disconnection

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 112

1 less economic for the departing customer?

2 **A. Yes.**

3 Q. Would the Company have a greater expectation of

4 continued -- of continuing to provide service if it had

5 an exclusive service territory?

6 **A. Yes.**

7 Q. So another way of asking that question, does the

8 Company have a lesser expectation of continuing to

9 provide service without an exclusive territory?

10 **A. No. Because, again, the regulatory compact and**

11 **the fact that we are franchised and have facilities in**

12 **place gives the Company a reasonable expectation to**

13 **continue to provide service to any and all qualified**

14 **customers.**

15 Q. Okay.

16 Please turn to RBD-5T at page 12. Can you take

17 a look at lines 8 and 9?

18 **A. Okay.**

19 Q. There you testify that the regulatory compact is

20 a principle grounded firmly in statutory and

21 constitutional requirements, correct?

22 **A. Yes.**

23 Q. What do you mean by "principle"?

24 **A. It's a governing construct.**

25 Q. What is the origin of the regulatory compact?

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 113

1 **A. The regulatory compact is reflected in a number**
 2 **of places. It's in some ways a living policy. It's**
 3 **reflected in the rules and decisions that come from the**
 4 **Utilities and Transportation Commission. It's also**
 5 **enshrined in concepts in Washington statute.**
 6 Q. Is the regulatory compact different in every
 7 state?
 8 **A. Generally, the regulatory compact is fairly**
 9 **universal across states; however, the statutory**
 10 **regulatory underpinning that would, you know, enshrine**
 11 **that -- that compact into actual rules and regulations**
 12 **can vary.**
 13 Q. So are rights and responsibilities of the
 14 Company to its customers, do they originate in the
 15 regulatory compact?
 16 **A. I have a hard time saying in absolute terms that**
 17 **they originate in the regulatory compact, but I would**
 18 **agree with you in that the regulatory compact is a**
 19 **fundamental construct that governs traditional electric**
 20 **utility service.**
 21 Q. Can you please look on that same page, page 12,
 22 now lines 10 and 11, that sentence.
 23 **A. Yes.**
 24 Q. You testify that the Company is under a
 25 mandatory duty to serve, and you cite RCW 80.28.110,

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 114

1 correct?
 2 **A. Yes.**
 3 Q. Why did you cite this statute instead of
 4 directly citing the regulatory compact as the basis for
 5 the Company's obligation to serve?
 6 **A. Because we believe that that statute is**
 7 **complementary to that principle.**
 8 Q. Are you familiar with RCW 80.28.110?
 9 **A. I don't have the statute in front of me.**
 10 Q. Do you know whether the obligation to serve
 11 articulated in RCW 80.28.110 is an absolute obligation
 12 or is qualified by some kind of reasonableness standard?
 13 **A. I would say that I don't have the legal**
 14 **expertise to answer that definitively.**
 15 Q. I just wanted to know if you knew.
 16 **A. Yeah. In the incorporation of that reference**
 17 **into our testimony, it's that we felt like it was a very**
 18 **complementary expression within Washington state statute**
 19 **that supports the overall concept that we do have an**
 20 **obligation to serve all customers within our service**
 21 **area.**
 22 Q. Can you please take a look at lines 11 through
 23 13?
 24 **A. Yes.**
 25 Q. Here you address reasonable compensation and you

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 115

1 cite RCW 80.28.020, correct?
 2 **A. Yes.**
 3 Q. Why did you cite the statute instead of directly
 4 citing the regulatory compact?
 5 **A. Well, this speaks more directly to the direct**
 6 **regulation oversight that, as an investor-owned utility,**
 7 **that the Commission provides.**
 8 Q. With respect to providing electric service in
 9 Washington state, do Pacific Power's rights and
 10 responsibilities stem from various statutes, rules and
 11 Commission orders, or do they originate from the
 12 regulatory compact?
 13 **A. I would say from all of those. And that the --**
 14 **again, the principle of the regulatory compact informs**
 15 **all of those statutes, rules and orders.**
 16 Q. Please turn to page 14. I'd like you to take a
 17 look at the question and answer that starts on page --
 18 on line 12 and goes to line 22.
 19 **A. Okay.**
 20 Q. So here you testify that the compact, which you
 21 repeat is grounded in statute and constitutional
 22 obligations, is at the heart of the Company's proposed
 23 tariff revisions, correct?
 24 **A. Yes.**
 25 Q. But here you do not cite any statutes, correct?

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 116

1 **A. Yes.**
 2 Q. You also don't cite any Commission rules,
 3 correct?
 4 **A. This is simply displayed as testimony, yes.**
 5 Q. I want to turn back to page 12, please, line 11.
 6 So here you testify that the Company is entitled to
 7 rates sufficient to yield a reasonable compensation for
 8 the services rendered, correct?
 9 **A. Yes.**
 10 Q. In your view, is the Company entitled to
 11 reasonable compensation for future services that have
 12 not yet been rendered?
 13 **A. No.**
 14 Q. If approved, would the stranded cost fee recover
 15 revenue for future services that have not yet been
 16 rendered?
 17 **A. No. It would -- it would essentially support**
 18 **the revenue support that is lost for the remainder of**
 19 **the system that has already been invested in, and is**
 20 **currently serving customers as used and useful for those**
 21 **customers.**
 22 Q. Let's turn to RBD-3. Are you familiar with this
 23 graph?
 24 **A. Yes, I am.**
 25 Q. This graph represents the cumulative annual

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 117

1 revenue lost by class since 1999, correct?

2 **A. Yes.**

3 Q. According to Pacific Power, CREA stopped abiding

4 by its informal boundary agreement with the Company in

5 1999, correct?

6 **A. Yes.**

7 Q. Looking at this graph, the annual revenue lost

8 from the customer or customers that departed since 1999

9 is included in the bar for the year 2016, correct?

10 **A. Yes.**

11 Q. What assumptions must carry forward for this

12 lost revenue to be -- from 1999 to be included in 2016?

13 **A. That the customer would have continued to --**

14 **either that particular customer or a future customer**

15 **using the same connection into the system would continue**

16 **to have been a customer.**

17 Q. Would the customer also have had to consume the

18 same load at the same rate?

19 **A. For this analysis, approximately, yes.**

20 Q. How many RIP [sic] planning cycles does this

21 graph cover?

22 **A. The Company's IRP is a 20-year look into -- a**

23 **20-year planning horizon. That IRP is updated every two**

24 **years. So roughly -- and I'm not sure, frankly, when we**

25 **started presenting IRPs to the Washington Commission, so**

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 118

1 this may actually predate our IRPs. However, it's safe

2 to say there's at least one full IRP and several updates

3 over that period of time.

4 Q. Has Pacific Power experienced any load growth in

5 Washington since 1999?

6 **A. Some, in particular classes. In general, over**

7 **the last probably close to decade, though, our load**

8 **growth on a general service basis has been flat.**

9 Q. How many years does the Company's proposed

10 stranded cost fee cover?

11 **A. As initially proposed, while we believe 20 would**

12 **have been reasonable, considering the IRP, as that**

13 **planning document, as initially proposed, ten years**

14 **[sic]. And through modification through this**

15 **proceeding, we believe six years as a compromise.**

16 Q. So under the Company's proposal, revenue from a

17 lost customer in 1999 would not remain relevant in 2016?

18 **A. I have difficulty understanding exactly your**

19 **question. I would -- what I would say is, under the**

20 **Company's revised net removal tariff, there would be no**

21 **relationship to any lost revenue associated with**

22 **customers who have departed prior to its application.**

23 Q. So is it the Company's position that revenue

24 lost in 1999 is still significant in 2017?

25 **A. To the extent that accumulated revenue loss**

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 119

1 continues and has even accelerated since 1999, we

2 believe demonstrates that this is an ongoing and growing

3 problem for Pacific Power's Washington customers.

4 Q. To your knowledge, why do customers choose to

5 permanently disconnect from Pacific Power?

6 **A. They choose to disconnect primarily over**

7 **incentivization to switch over to an alternative**

8 **provider, economic incentivization.**

9 Q. So they can -- for the most part, they can

10 receive cheaper service elsewhere?

11 **A. It's either -- either a cheaper rate, or through**

12 **basically practices where those new installation costs**

13 **would be covered and socialized by Columbia REA. So**

14 **they're -- I can't speak to every customer, but our**

15 **belief is that they are being marketed to solicit and**

16 **then incentivized to switch providers.**

17 Q. Are you familiar with the potential

18 municipalization of Bainbridge Island that's being kind

19 of discussed?

20 **A. Casually, I'm aware that it's happening.**

21 Q. And are you aware of the general reason for why

22 they might want -- that municipalization is being

23 considered?

24 **A. I'm not.**

25 Q. Might customers want to permanently disconnect

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 120

1 from Pacific Power to obtain greener energy somewhere

2 else?

3 **A. Well, we offer voluntary renewable energy**

4 **programs that allow customers to effectively, you know,**

5 **green up their power supply through that program. And**

6 **customers always have the opportunity to approach us if**

7 **there's, you know, a potential to work towards a**

8 **specific, you know, resource selection or something. If**

9 **they're a large sophisticated customer, we've had those**

10 **discussions with customers in the past.**

11 Q. So --

12 **A. We have no evidence whatsoever that there's any**

13 **other driver for switching from Pacific Power's service**

14 **to Columbia REA's service other than being economically**

15 **enticed to do so.**

16 Q. So Pacific Power is able to provide different

17 options to customers who might want a greener -- a

18 greener option than normal service?

19 **A. Yes, we have a program called Blue Sky. It's a**

20 **voluntary green program that is approved by this**

21 **Commission. And in fact, we are increasing our**

22 **marketing of that program and letting customers know of**

23 **its availability starting this year in Washington.**

24 Q. Do customers that disconnect do something wrong

25 by choosing to disconnect?

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 121

1 **A. Did they do something wrong?**
 2 Q. Yeah. In the Company's mind, are they doing
 3 something -- are they doing something wrong? Are they a
 4 bad actor by choosing to get service elsewhere?
 5 **A. No, I don't think so. I don't think we would**
 6 **apply a value judgment to the customer's choice here.**
 7 **In fact, I think we would look at each customer**
 8 **dispassionately as being a rational, economic actor, and**
 9 **that's, frankly, the purpose for revising our net**
 10 **removal tariff, is to respond to the presence of**
 11 **competition that is increasing the number of customers**
 12 **who may request permanent disconnection.**
 13 Q. Does another electric utility do something wrong
 14 by offering them that customer service?
 15 **A. Again, I think that's a value judgment. I don't**
 16 **think we look at it in those terms. Again, I do think**
 17 **that, in this particular case, we have a situation where**
 18 **we cannot get to a mutually beneficial bilateral service**
 19 **territory agreement. Columbia REA, frankly, is able to**
 20 **exploit those conditions of not having any standards of**
 21 **conduct or, you know, terms and conditions as to how it**
 22 **interacts with Pacific Power's customers, and can**
 23 **actively market and solicit the acquisition of those**
 24 **customers.**
 25 **In fact, I would point you to Exhibit RBD-2 that**

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 122

1 shows this encroachment of service territory over time,
 2 where it's not just the acquisition of customers, but
 3 it's the build-out of substantial infrastructure to
 4 serve not just those new customers, but to anticipate
 5 even more customer acquisition.
 6 Q. Acquisition of?
 7 **A. Existing customers.**
 8 Q. Of existing customers?
 9 **A. Yes.**
 10 Q. Is it possible that that build-out is being
 11 positioned for load growth of future customers?
 12 **A. Without a doubt, there's load growth driving the**
 13 **build-out of new infrastructure. It is also true that**
 14 **Columbia REA tends to acquire new customers, customers**
 15 **that do not already exist in those areas, whether it's**
 16 **in Columbia REA's traditional service area or**
 17 **Pacific Power's traditional service area.**
 18 **But again, in RBD-2, I think you can clearly see**
 19 **over time where Columbia REA's infrastructure was**
 20 **primarily constructed around the urban areas of**
 21 **Walla Walla and College Place. Over time, it encroaches**
 22 **within that urban interface moving beyond where a**
 23 **traditional rural electric association would serve into**
 24 **where, you know, an incumbent investor-owned utility**
 25 **serves.**

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1 And that, coupled with the known customers that
 2 have switched, as well as the hundreds of customers in
 3 addition that have inquired about switching,
 4 demonstrates that they are growing not just by new
 5 customer acquisition, but by acquisition of existing
 6 Pacific Power customers.
 7 Q. Is there much development happening in the
 8 Walla Walla or College Place -- College Place or College
 9 Park?
 10 **A. College Place.**
 11 Q. -- College Place? Is there much development
 12 happening in those areas?
 13 **A. I think "much" is relative. I think those**
 14 **communities have seen growth. Certainly coming out of**
 15 **the recession, we're starting to see more growth.**
 16 Q. Has Commission regulation -- is Commission
 17 regulation so inflexible that it prevents the Company
 18 from providing cheaper service?
 19 **A. I wouldn't describe it that way, but what I**
 20 **would say is that we are cost-of-service regulated, and**
 21 **we cannot unilaterally change or negotiate different**
 22 **rates than what we have approved by the Commission. And**
 23 **that is a fundamentally different retail service**
 24 **offering than what Columbia REA can do without having**
 25 **Commission oversight.**

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 124

1 Q. And is it your testimony that Commission
 2 regulation provides no options for alternative rates to
 3 what's currently in the tariff?
 4 **A. Traditionally, Commission regulation has served**
 5 **as a proxy for competition, and has opined in that in**
 6 **the past.**
 7 Q. You acknowledge that Pacific Power has been
 8 facing competition, at least with respect to CREA, for
 9 nearly two decades, correct?
 10 **A. Pacific Power has faced competition for nearly**
 11 **two decades.**
 12 Q. And is Commission regulation so inflexible that
 13 it prevents the Company from providing greener service?
 14 **A. No. In fact, as I mentioned earlier, the**
 15 **Commission has approved our Blue Sky tariff to provide**
 16 **voluntary options for customers.**
 17 Q. The net removal tariff is applicable to
 18 Pacific Power's customers, not competing utilities,
 19 correct?
 20 **A. That's correct. It's for those customers who**
 21 **request permanent disconnection from Pacific Power's**
 22 **system.**
 23 Q. So the removal charges target Pacific Power's
 24 customers, not other utilities, correct?
 25 **A. Yes. However, an interesting facet to this is**

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 125

1 that Columbia REA, as a business practice, will cover
 2 those costs for customers who choose to switch. So yes,
 3 the Commission only regulates our tariffs. These are
 4 our customers, but they're switching to go to another
 5 provider, so --
 6 Q. And if --
 7 **A. -- it cannot be completely demarcated.**
 8 Q. Pacific Power would only collect the fee from
 9 its customer, correct?
 10 **A. That's correct.**
 11 Q. And if a customer didn't pay prior to
 12 disconnection, it would only try to recover that unpaid
 13 debt from the customer, not CREA, correct?
 14 **A. Well, the customer -- the Company would not**
 15 **disconnect the customer unless a contract and payment in**
 16 **full had been received. At that point, as per current**
 17 **and the revised tariff, that's essentially the process.**
 18 **So we would not disconnect a customer outside of what's**
 19 **already outlined in our removal tariff.**
 20 Q. And my last question, so there is a process to
 21 disconnecting, correct?
 22 **A. Yes.**
 23 Q. A customer's not able to kind of disconnect
 24 without Pacific Power's knowledge and some time leading
 25 up to the disconnection?

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CROSS-EXAMINATION BY MR. CASEY / BOLTON 126

1 **A. Right. That's not to say that in very rare**
 2 **circumstances, and in very unsafe circumstances, that**
 3 **hasn't happened. But generally, yes, the Company is**
 4 **involved in that disconnection.**
 5 Q. How much -- just generally speaking, how much
 6 time would the Company have knowledge of intent to
 7 disconnect prior to disconnection?
 8 **A. It depends on the circumstance, it depends on**
 9 **other work orders that our estimators and operations --**
 10 Q. Are we talking days? Weeks? Months?
 11 **A. From the first notice of intent to disconnect?**
 12 Q. (Nods head.)
 13 **A. It would likely be a couple months.**
 14 MR. CASEY: Thank you. I have no further
 15 questions.
 16 THE WITNESS: Thank you.
 17 JUDGE PEARSON: Thank you. I just want to
 18 check in and see if you'd like to take a break now.
 19 CHAIRMAN DANNER: This would be a good
 20 time.
 21 JUDGE PEARSON: Okay. We will be back on
 22 the record, then, at 4 and be in recess until then.
 23 Thank you.
 24 ///
 25 (A break was taken from

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CROSS-EXAMINATION BY MS. GAFKEN / BOLTON 127

1 3:49 p.m. to 4:04 p.m.)
 2 JUDGE PEARSON: Okay. All right. We will
 3 be back on the record following a brief recess.
 4 We are a little behind schedule, so we will
 5 turn Mr. Bolton over to Public Counsel, and then
 6 subsequently over to Boise. And we'll wrap up at that
 7 point. But we may go a little bit past 5:00 today
 8 given the time estimates.
 9 So Ms. Gafken, whenever you're ready.
 10 MS. GAFKEN: I will try to keep it under
 11 the ten minutes, so hopefully this will be speedy.
 12 CROSS-EXAMINATION
 13 BY MS. GAFKEN:
 14 Q. Good afternoon, Mr. Bolton.
 15 **A. Good afternoon.**
 16 Q. I just want to follow up with a couple of
 17 questions that Mr. Casey asked.
 18 Let's see. The proposed tariff changes apply to
 19 customers who seek to permanently disconnect, not to
 20 customers who seek to move or shut down operations; is
 21 that correct?
 22 **A. Yes, that's correct.**
 23 Q. And customers who close accounts leave
 24 facilities in place to serve future customers; is that
 25 correct?

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CROSS-EXAMINATION BY MS. GAFKEN / BOLTON 128

1 **A. That is correct. The tariff would not apply to**
 2 **those situations.**
 3 Q. For customers who leave for another utility,
 4 their load would need to be replaced by growth elsewhere
 5 in Pacific Power's service territory; is that correct?
 6 **A. Yes, theoretically, to keep up the same amount**
 7 **of revenue support.**
 8 Q. And that's because a customer who left to be
 9 served by another entity, that customer would actually
 10 remain in place, but they're being served by somebody
 11 else; is that a fair representation?
 12 **A. Yes, I think so.**
 13 Q. Is the goal of this proceeding -- let me ask it
 14 a different way.
 15 The goal of this proceeding is not to prevent
 16 the migration of customers from one provider to another,
 17 is it?
 18 **A. No, it is not. The goal is to mitigate the**
 19 **impact when that migration does occur.**
 20 Q. Okay.
 21 MS. GAFKEN: That's all I have. Thank you.
 22 JUDGE PEARSON: Okay. Thank you. Now
 23 we're back on schedule.
 24 Mr. Cowell?
 25 MR. COWELL: Thank you, your Honor.

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 129

1 CROSS-EXAMINATION

2 BY MR. COWELL:

3 Q. Good afternoon, Mr. Bolton.

4 JUDGE PEARSON: Can you turn your

5 microphone on, please?

6 BY MR. COWELL:

7 Q. Good afternoon, Mr. Bolton.

8 **A. Good afternoon.**

9 Q. So Mr. Bolton, I wanted to start up with a

10 couple follow-ups on questioning thus far.

11 The first issue, I believe, and please restate

12 if I'm inaccurate at quoting you, but I believe that you

13 said that you did not believe that there was an

14 entitlement to future services not rendered in terms of

15 the Company's position relative to departing customers;

16 is that correct?

17 **A. Yes. And my answer was really a reflection of**

18 **we don't -- the Company does not feel entitled to the**

19 **business or revenue of a customer it doesn't have in the**

20 **future. There's no set amount of customers or revenue**

21 **that we feel entitled to, only those to which we are**

22 **currently providing service to.**

23 Q. In terms of -- there's been already a fair

24 amount of talk today, and it's an issue that comes up

25 quite a bit in filed testimony and exhibits, in terms of

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 130

1 energy efficiency and low-income programs. How does

2 that fit into your view of future services?

3 **A. I'm not sure I understand your question,**

4 **Counsel.**

5 Q. Okay. Let me state it this way.

6 Would the provision of energy efficiency and low

7 income-assistant be -- low-income assistance be a future

8 service in terms of where stranded cost components the

9 Company's proposing would apply to?

10 **A. The stranded cost recovery fee as it applies to**

11 **energy-efficiency programs and low-income programs is**

12 **really to make whole for that revenue loss that support**

13 **those programs. In the -- in the example of energy**

14 **efficiency, there is, you know, the potential of**

15 **migration of investments that customers of that system**

16 **have made into that customer that then would go to the**

17 **benefit of that gaining utility.**

18 So if, through our programs, there was, you

19 know, improved lighting programs or HVAC systems in a

20 customer's premise, things that were subsidized and

21 supported through our energy-efficiency programs at

22 Pacific Power, and that customer permanently

23 disconnected and then moved to a new provider, Columbia

24 REA, for example, then that investment in that

25 efficiency gain would be lost to Pacific Power.

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 131

1 So there is some compensation, I believe, that

2 is envisioned in how that would interact with this

3 recovery, of which the details of how that's calculated,

4 Mr. Meredith could speak with more specificity.

5 Q. Okay.

6 Mr. Bolton, if you would please turn to RBD-2.

7 **A. Yes.**

8 Q. Now, you'd also referenced these maps in earlier

9 questioning. And my question to you now is, am I

10 correct that you're not actually warranting the

11 accuracy, completeness or fitness of any of these maps?

12 **A. At this scale, they're as accurate as we can**

13 **make them.**

14 Q. But you acknowledge that there's a no-warranty

15 disclaimer on each and every one of these maps that

16 states that there's actually no --

17 **A. Yes.**

18 Q. Okay. Thank you.

19 So to your knowledge, Mr. Bolton, are there any

20 current circumstances of redundant service or redundant

21 facilities in Pacific Power's Washington service area?

22 **A. I'm not sure I understand how you're using**

23 **"redundant" in this question. What I would say is there**

24 **are duplicative facilities in many portions of this part**

25 **of the state.**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 132

1 Q. Okay.

2 Maybe I'll have you turn -- do you have BGM-3 in

3 front of you?

4 **A. I do not.**

5 MR. COWELL: Is someone at the Company

6 maybe able to provide that?

7 MR. TILL: One moment.

8 BY MR. COWELL:

9 Q. Mr. Bolton, if you would turn to page 22 of this

10 exhibit.

11 **A. Yes.**

12 Q. And this is the Company's response to Boise data

13 request 63, correct?

14 **A. Yes.**

15 Q. And if you would read the middle paragraph in

16 the Company's response to subpart A, please.

17 **A. With a clarification of the paragraph above,**

18 **this does speak to where we have found some level of**

19 **multiple connect to structures. The paragraph you cite**

20 **to says that, with that clarification, to the Company's**

21 **knowledge, there are currently no circumstances of**

22 **redundant service and resulting redundant facilities in**

23 **Pacific Power's Washington service area.**

24 Q. Do you have any reason to dispute that response?

25 **A. No.**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 133

1 Q. To your knowledge, how many times has a customer
 2 procured redundant services from an entity other than
 3 Pacific Power?
 4 **A. To my knowledge, redundancy has usually occurred**
 5 **before there has been a permanent disconnection, but**
 6 **there's been a new connection to that customer facility.**
 7 Q. My question, though, is, how many times, if you
 8 can answer that?
 9 **A. Off the top of my head, only a couple of times.**
 10 Q. And I believe, again, in earlier questioning, it
 11 might have been from -- with Staff's counsel, you had
 12 mentioned that -- a circumstance in which a customer has
 13 not informed the Company of disconnection, but is
 14 already receiving service is a very rare circumstance;
 15 is that accurate?
 16 **A. That is accurate.**
 17 Q. Now, if you would turn to your direct testimony,
 18 RBD-1T at page 2, please. Okay.
 19 So I'm looking at starting at line 5, your
 20 adopted direct testimony in this proceeding is to
 21 provide the historical background underlying what the
 22 Company believes to be necessary revisions to its
 23 permanent disconnection and removal tariffs, right?
 24 **A. Yes.**
 25 Q. And for the sake of clarification and

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 134

1 convenience here, would you agree that your adopted
 2 testimony refers to the permanent disconnection and
 3 removal tariffs as the net removal tariff?
 4 **A. Yes.**
 5 Q. And would you also agree that the net removal
 6 tariff includes Rules 1, 6 and Schedule 300 provisions?
 7 **A. Yes.**
 8 Q. Now, you testify -- and I'm looking here, again,
 9 on page 2, beginning at line 20, that Washington does
 10 not have statutory provisions granting exclusive service
 11 areas to electric utilities in this state, right?
 12 **A. That is correct.**
 13 Q. So notwithstanding this testimony, Mr. Bolton,
 14 does Pacific Power have a right, in your view, to an
 15 exclusive service territory in Washington?
 16 **A. We do not have a statutory right. We do have,**
 17 **under Washington statutes, guidance to avoid duplication**
 18 **of infrastructure, and strong encouragement to enter**
 19 **into and secure service territory agreements. And as I**
 20 **testified to earlier, we do believe that we operate**
 21 **under a compact to provide nondiscriminatory services to**
 22 **customers in our service area.**
 23 Q. And you mentioned the word statutory guidance
 24 about duplicative facilities. In your understanding and
 25 remembrance, is "guidance" the proper word as opposed to

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 135

1 "directive" or "mandate"?
 2 **A. It's difficult to say how to characterize that**
 3 **part of the statute because of its limited**
 4 **enforceability.**
 5 Q. Now, again, just to establish, in multiple
 6 occasions, in both testimony submissions that you're
 7 sponsoring, you often refer to the regulatory compact,
 8 right?
 9 **A. Yes.**
 10 Q. And in your view, Mr. Bolton, should the
 11 regulatory compact operate to create a practical
 12 exclusive service territory for Pacific Power in
 13 Washington?
 14 **A. Yes.**
 15 Q. Now, you expressly referenced Chairman Danner by
 16 name on several occasions in the course of your
 17 testimony. I counted eight distinct occasions.
 18 Subject to check, would you agree with that?
 19 **A. Subject to check, yes.**
 20 Q. And in all of those references, you're actually
 21 referring to the separate statement of Chairman Danner
 22 in the Walla Walla case that we've already discussed,
 23 Docket UE-143932, right?
 24 **A. Yes.**
 25 Q. Now, if you'd please turn to page 7 of your

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 136

1 direct testimony, RBD-1T, and I'm looking at footnote 4,
 2 you specifically quote to paragraph 7 of that separate
 3 statement of Chairman Danner in that footnote, right?
 4 **A. Yes.**
 5 Q. Now, do you recall in that same paragraph that
 6 you quote and cite to that Chairman Danner stated he
 7 hoped the legislature would give issues further
 8 consideration in the future?
 9 **A. I'm aware of that statement.**
 10 Q. Okay.
 11 Now, I noticed nowhere in your testimony do you
 12 cite to paragraph 6 of Chairman Danner's separate
 13 statement. Are you familiar with that paragraph
 14 offhand?
 15 **A. I don't have it in front of me.**
 16 Q. Now, do you recall, as I mention this, that in
 17 that paragraph, Chairman Danner stated that, "The
 18 establishment of legally defined service territories is
 19 not a matter for the Commission but for the Washington
 20 legislature."
 21 Does that sound familiar?
 22 **A. Sounds familiar, yes.**
 23 Q. But you maintain that there should be a
 24 practical exclusive service territory for the Company in
 25 Washington, right? That was your testimony?

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 137

1 **A. Yes.**

2 Q. Who do you believe should enforce that?

3 **A. I believe that the Commission has well within**

4 **its current and existing powers to protect the public**

5 **interest and be able to protect customers who are**

6 **impacted by the lack of statutorily allocated or**

7 **exclusive service territory. That simply because --**

8 **simply the absence in Washington law of designated**

9 **service territory doesn't prevent the Commission from**

10 **enforcing its basic consumer protection mission to**

11 **ensure that the effects of that aren't mitigated.**

12 Q. So is it your position, Mr. Bolton, that the

13 Commission should legally define the service territories

14 for PacifiCorp and other utilities that are regulated by

15 the WUTC?

16 **A. No, that is not my position.**

17 Q. To your knowledge, Mr. Bolton, has the Company

18 been involved with legislative proposals over the last

19 three years concerning service territory protections in

20 Washington?

21 **A. Yes, I would say that we go back much more than**

22 **just three years, but yes.**

23 Q. Sure.

24 How many of those have been successful?

25 **A. The State of Washington has not changed its**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 138

1 current statutes in this regard, but I do believe, and I

2 think a lot of folks familiar with the legislature would

3 agree, that the absence of action is not affirmation

4 that the status quo is how it always needs to be.

5 And I think one of the issues here, and why the

6 Commission's role is so important, is because this isn't

7 necessarily a statewide problem. This is a problem that

8 exists in just a few counties. It's a very localized

9 problem. And so in our estimation, it's not surprising

10 that the state legislature has not, you know, as a

11 matter of priority for the entire state of Washington,

12 created new law in this area. And in fact, you know,

13 this is one where, if we were to arrive at a service

14 territory agreement with a neighboring utility, would

15 not create a reason for changing state law.

16 Q. Do you still have Mr. Mullins' testimony in

17 front of you?

18 **A. Yes, I do.**

19 Q. If you could turn to BGM-1T, please.

20 **A. I just have his exhibit.**

21 Q. Okay.

22 Well, let me ask this. We may not need to go to

23 it. Mr. Mullins testified that Boise is the Company's

24 largest customer in Washington. Do you dispute that?

25 **A. No, that is true.**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 139

1 Q. Now, I would like you to turn, though, to RBD-4

2 at page 3, please.

3 **A. I'm sorry. Again, which exhibit?**

4 Q. Sure. This is Exhibit 4, RBD-4.

5 MR. GREENFIELD: Your Honor, this was the

6 exhibit that was transferred to Mr. Meredith, and as

7 your Honor noted, is actually stale in light of

8 modifications that have been made.

9 MR. COWELL: Your Honor, if I can ask this

10 question, I don't think I'm not going to get deep in

11 the weeds of calculation. I don't think my question

12 will be stale for purposes of the cross-examination.

13 JUDGE PEARSON: Okay. I'll allow you to

14 ask it, and if Mr. Bolton's unable to answer it, you

15 can reserve it to Mr. Meredith.

16 MR. COWELL: Thank you, your Honor.

17 BY MR. COWELL:

18 Q. Are you on page 3, Mr. Bolton?

19 **A. Yes.**

20 Q. Now, Mr. Bolton, if you see, the last heading

21 there is "Schedule 48 Dedicated Facility Stranded

22 Costs."

23 Do you see that?

24 **A. Yes.**

25 Q. And do you see the second-to-last line there is

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 140

1 Average Annual Revenue per Customer, and that's stated

2 to be over 27 million, right?

3 **A. Yes.**

4 Q. Now, if the Company's proposed stranded cost

5 recovery fee were adopted, suffice it to say, Boise, as

6 the Company's largest customer, would be faced with a

7 stranded cost recovery fee in the tens of millions,

8 correct?

9 **A. Subject to what is ultimately assessed, yes.**

10 Q. Under the Company's current proposal -- let's

11 start there.

12 **A. Well, the Company's current proposal is what has**

13 **been modified and agreed to with Public Counsel.**

14 Q. Which I believe is -- for nonresidential is 2.98

15 times annual revenue, correct?

16 **A. Correct.**

17 Q. Okay.

18 So by my math, that's about -- that would be

19 about \$80 million for Boise. Does that sound right?

20 **A. I can't speak to that.**

21 Q. Okay.

22 So would you agree that, based on what we -- the

23 figure we just looked at for annual revenue, that we're

24 looking at tens of millions for Boise for stranded cost

25 recovery based on your Company's proposal?

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 141

1 **A. I agree that it would be a significant amount of**
 2 **money.**
 3 Q. So you do not agree it would be in the tens of
 4 millions of dollars?
 5 **A. Again, I'm unclear on what exactly we're talking**
 6 **about, which application of the fee.**
 7 Q. The Company's stranded cost recovery fee
 8 proposal for nonresidential customers. Are you stating
 9 that you're unaware of what the Company's proposal is?
 10 **A. As it appears here or as modified?**
 11 Q. As modified. It would be higher as originally
 12 proposed, but I'm just asking about, as modified, are
 13 you unaware --
 14 **A. I'm not ^ an expert in how that was calculated.**
 15 Q. Okay.
 16 Is it your understanding that the Company would
 17 be requiring any customer seeking to permanently
 18 disconnect to pay the stranded cost recovery fee up
 19 front in one lump sum?
 20 **A. Yes.**
 21 Q. Okay.
 22 Now, you have gone so far as to agree that we're
 23 talking about a lot of money if Boise were to request
 24 permanent disconnection, correct?
 25 **A. Yes.**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 142

1 Q. And do you think it's appropriate to demand that
 2 large amount of money up front in one lump sum?
 3 **A. That's what the Company proposed in its update**
 4 **to its net removal tariff.**
 5 Q. All right.
 6 I'm asking you. Do you think it's reasonable?
 7 **A. Yes, I do. In fact, through this mechanism may**
 8 **be the Commission's best opportunity to assess the**
 9 **overall customer impact and cost shifting that would**
 10 **occur if a large industrial customer did switch.**
 11 **Unlike other situations that we're aware of in**
 12 **Washington where a large customer has moved from one**
 13 **utility to an alternative service provider, what we're**
 14 **talking about here is the complete cutover, physical**
 15 **disconnection of one system to another.**
 16 Q. So Mr. Bolton, I believe earlier in your
 17 colloquy with Staff, you testified that -- and again,
 18 correct me if I'm wrong, but that the Company has and
 19 will negotiate with large sophisticated customers
 20 regarding green programs, green tariff proposals, or to
 21 meet their specific meets or their desires for green
 22 energy; is that correct?
 23 **A. That is correct.**
 24 Q. Okay.
 25 And does the Company presently treat Boise

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 143

1 differently than all other customers by the creation of
 2 a unique dedicated facilities rate schedule for 48T
 3 service?
 4 **A. No.**
 5 Q. No?
 6 If we could -- if I could direct your attention
 7 again to RBD-4, page 3. And I'm looking at that same
 8 portion of the page for Schedule 48 Dedicated Facilities
 9 Stranded Cost. Do you see the line that says "Average
 10 Annual Customers"?
 11 **A. Yes.**
 12 Q. What's the number there?
 13 **A. One.**
 14 Q. Mr. Bolton, do you have exhibit KAK-12?
 15 **A. I do not.**
 16 MR. COWELL: Company, are you able to
 17 provide that?
 18 THE WITNESS: Thank you. I have it now in
 19 front of me.
 20 MR. COWELL: Okay. Thank you.
 21 BY MR. COWELL:
 22 Q. So this is the Company's response to Boise data
 23 request 1, correct?
 24 **A. Yes.**
 25 Q. And I'm looking at subpart B, Company's response

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 144

1 to subpart B, and in this response it starts -- it leads
 2 with the Company attesting to Mr. Dalley being generally
 3 familiar with the concepts presented in the publicly
 4 available testimony in Docket UE-161123.
 5 Are you generally familiar with the concepts in
 6 that docket?
 7 **A. Very generally.**
 8 Q. Do you know -- which docket am I referring to,
 9 if you can answer?
 10 **A. This is this Puget-Microsoft docket.**
 11 Q. Right.
 12 And in your understanding, has that docket
 13 involved what's been variously referred to as stranded
 14 cost fee or transition fee?
 15 **A. I don't know.**
 16 Q. You don't know. Okay.
 17 Now, when I asked you what the docket referred
 18 to, you mentioned it's the Puget-Microsoft docket,
 19 correct?
 20 **A. Correct.**
 21 Q. So would it be correct to state that this is a
 22 docket regarding a regulated utility and one of their
 23 largest customers?
 24 **A. Yes.**
 25 Q. Did the Company consider, Mr. Bolton, to your

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 145

1 knowledge, also treating stranded cost issues for its
 2 largest customers in a manner similar to PSE and
 3 Microsoft in terms of a unique scenario?
 4 **A. No, we have not, because we have not been**
 5 **approached under similar requests. We are only**
 6 **considering the possibility within the confines of the**
 7 **net removal tariff for when there is permanent**
 8 **disconnection being requested. I don't believe that's**
 9 **the same fact pattern in the Puget case.**
 10 Q. So I'll direct your attention back to your
 11 direct testimony, Mr. Bolton, RBD-1T at page 3.
 12 **A. Okay.**
 13 Q. Okay.
 14 So starting here at line 10, you testified that
 15 "The absence of a service area agreement with Columbia
 16 REA stands in stark contrast to the 'regulatory compact'
 17 under which the state 'grants the company a protected
 18 monopoly, essentially a franchise..."
 19 Do you see that?
 20 **A. Yes.**
 21 Q. Okay.
 22 Now, we've established that you agree that
 23 Washington does not have statutory provisions granting
 24 exclusive service areas to electric utilities, right?
 25 **A. That's correct.**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 146

1 Q. So I'm going to try to hone in on our position
 2 here. So though you testify that the absence of a
 3 service area agreement with Columbia REA starkly
 4 contrasts with the regulatory compact, you agree that
 5 the existence of nonexclusive service territories does
 6 not starkly contrast with Washington statute, right?
 7 **A. Yes.**
 8 Q. Okay.
 9 And I believe that in questioning with Staff,
 10 you had stated that the regulatory compact was enshrined
 11 in Washington statute; is that right?
 12 **A. Yes, it is.**
 13 Q. Okay.
 14 And I believe you also --
 15 **A. Let me correct to say, I believe its principles**
 16 **are through numerous portions of statute. I don't think**
 17 **you can just pull open a page and read the regulatory**
 18 **compact, you know, in bright lights in Washington**
 19 **statute, but there are portions of Washington statute**
 20 **that do support the underpinnings of the regulatory**
 21 **compact, just to be clear.**
 22 Q. Okay.
 23 And I believe you also testified that the
 24 regulatory compact governs. Do you recall using that
 25 word, the regulatory compact "governs"?

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 147

1 **A. Can you finish the sentence, please? Governs...**
 2 Q. It's okay if you don't remember. I don't
 3 remember offhand. We'll have the transcript to look at
 4 later. But what I would ask you is, do you believe that
 5 Washington statute or the regulatory compact governs the
 6 UTC's regulation of Pacific Power?
 7 **A. The UTC's regulation of Pacific Power is defined**
 8 **within its own rules, regulations and orders, which are**
 9 **statutorily supported and constitutionally supported as**
 10 **well.**
 11 Q. Okay. Try to ask this a little bit different
 12 way.
 13 If the absence of a service area agreement with
 14 Columbia REA does not stand in stark contrast to
 15 Washington statute, but the regulatory compact does, are
 16 you testifying that Washington statute and your notion
 17 of the regulatory compact starkly contrast with one
 18 another?
 19 **A. The answer to your question is that we do**
 20 **believe that the regulatory compact applies to us, that**
 21 **Commission jurisdiction and regulation applies to us,**
 22 **that we have an obligation to serve our customers on a**
 23 **nondiscriminatory basis, and that the introduction of**
 24 **competition within that because of the lack of service**
 25 **territory agreement erodes that compact and creates**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 148

1 unintended consequences such as cost shifting among
 2 customers as a result of that presence of competition.
 3 Q. Would you be able to answer yes or no if I asked
 4 you, does Washington statute and your notion of the
 5 regulatory compact starkly contrast with one another?
 6 **A. I'm not sure I can answer yes or no to that.**
 7 Q. Okay.
 8 **A. Can you restate your question?**
 9 Q. We'll move on in the interest of time.
 10 So let me direct your attention to RBD-1T at
 11 page 3, starting at line 20. So you testify about a
 12 unique situation mandating adoption of a revised tariff
 13 governing the terms of permanent disconnection, right?
 14 **A. Yes.**
 15 Q. And by a "unique situation," do you mean the
 16 absence of a service area agreement with Columbia REA?
 17 **A. Yes, the absence of a service territory**
 18 **agreement combined with the actual customer acquisition**
 19 **that is happening as a result of that lack of service**
 20 **territory agreement.**
 21 Q. How?
 22 **A. A lack of agreement in and of itself does not**
 23 **necessitate a tariff change.**
 24 Q. Okay.
 25 How many electric service providers which are

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 149

1 not regulated by the UTC are neighbors to Pacific Power
 2 in Washington?
 3 **A. That would include Inland REA, Benton REA,**
 4 **Benton PUD and Yakama Tribal Utility.**
 5 Q. So four altogether?
 6 **A. Five, including Columbia REA.**
 7 Q. So am I correct in stating that Pacific Power
 8 only has a service area agreement with one neighboring
 9 utility in the state of Washington and that's Benton
 10 REA?
 11 **A. That is correct.**
 12 Q. Okay.
 13 So just looking at the circumstance of having a
 14 service area agreement or not, the unique situation in
 15 Washington for the Company is actually having a service
 16 area agreement, and that's only with one utility, right?
 17 **A. Well, the unique circumstance, as I've described**
 18 **in my testimony, isn't having or not having a service**
 19 **territory agreement on its face. It's simply describing**
 20 **that the lack of service territory agreement, in**
 21 **addition to the customer acquisition behavior with**
 22 **Columbia REA, gives rise to the need for updating the**
 23 **net removal tariff.**
 24 Q. So the lack of a service area agreement in and
 25 of itself isn't a problem?

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 150

1 **A. No. It would be better to have service**
 2 **territory agreements, and, again, as Washington statute**
 3 **recommends, that there be bilateral service territory**
 4 **agreements. But it's the lack of service territory**
 5 **agreement, plus the interface or the interaction with**
 6 **Columbia REA, that required the net removal tariff in**
 7 **the very first instance.**
 8 Q. Please turn to page 4. So starting at line 2,
 9 you testify that a revised net removal tariff is
 10 necessary to protect the Company's remaining customers,
 11 right?
 12 **A. Yes.**
 13 Q. Now, would you agree that customers have
 14 requested to permanently disconnect from Pacific Power's
 15 system in Washington in every single year since 1999?
 16 **A. Yes, they have requested disconnection in every**
 17 **single year since 1999.**
 18 Q. And if you'd skip down a bit, looking at --
 19 starting at line 12, according to your testimony, the
 20 Company's original net removal tariff filing was
 21 necessitated by customers beginning to request permanent
 22 disconnections in 1999, right?
 23 **A. Yes.**
 24 Q. And in this original debt removal tariff filing,
 25 Pacific Power did not ask the Commission to approve

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 151

1 either fair market value charges or for facility removal
 2 or the recovery of stranded costs, right?
 3 **A. That is correct.**
 4 Q. You testify, though, that Pacific Power and
 5 Columbia REA had an informal agreement which was
 6 respected until 1999, right?
 7 **A. That's my understanding.**
 8 Q. Okay.
 9 And since 1999, it's your position that Columbia
 10 REA -- let me rephrase this.
 11 Since 1999, is it your position that Columbia
 12 REA has ever respected a service area agreement with
 13 Pacific Power, whether informal or formal?
 14 **A. I believe that during a period of negotiation,**
 15 **while the Company was working towards an agreement in**
 16 **principle with Columbia REA, that there was an informal**
 17 **agreement in place during that short period.**
 18 Q. So for some of that period?
 19 **A. For some of that period.**
 20 Q. Okay.
 21 And to your knowledge, is the present proceeding
 22 the first occasion in which Pacific Power has ever
 23 sought fair market value charges or stranded cost
 24 recovery through the net removal tariff?
 25 **A. Yes.**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 152

1 Q. Okay. Take a step back here.
 2 You've testified that the net removal tariff
 3 revisions filed in 2016 are necessary to protect the
 4 Company's remaining customers from cost shifting, right?
 5 **A. Yes.**
 6 Q. We established that.
 7 By this same reasoning you present, wouldn't
 8 these net removal tariff revisions have been necessary
 9 long ago to protect the Company's customers from cost
 10 shifting? I mean -- well, I'll see if you can answer.
 11 **A. If we could go back in time and understand**
 12 **where -- how much this problem would grow, yeah, I think**
 13 **that would have been ideal. But at the time, the**
 14 **Company did not have much experience with permanent**
 15 **disconnection from our system.**
 16 **Out of our entire service territory across six**
 17 **states, we're generally in the business of connecting**
 18 **customers, not disconnecting them entirely from our**
 19 **system to another provider. So it certainly has been,**
 20 **you know, an education process for us as we've**
 21 **experienced more of this effect.**
 22 Q. So you believe there has been cost shifting,
 23 though, since 1999?
 24 **A. Yes.**
 25 Q. And what has the Company done to reimburse

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 153

1 customers over that period?

2 **A. The Company hasn't caused the -- is not the cost**

3 **causer in that circumstance. Frankly, that's a**

4 **condition that we're looking to remedy here by updating**

5 **the net removal tariff to ensure that the principal cost**

6 **causation is embedded in a customer's economic choice to**

7 **leave the system and be served by another provider.**

8 Q. So Mr. Bolton, sticking here at page 4, starting

9 line 20, when asked to describe customer acquisition

10 practices employed by Columbia REA since 1999, you

11 allege direct solicitations by in-person visits to

12 businesses, right?

13 **A. Yes.**

14 Q. And are you aware that in the original net

15 removal tariff proceeding the Company questioned

16 Columbia REA about a 2002 news article reporting that

17 Columbia REA had received numerous requests from

18 PacifiCorp customers desiring electric service from the

19 Company?

20 **A. I'm not familiar with that article.**

21 Q. So I believe that you have a -- what was

22 originally marked as RBD-41X, but your counsel's

23 providing a supplemental full exhibit.

24 Do you have that with you?

25 **A. Yes, I do.**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 154

1 Q. Okay.

2 And Mr. Bolton, I particularly want to ask you

3 about one of the attachments to attachment CREA 12,

4 first supplemental, is the second set of PacifiCorp data

5 requests to --

6 (Court reporter clarification.)

7 MR. COWELL: Sorry, I'll slow down.

8 BY MR. COWELL:

9 Q. So what I'm looking at is one of the attachments

10 is the second set of PacifiCorp data requests to

11 Columbia Rural Electric Association, and this is this

12 Docket UE-001734, which is the original net removal

13 tariff case.

14 Do you see that?

15 **A. Which page are you on?**

16 Q. Okay. So -- okay. Thanks.

17 I'm looking on page 3 of that particular

18 attachment, and I'm looking at what's designated as

19 Pac-12. Do you see that?

20 **A. Yes, I do.**

21 Q. Okay.

22 And do you see subpart B, the Company asks, what

23 steps is CREA taking to, quote, "pursue" new customers?

24 **A. Yes.**

25 Q. Okay.

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 155

1 And do you see the response to subpart B, the

2 last clause of that, basically, it says, "CREA pursues

3 new members by offering them good service at reasonable

4 rates and by being responsive to their requests."

5 Do you see that?

6 **A. Yes.**

7 Q. Do you have any particular knowledge to dispute

8 that response?

9 **A. I don't know if they provide good service or bad**

10 **service. I can't comment on what CREA's customer**

11 **experience is.**

12 Q. Okay.

13 So to your knowledge, Mr. Bolton, does the

14 Company perform in-person visits to businesses to

15 solicit new customers?

16 **A. No, we do not.**

17 Q. Okay.

18 Does the Company make in-person visits to its

19 own business customers for any reason?

20 **A. Yes, quite often.**

21 Q. Okay. Quite often.

22 Are any such in-person visits to business

23 customers ever made to address outage or service quality

24 issues?

25 **A. Yes.**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 156

1 Q. Okay.

2 To your knowledge, has Pacific Power made any

3 in-person visit to a Washington Schedule 48 customer in

4 the last five years?

5 **A. Yes.**

6 Q. Okay.

7 Could you provide any details, to the best of

8 your knowledge?

9 **A. I recently met with your clients on February**

10 **28th of this year. I -- you know, one of my**

11 **responsibilities for the Company is to oversee and guide**

12 **our large managed account representation, and so I have**

13 **met with numerous large commercial and industrial**

14 **customers over the last five years.**

15 Q. So if you could please turn to cross-exhibit

16 RBD-37X.

17 **A. Okay.**

18 Q. Now, I appreciate that you've been quite

19 forthright in answering these questions, but to your

20 knowledge, why did the Company object to answering these

21 same questions when posed in discovery?

22 **A. Well, in reading the request, my best guess is**

23 **that it -- to try to provide a narrative response to**

24 **every in-person visit to businesses that we've had since**

25 **1999 would be impossible to answer. What I would say**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 157

1 is, as a general business practice, we visit with our
 2 customers all the time.
 3 Q. Now, if you'd like, at subpart C there,
 4 Mr. Bolton, tell me if I'm accurately reading here.
 5 The Company objects to the request in Boise data
 6 request 62(a) on an overly burdensome related grounds.
 7 Please limit the response to the criteria specified in
 8 Boise data request 40, i.e., all instances where
 9 employee of the Company with a position of vice
 10 president or higher ^, has made an in-person visit to a
 11 Washington Schedule 48 customer between calendar years
 12 2012 and 2016.
 13 Now, you're a vice president with the Company
 14 now, right?
 15 **A. Yes.**
 16 Q. And did you make this visit you discussed to
 17 Boise in 2017?
 18 **A. I met with Rich Garber of Boise PCA in Seattle,**
 19 **actually, on February 28th --**
 20 Q. Okay.
 21 **A. -- of this year.**
 22 Q. Do you have any knowledge of a PacifiCorp
 23 representative with a VP position or higher meeting
 24 during those previous years in the request?
 25 **A. With all Schedule 48 customers?**

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 158

1 Q. With even a single one.
 2 **A. Yes, I personally have met with customers on**
 3 **that schedule during that time period.**
 4 Q. Again, my question is, to your knowledge, then,
 5 why did the Company not just provide that information?
 6 **A. Again, I think it might be just because it was**
 7 **cumbersome to provide a narrative detail of every one of**
 8 **these customer visits.**
 9 Q. Okay. Move on, Mr. Bolton.
 10 In your opinion, could service quality issues be
 11 a factor in customer requests to disconnect from
 12 Pacific Power service in favor of a neighboring utility?
 13 MR. GREENFIELD: Objection, your Honor. It
 14 calls for speculation.
 15 JUDGE PEARSON: I'm sorry. Could you
 16 restate the question?
 17 MR. COWELL: Sure.
 18 BY MR. COWELL:
 19 Q. And I'll remind you, I believe that in
 20 questioning with Staff, you had opined that you believe
 21 that economic reasons were the primary cause for
 22 customers leaving Pacific Power's system, and my
 23 question to you is, could service quality issues also be
 24 a factor in customer requests to disconnect from
 25 Pacific Power's service?

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 159

1 MR. GREENFIELD: Same objection,
 2 your Honor.
 3 MR. COWELL: Your Honor, the witness has
 4 already opined on -- speculating on why customers would
 5 leave Pacific Power's system, so I'm asking him if
 6 another reason could factor in.
 7 JUDGE PEARSON: Okay. I'll allow you to go
 8 ahead and answer it.
 9 **A. Okay. Based on what I know from customers who**
 10 **have reached out to the Company and have requested**
 11 **permanent disconnection, in almost every single**
 12 **circumstance where it was clear why that customer was**
 13 **leaving was for an economic reason, to my knowledge,**
 14 **there has not been a customer permanent disconnection**
 15 **request based on service quality.**
 16 BY MR. COWELL:
 17 Q. All right. Let's move on, Mr. Bolton.
 18 I'll direct you to page 8 of RBD-1T, beginning
 19 line 1.
 20 **A. Page 8.**
 21 Q. Okay.
 22 Now, the question here is, "Is Pacific Power
 23 able to compete with neighboring non-regulated
 24 utilities?" Now, as I look at this answer, I don't see
 25 a yes-or-no answer. Would you be able to provide a

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 160

1 yes-or-no answer?
 2 **A. I think the difficulty in getting to a yes-or-no**
 3 **answer is that we don't compete on the same basis.**
 4 Q. So is the answer to my question no, you cannot
 5 answer with a yes-or-no answer?
 6 **A. Well, again, in drawing from my testimony, the**
 7 **Company competes within its ability to compete. So**
 8 **keeping prices low, keeping customer service high, those**
 9 **are things that we strive for. And that, more than**
 10 **anything else, are -- you know, encompasses the toolbox**
 11 **of building a business and retaining customers. We**
 12 **cannot use the same incentives or special contracts with**
 13 **customers that is, frankly, represented in this**
 14 **circumstance.**
 15 Q. And I do want to get into some of your specific
 16 responses here, but let me again ask, because I've still
 17 not heard an answer, could you answer yes or no to this
 18 question?
 19 **A. Can we compete? Yes. Can we compete**
 20 **successfully and under the same terms and conditions?**
 21 **No.**
 22 Q. Okay.
 23 So now I do want to get into some of these
 24 specifics you were talking about, starting at line 3.
 25 You testified that non-regulated utilities are able to

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 161

1 entice customers with special rates, and that such
 2 utilities are not subject to Commission rate regulation
 3 and are also able to purchase power from BPA on a
 4 preference and priority basis, right?
 5 **A. Yes.**
 6 Q. So would I be reading this correctly if I were
 7 to interpret the first point, that non-regulated
 8 utilities are able to entice customers with special
 9 rates, again, would I be interpreting correctly if I
 10 were to interpret this first point to mean that the
 11 Company does not try to entice customers to stay in its
 12 system with good rates?
 13 **A. Again, back to my previous answer, we do try to**
 14 **keep our costs as affordable as possible.**
 15 Q. Okay.
 16 **A. We do not have special rates for customers,**
 17 **however.**
 18 Q. On the second point, is it your testimony that,
 19 because Pacific Power is subject to UTC regulation, that
 20 the Company is positively impeded by the Commission from
 21 competing with unregulated utilities?
 22 **A. No, I wouldn't say that at all. The presence of**
 23 **Commission regulation in and of itself does not prevent**
 24 **competition.**
 25 Q. So to confirm, I believe you stated earlier you

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 162

1 can compete with Commission regulation with unregulated
 2 utilities, right?
 3 **A. Well, I think the un- -- with unregulated**
 4 **utilities is, frankly, the core issue here, is that we**
 5 **can compete within cost of service regulation and what**
 6 **we're allowed to do as a business, but when competition**
 7 **comes from outside of that same sphere of regulatory**
 8 **oversight, it makes it very difficult to compete.**
 9 Q. So let's talk about the last point you raised
 10 here regarding BPA power.
 11 You agree that Pacific Power participates in
 12 BPA's residential exchange program which Schedule 98
 13 implements for Washington customers, right?
 14 **A. Correct.**
 15 Q. Okay.
 16 And the residential exchange program, or REP,
 17 passes benefits of BPA's power system on to
 18 Pacific Power customers in the form of direct monetary
 19 benefits; is that right?
 20 **A. Yes, although it only passes that benefit on to**
 21 **some of Pacific Power's customers, those eligible**
 22 **residential and small farm customers, not to all large**
 23 **commercial or industrial customers. They do not benefit**
 24 **from the residential exchange program.**
 25 Q. A side question based on that answer.

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 163

1 Are any other customers besides residential
 2 customers eligible for low-income assistance?
 3 **A. No. That's for -- that's a residential customer**
 4 **program.**
 5 Q. Okay.
 6 So they receive both the REP benefits and
 7 low-income assistance, right?
 8 **A. Yes.**
 9 Q. Okay.
 10 Do you know how long Schedule 98's been in
 11 existence in Washington?
 12 **A. I don't know the date of enactment of that**
 13 **schedule. I do know that the residential exchange**
 14 **program does come out of, you know, implementation of**
 15 **the Northwest Power Act and an attempt by Congress to**
 16 **ensure that those non-preference customers of the**
 17 **region, who are also taxpayers, do receive some benefit**
 18 **from the Federal Columbia River Power System.**
 19 Q. If you would please turn to RBD39X, Mr. Bolton.
 20 **A. Yes.**
 21 Q. Okay.
 22 If -- you'll see the middle paragraph here in
 23 the Company's response to Boise data request 71 states
 24 that Schedule 98 has been in existence since 1981. Any
 25 reason to dispute that?

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 164

1 **A. No, that makes sense.**
 2 Q. Now, would you agree -- and actually, I'll
 3 direct your attention -- this is the same cross-exhibit,
 4 just the next page, which is the attachment to the
 5 exhibit -- would you agree that over the last five
 6 years, Schedule 98 has produced rate reductions
 7 averaging between 4.5 percent to 8.1 percent for
 8 Pacific Power customers?
 9 **A. Yes.**
 10 Q. Do those rate reductions help the Company
 11 compete with other utilities?
 12 **A. Yes, within those rate classes that that**
 13 **schedule applies to.**
 14 Q. So just a few more questions here, Mr. Bolton.
 15 In preparing the Company's net removal tariff
 16 revision proposals, did the Company conduct any analysis
 17 on expected customer payments for actual costs of
 18 removal, to your knowledge?
 19 **A. Under the revised proposal?**
 20 Q. Yes.
 21 **A. No.**
 22 Q. Okay.
 23 Similar question. To your knowledge, any
 24 analysis on expected customer purchases at fair market
 25 value?

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 165

1 **A. No, because that will be case by case and at**
 2 **fair market value. Without really testing this, we**
 3 **don't really know enough about what the market would**
 4 **bear to be able to provide an estimate at this time.**
 5 Q. Okay.
 6 Similar question. Any analysis on expected
 7 customer payments when facilities are simply abandoned
 8 or decommissioned?
 9 **A. No.**
 10 Q. Okay.
 11 Again, to your knowledge, the Company's proposed
 12 net removal tariff revisions, are they based on any
 13 estimates of the margins earned from serving customers
 14 in different rate classes?
 15 **A. No, they are not. We did not do a margin**
 16 **analysis in preparing this tariff.**
 17 Q. Likewise, to your knowledge, did the Company
 18 base its stranded cost recovery fee proposal on an
 19 analysis of the cost of service by class?
 20 **A. I would refer that to Mr. Meredith who is expert**
 21 **on that testimony.**
 22 Q. Okay.
 23 Now, would you agree that the Company has both
 24 sold facilities to customers and removed facilities in
 25 response to permanent disconnection requests?

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1 **A. Yes.**
 2 Q. And when either of these events occur, would you
 3 agree that circumstances causing reliability or safety
 4 concerns are not common?
 5 **A. Can you restate your question, please?**
 6 Q. Sure.
 7 When either of those events occur -- and the
 8 previous question that we agreed on was that, if the
 9 Company sells facilities to customers or removes them in
 10 response to a permanent disconnection request -- so if
 11 either of those circumstances occur, would you agree
 12 that circumstances causing reliability or safety
 13 concerns are not common?
 14 **A. I would say in those circumstances.**
 15 Q. Okay.
 16 MR. COWELL: No further questions. Thank
 17 you, your Honor.
 18 JUDGE PEARSON: Okay. Thank you. So we
 19 have reached a good stopping point for today. My
 20 calendar has us reconvening at 9:00 a.m. tomorrow. Is
 21 that everyone else's understanding?
 22 MR. GREENFIELD: Yes, your Honor.
 23 JUDGE PEARSON: Just wanted to be sure.
 24 All right. Well, then we will be off the record and we
 25 will see you all tomorrow morning at 9:00 a.m.

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CROSS-EXAMINATION BY MR. COWELL / BOLTON 167

1 Thank you.
 2 (Hearing adjourned at 5:01 p.m.)
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CROSS-EXAMINATION BY MR. COWELL / BOLTON 168

1 CERTIFICATE
 2
 3 STATE OF WASHINGTON)
 4) ss. COUNTY OF KING)
 5
 6
 7 I, ANITA W. SELF, a Certified Shorthand Reporter
 8 in and for the State of Washington, do hereby certify
 9 that the foregoing transcript is true and accurate to
 10 the best of my knowledge, skill and ability.
 11 IN WITNESS WHEREOF, I have hereunto set my hand
 12 and seal this 27th day of June, 2017.
 13
 14
 15
 16 _____
 17 ANITA W. SELF, RPR, CCR #3032
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