

0017

BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

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In the Matter of the Petition of )  
PUGET SOUND ENERGY, Inc. )  
) Docket No. UE-130583  
For an Accounting Order Authorizing ) Pages 17-63  
Accounting Treatment Related to Payments )  
for Major Maintenance Activities )  
) )  
WASHINGTON UTILITIES AND ) Docket No. UE-130617  
TRANSPORTATION COMMISSION, ) Pages 17-63  
) )  
Complainant, )  
v. )  
) )  
PUGET SOUND ENERGY, INC., )  
) )  
Respondent. )  
) )

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In the Matter of the Petition of )  
PUGET SOUND ENERGY, Inc. )  
) )  
For an Accounting Order Authorizing the )  
Sale of Water Rights and Associated ) Docket No. UE-131099  
Assets for the Electron Hydroelectric ) Pages 17-63  
Project in Accordance with WAC 480-143 )  
and RCW 80.12 )  
) )

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In the Matter of the Petition of )  
PUGET SOUND ENERGY, Inc. )  
) )  
For an Accounting Order Authorizing the )  
Sale of Interests in the Development ) Docket No. UE-131230  
Assets Required for the Construction and ) Pages 17-63  
Operation of Phase II of the Lower Snake )  
River Wind Facility )

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SETTLEMENT HEARING - VOLUME II  
Pages 17-63  
ADMINISTRATIVE LAW JUDGE MARGUERITE E. FRIEDLANDER

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1:30 P.M.  
SEPTEMBER 26, 2013  
Washington Utilities and Transportation Commission  
1300 South Evergreen Park Drive Southwest, Room 206  
Olympia, Washington 98504-7250

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A P P E A R A N C E S

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3 ADMINISTRATIVE LAW JUDGE:

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MARGUERITE E. FRIEDLANDER  
Washington Utilities and  
Transportation Commission  
1300 South Evergreen Park Drive SW  
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(Continued...)

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1 FOR INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES:

2 JOSHUA D. WEBER  
3 Davison Van Cleve  
4 333 Southwest Taylor Street  
Suite 400  
5 Portland, Oregon 97204  
6 503.241.7242  
7 jdw@dvclaw.com

\* \* \* \* \*

8 REPORTED BY: SHELBY KAY K. FUKUSHIMA, CCR #2028

9 Buell Realtime Reporting, LLC  
10 1411 Fourth Avenue  
Suite 820  
11 Seattle, Washington 98101  
206.287.9066 | Seattle  
360.534.9066 | Olympia  
12 800.846.6989 | National  
www.buellrealtime.com

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INDEX OF EXHIBITS

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EXHIBIT: OFD: AD: DESCRIPTION:

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BENCH REQUEST:

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BR 1 -- 36 PSE's Response to Bench Request 1  
stating that PSE will provide notice to  
customers in July 2013 regarding WAC  
480-100-194(2) (1 pg.) (07/15/13)

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BR 2 -- 36 Public Comment Exhibit

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STIPULATION EXHIBITS:

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S-1 -- 36 Full Settlement Stipulation, including  
Attachment A (45 pp.) (09/16/13)

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S-2T -- 36 Joint Testimony in support of Settlement  
Stipulation (Katherine J. Barnard, PSE;  
Christopher T. Mickelson, Staff;  
Stefanie A. Johnson, Public Counsel; and  
Donald W. Schoenbeck, ICNU) (19 pp.)  
(09/16/13)

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PUGET SOUND ENERGY: DAVID E. MILLS

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DEM-1CT -- 36 \*\*\*CONFIDENTIAL\*\*\* Prefiled Direct  
Testimony of David E. Mills (48 pp.)  
(04/25/13) (revised 06/07/13)

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DEM-2 -- 36 Qualifications of David E. Mills (2 pp.)  
(04/25/13)

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DEM-3 -- 36 2013 PCORC Power Costs Projections  
AURORA + Not in Models (1 pg.)  
(04/25/13)

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DEM-4C -- 36 \*\*\*CONFIDENTIAL\*\*\* Comparison of  
Projected Power Costs and Generation for  
the 2011 GRC Rate Year and the Projected  
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Proceeding (November 1, 2013 October  
31, 2014) (1 pg.) (04/25/13) (revised  
06/07/13)

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1	DEM-6	--	36	Updated 2013 PCORC Power Costs Projections - AURORA + Not in Models for rate year November 2013 and October 2014 (1 pg.) (07/02/13)
2				
3	DEM-7C	--	36	***CONFIDENTIAL*** Updated 2013 PCORC Supplemental vs. As Filed Power Costs Comparison (4 pp.) (07/02/13)
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5	DEM-8CT	--	36	***CONFIDENTIAL*** Prefiled Rebuttal Testimony of David E. Mills (37 pp.) (08/28/13)
6				
7	DEM-9	--	36	Spreadsheet entitled 2013 PCORC Power Costs Projections - AURORA + Not in Models: Rate Year November 2013 through October 2014 (1 pg.) (08/28/13)
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10	DEM-10C	--	36	Spreadsheet entitled PCORC Power Costs Comparison (4 pp.) (08/28/13)
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12	DEM-11	--	36	Spreadsheet entitled Power Cost Adjustment Summary (2 pp.) (08/28/13)
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14	DEM-12	--	36	Spreadsheet entitled Power Cost Adjustment Summary with several columns removed and Table 4 entitled Power Cost Adjustment Mechanism History (5 pp.) (08/28/13)
15				
16				CROSS-EXAMINATION EXHIBITS PUGET SOUND ENERGY: ROGER GARRATT
17				
18	RG-1T	--	36	Prefiled Direct Testimony of Roger Garratt (11 pp.) (04/25/13) (revised 06/07/13)
19				
20	RG-2	--	36	Qualifications of Roger Garratt (3 pp.) (04/25/13)
21				
22	RG-3	--	36	2011 Integrated Resource Plan, dated May 30, 2011 (773 pp.) (04/25/13)
23				
24	RG-4	--	36	2011 Request for Proposals for All Generation Sources, dated October 17, 2011 (100 pp.) (04/25/13)

(Continued...)

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1	RG-5HC	--	36	***HIGHLY CONFIDENTIAL*** Compilation of Presentations to the Energy Management Committee regarding the Acquisition of Ferndale Generating Station (160 pp.) (04/25/13)
2				
3				
4	RG-6HC	--	36	***HIGHLY CONFIDENTIAL*** Presentation to PSE Board of Directors for the Acquisition of Ferndale Generating Station (244 pp.) (04/25/13)
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7	RG-7T	--	36	Prefiled Rebuttal Testimony of Roger Garratt (21 pp.) (08/28/13)
8	RG-8	--	36	Bonneville Power Administration's Transmission Services Business Practice entitled LGI: Advanced Funding and Temporary Use of Interconnection Facilities, Version 1 (4 pp.) (08/28/13)
9				
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11				CROSS-EXAMINATION EXHIBITS PUGET SOUND ENERGY: MICHAEL MULLALLY
12				
13	MM-1HCT	--	36	***HIGHLY CONFIDENTIAL*** Prefiled Direct Testimony of Michael Mullally (73 pp.) (04/25/13) (revised 06/07/13)
14				
15	MM-2	--	36	Qualifications of Michael Mullally (2 pp.) (04/25/13)
16	MM-3HC	--	36	***HIGHLY CONFIDENTIAL*** 2011 Request for Proposals Evaluation Document and Appendices (315 pp.) (04/25/13)
17				
18	MM-4HC	--	36	***HIGHLY CONFIDENTIAL*** July 2012 Memorandum Regarding Evaluation of New and Revised Offers (24 pp.) (04/25/13)
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20	MM-5C	--	36	***CONFIDENTIAL*** Non-binding Letter of Intent and Term Sheet for the Ferndale Generating Station (11 pp.) (04/25/13)
21				
22	MM-6C	--	36	***CONFIDENTIAL*** Asset Acquisition Agreement, dated October 1, 2012, between Tenaska Washington Partners, L.P. and Puget Sound Energy, Inc. (234 pp.) (04/25/13)
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1	MM-7	--	36	Order Authorizing Dispositions and Acquisition of Jurisdictional Facilities and Acquisition of Generating Facilities, 141 FERC ¶ 62,100 (2012) (6 pp.) (04/25/13)
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4	MM-8T	--	36	Prefiled Supplemental Direct Testimony of Michael Mullally (15 pp.) (07/02/13)
5				
6	MM-9C	--	36	***CONFIDENTIAL*** Asset Purchase and Sale Agreement between Portland General Electric Company and Puget Sound Energy, Inc., Lower Snake River Phase 2 Wind Facility, dated June 3, 2013 (81 pp.) (07/02/13)
7				
8				
9				CROSS-EXAMINATION EXHIBITS. PUGET SOUND ENERGY: CARA G. PETERMAN
10				
11	AS-1HCT	--	36	***HIGHLY CONFIDENTIAL*** Prefiled Direct Testimony of Aliza Seelig (42 pp.) (04/25/13) (Revised 05/09/13)
12				
13	AS-2	--	36	Qualifications of Aliza Seelig (2 pp.) (04/25/13)
14				
15	AS-3	--	36	Optimization Model Scenario Assumptions (1 pg.) (04/25/13)
16				
17	AS-4	--	36	Graph titled Annual Average Mid-C Power Prices, by Scenario and table titled 2011 RFP Mid-C Power Price Forecasts (2 pp.) (04/25/13)
18				
19	AS-5	--	36	Table titled Comparison of 2011 IRP vs. 2011 RFP Levelized Mid-C Price (2012-2031) Nominal \$/MWh (1 pg.) (04/25/13)
20				
21	AS-6	--	36	Graph titled Comparison of Historical Annual Average Power Prices to Forecasted (1 pg.) (04/25/13)
22				
23	AS-7	--	36	Graph titled Annual MidC Price Draws (1 pg.) (04/25/13)
24				
25	AS-8	--	36	Table titled Distribution of Monthly MidC Prices (1 pg.) (04/25/13)

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1	AS-9C	--	36	***CONFIDENTIAL*** Graph and table with natural gas prices for the Sumas Hub (2 pp.) (04/25/13)
2				
3	AS-10C	--	36	***CONFIDENTIAL*** Comparison of 2011 RFP natural gas price scenarios compared to the 2011 IRP natural gas price scenario (1 pg.) (04/25/13)
4				
5	AS-11HC	--	36	***HIGHLY CONFIDENTIAL*** Graph titled Comparison of Historical Annual Average Sumas Gas Prices to Forecasted (1 pg.) (04/25/13)
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7				
8	AS-12C	--	36	***CONFIDENTIAL*** Graph titled Annual Sumas Price Draws (1 pg.) (04/25/13)
9				
10	AS-13	--	36	Table titled Distribution of Monthly Sumas Prices (1 pg.) (04/25/13)
11	AS-14	--	36	Graph titled Comparison of PSE Load Forecast (2011 IRP to Current (F2012) (1 pg.) (04/25/13)
12				
13	AS-15	--	36	Graph titled Northwest Power and Conservation Council's Regional Forecast (1 pg.) (04/25/13)
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15	AS-16	--	36	Table titled 2011 RFP Phase I Generic Resource Assumptions (1 pg.) (04/25/13)
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17	AS-17	--	36	Table titled 2011 RFP Phase II Generic Resource Assumptions (1 pg.) (04/25/13)
18	AS-18C	--	36	***CONFIDENTIAL*** Table projecting CO2 prices in the Base + CO2 analysis (1 pg.) (04/25/13)
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20	CGP-1T	--	36	Prefiled Supplemental Direct Testimony of Cara G. Peterman (1 pg.) (07/29/13)
21				
22	CGP-2	--	36	Qualifications of Cara G. Peterman (2 pp.) (07/29/13)
23				CROSS-EXAMINATION EXHIBITS PUGET SOUND ENERGY: PAUL K. WETHERBEE
24				
25	PKW-1CT	--	36	***CONFIDENTIAL*** Prefiled Direct Testimony of Paul K. Wetherbee (51 pp.)

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1	PKW-2	--	36	Qualifications of Paul K. Wetherbee (2 pp.) (04/25/13)
2				
3	PKW-3	--	36	Order Amending License, 127 FERC ¶ 62,174 (2009) (20 pp.) (04/25/13)
4	PKW-4	--	36	Document titled Incremental Hydropower Generation at the Snoqualmie Falls Project: Request for FERC Certification of Hydropower Production from Additional Capacity and Efficiency Improvements, FERC No. 2493, dated November 2010 (26 pp.) (04/25/13)
5				
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8	PKW-5	--	36	Order Certifying Incremental Hydropower Generation for Production Tax Credit, 134 FERC ¶ 62,125 (2011) (2 pp.) (04/25/13)
9				
10				
11	PKW-6	--	36	Document titled Incremental Hydropower Generation at the Baker River Project: Request for FERC Certification of Hydropower Production from Additional Capacity, FERC No. 2150, dated August 2010 (32 pp.) (04/25/13)
12				
13				
14	PKW-7	--	36	Order Certifying Incremental Hydropower Generation for Production Tax Credit, 133 FERC ¶ 62,263 (2010) (2 pp.) (04/25/13)
15				
16				
17	PKW-8C	--	36	***CONFIDENTIAL*** Report titled Penstock Condition Assessment, Puget Sound Energy, Plant Technical Services, Electron Hydroelectric Project, dated February 8, 2010 (25 pp.) (04/25/13)
18				
19				
20	PKW-9C	--	36	***CONFIDENTIAL*** Resource Enhancement Agreement between Puyallup Tribe of Indians and Puget Sound Energy, Inc. (87 pp.) (04/25/13)
21				
22	PKW-10C	--	36	***CONFIDENTIAL*** Puget Sound Energy materials for presentation to Energy Management Committee on April 20, 2012, regarding the Electron Project alternatives (13 pp.) (04/25/13)
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1	PKW-11C	--	36	***CONFIDENTIAL*** Puget Sound Energy memorandum presented to the Energy Management Committee on April 20, 2012, regarding the Electron Project alternatives (23 pp.) (04/25/13)
2				
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4	PKW-12C	--	36	***CONFIDENTIAL*** Puget Sound Energy's Request for Proposals for the Electron Project from potential buyers (9 pp.) (04/25/13)
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7	PKW-13C	--	36	***CONFIDENTIAL*** Puget Sound Energy's Presentation to the Energy Management Commission on the sale of the Electron Project to Electron Hydro (12 pp.) (04/25/13)
8				
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10	PKW-14T	--	36	Prefiled Supplemental Direct Testimony of Paul K. Wetherbee (2 pp.) (07/02/13)
11	PKW-15C	--	36	***CONFIDENTIAL*** Copy of the Electron Asset Purchase Agreement (286 pp.) (07/02/13)
12				
13	PKW-16T	--	36	Prefiled Rebuttal Testimony of Paul K. Wetherbee (6 pp.) (08/28/13)
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15				CROSS-EXAMINATION EXHIBITS PUGET SOUND ENERGY: DOUGLAS S. LOREEN
16	DSL-1T	--	36	Prefiled Direct Testimony of Douglas S. Loreen (20 pp.) (04/25/13)
17				
18	DSL-2	--	36	Qualifications of Douglas S. Loreen (2 pp.) (04/25/13)
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20				CROSS-EXAMINATION EXHIBITS PUGET SOUND ENERGY: TOM A. DEBOER
21	TAD-1T	--	36	Prefiled Direct Testimony of Tom A. DeBoer (35 pp.) (04/25/13)
22	TAD-2C	--	36	Qualifications of Tom A. DeBoer (2 pp.) (04/25/13)
23				
24	TAD-3HC	--	36	***HIGHLY CONFIDENTIAL*** Document titled BPA Transmission Contract Acquisition & Renewal Process: EMC Informational Presentation, dated August
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1	TAD-4	--	36	Document titled 2013 BPA Transmission Contract Renewals: EMC Informational Presentation, dated January 17, 2013 (17 pp.) (04/25/13)
2				
3	TAD-5HC	--	36	***HIGHLY CONFIDENTIAL*** Document titled BPA Transmission Contract Acquisition & Renewal Process: EMC Informational Presentation, dated February 21, 2013 (22 pp.) (04/25/13)
4				
5				
6	TAD-6T	--	36	Prefiled Supplemental Direct Testimony of Tom A. DeBoer (11 pp.) (07/29/13)
7				
8	TAD-7	--	36	Puget Sound Energy's 2013 Integrated Resource Plan, dated May 30, 2013 (1,000 pp.) (07/29/13)
9				
10	TAD-8C	--	36	***CONFIDENTIAL***Energy Management Committee Decision Presentation entitled BPA Mid-C 115 MW Transmission Contract Renewal, dated July 18, 2013 (18 pp.) (07/29/13)
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13				CROSS-EXAMINATION EXHIBITS. PUGET SOUND ENERGY: MATTHEW D. RARITY
14	MDR-1CT	--	36	***CONFIDENTIAL*** Prefiled Direct Testimony of Matthew D. Rarity (34 pp.) (04/25/13)
15				
16	MDR-2	--	36	Qualifications of Matthew D. Rarity (2 pp.) (04/25/13)
17				
18	MDR-3C	--	36	***CONFIDENTIALITY*** Hour-Ahead Balancing Model Methodology (6 pp.) (04/25/13)
19				
20				CROSS-EXAMINATION EXHIBITS PUGET SOUND ENERGY: L. EDWARD ODOM,
21	LEO-1CT	--	36	***CONFIDENTIAL*** Prefiled Direct Testimony of L. Edward Odom (19 pp.) (04/25/13) (revised 06/07/13)
22				
23	LEO-2	--	36	Qualifications of L. Edward Odom (2 pp.) (04/25/13)
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1	LEO-3C	--	36	***CONFIDENTIAL*** Rate Year Production Operations and Maintenance Cost Summary (1 pg.) (04/25/13)
2				
3	LEO-4T	--	36	Prefiled Rebuttal Testimony of L. Edward Odom (8 pp.) (08/28/13)
4				
5	LEO-5	--	36	Spreadsheet entitled 2013 PCORC: Production O&M Summary (1 pg.) (08/28/13)
6				
7				CROSS-EXAMINATION EXHIBITS PUGET SOUND ENERGY: KATHERINE J. BARNARD
8				
9	KJB-1T	--	36	Prefiled Direct Testimony of Katherine J. Barnard (43 pp.) (04/25/13) (revised 06/07/13)
10				
11	KJB-2	--	36	Qualifications of Katherine J. Barnard (2 pp.) (04/25/13)
12	KJB-3	--	36	Settlement Terms for the Power Cost Adjustment Mechanism (PCA), Exhibit A to Settlement Stipulation, Dockets UE-011570 and UG-011571 (30 pp.) (04/25/13)
13				
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15	KJB-4	--	36	Summary of Power Cost Adjustments, Plus Restating Adjustments, Used to Determine the Baseline Rate (30 pp.) (04/25/13) (revised 06/07/13)
16				
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18	KJB-5	--	36	Exhibit A-1, Power Cost Rate; Exhibit A-2, Transmission Rate Base; Exhibit A-3, Colstrip Fixed Costs; Exhibit A-4, Production Adjustment; Exhibit A-5, Power Cost; and Exhibit D, Regulatory Assets & Liabilities Net of Accumulative Amortization and Deferred Taxes (PCA Periods) (10 pp.) (04/25/13) (revised 06/07/13)
19				
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23	KJB-6	--	36	Table titled REVENUE SURPLUS: 2013 PCORC Compared to 2011 GRC (1 pg.) (04/25/13)
24	KJB-7	--	36	Spreadsheet titled Power Cost Baseline Rate Comparison: 2013 Power Cost Only Rate Case vs. 2011 GRC Compliance Filing
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2	KJB-8T	--	36	Prefiled Direct Testimony of Katherine J. Barnard (13 pp.) (07/02/13)
3	KJB-9	--	36	Updated Summary of Power Cost Adjustments, Plus Restating Adjustments, Used to Determine the Baseline Rate (30 pp.) (07/02/13)
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5	KJB-10	--	36	Updated Exhibit A-1, Power Cost Rate; Exhibit A-2, Transmission Rate Base; Exhibit A-3, Colstrip Fixed Costs; Exhibit A-4, Production Adjustment; Exhibit A-5, Power Cost; and Exhibit D, Regulatory Assets & Liabilities Net of Accumulative Amortization and Deferred Taxes (PCA Periods) (9 pp.) (07/02/13)
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10	KJB-11	--	36	Updated Table titled REVENUE DEFICIENCY: 2013 PCORC compared to 2011 GRC (1 pg.) (07/02/13)
11				
12	KJB-12T	--	36	Prefiled Rebuttal Testimony of Katherine J. Barnard (58 pp.) (08/28/13) (revised 09/06/13)
13				
14	KJB-13	--	36	Comparison of PSE's Rebuttal Filing Revenue Requirement Surplus and Staff's Revenue Requirement Surplus by Adjustment (1 pg.) (08/28/13)
15				
16	KJB-14	--	36	Summary of PSE's Restating and Pro Forma Adjustments (30 pp.) (08/28/13)
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18	KJB-15	--	36	PSE's Updated Calculation of the Power Cost Baseline Rate for the PCA (10 pp.) (08/28/13)
19				
20	KJB-16	--	36	PSE's Calculation of the Rate Decrease Factoring in Revised Pro Forma and Restating Adjustments (1 pg.) (08/28/13)
21				
22	KJB-17	--	36	Excerpts from PSE's Response to Staff Data Request No. 36 (4 pp.) (08/28/13)
23				
24	KJB-18	--	36	Excerpts from PSE's Response to Staff Data Request No. 43 (2 pp.) (08/28/13)
25	KJB-19	--	36	Excerpts from PSE's Response to Staff

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1				
2	KJB-20	--	36	Staff's Response to PSE Data Request No. 2 (3 pp.) (08/28/13)
3				CROSS-EXAMINATION EXHIBITS. PUGET SOUND ENERGY: JON A. PILIARIS
4				
5	JAP-1T	--	36	Prefiled Direct Testimony of Jon A. Piliaris (9 pp.) (04/25/13)
6	JAP-2	--	36	Qualifications of Jon A. Piliaris (3 pp.) (04/25/13)
7				
8	JAP-3	--	36	Tables Allocating Changes in Power Costs to Rate Classes (6 pp.) (04/25/13)
9	JAP-4	--	36	Revised Tariff Sheets for Schedule 95 (8 pp.) (04/25/13)
10				
11	JAP-5T	--	36	Prefiled Rebuttal Testimony of Jon A. Piliaris (8 pp.) (08/28/13)
12				CROSS-EXAMINATION EXHIBITS. PUGET SOUND ENERGY: WILLIAM F. DONAHUE
13				
14	WFD-1CT	--	36	***CONFIDENTIAL***Prefiled Rebuttal Testimony of William F. Donahue (14 pp.) (08/28/13)
15				
16	WFD-2	--	36	Professional Qualifications of William F. Donahue (4 pp.) (08/28/13)
17				CROSS-EXAMINATION EXHIBITS COMMISSION STAFF: JOANNA HUANG
18				
19	JH-1T	--	36	Prefiled Response Testimony of Joanna Huang (13 pp.) (08/14/13)
20	JH-2	--	36	Spreadsheet entitled Calculation of Carrying Charges and Related Reserve LSR BPA Transmission Deposits UE-100882, (6 pp.) (08/14/13)
21				
22				CROSS-EXAMINATION EXHIBITS COMMISSION STAFF: CHRISTOPHER T. MICKELSON
23				
24	CTM-1T	--	36	Prefiled Response Testimony of Christopher T. Mickelson (46 pp.) (08/14/13)
25				

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1				(Continued...)
2	CTM-2	--	36	Spreadsheet listing power cost rate adjustments both summary and detailed (30 pp.) (08/14/13)
3				
4	CTM-3	--	36	Spreadsheet entitled Power Cost Rate (1 pg.) (08/14/13)
5	CTM-4	--	36	Spreadsheet entitled Revenue Requirement: 2013 PCORC compared to 2011 GRC, (1 pg.) (08/14/13)
6				
7	CTM-5	--	36	Spreadsheet entitled Allocating Changes in Power Costs to Rate Classes for Schedule 95 (3 pp.) (08/14/13)
8				
9	CTM-6	--	36	Publication entitled Payments for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009, prepared by U.S. Department of Treasury's Office (21 pp.) (08/14/13)
10				
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13				CROSS-EXAMINATION EXHIBITS COMMISSION STAFF: JULIANA WILLIAMS
14	JMW-1CT	--	36	***CONFIDENTIAL***Prefiled Response Testimony of Juliana Williams (47 pp.) (08/14/13) (revised 08/21/13)
15				
16	JMW-2	--	36	Staff Adjustment 4 Snoqualmie Falls Hydroelectric Redevelopment Project (10 pp.) (08/14/13)
17				
18	JMW-3	--	36	Staff Adjustment 5 Snoqualmie Falls Hydroelectric Redevelopment Project Deferral (10 pp.) (08/14/13)
19				
20	JMW-4	--	36	Staff Adjustment 6 Baker River Hydroelectric Project Relicensing Upgrades (18 pp.) (08/14/13)
21				
22	JMW-5	--	36	Staff Adjustment 8 Ferndale Plant Purchase (8 pp.) (08/14/13)
23				
24	JMW-6	--	36	Staff Adjustment 9 Ferndale Plant Deferral (16 pp.) (08/14/13)
25	JMW-7	--	36	Portland General Electric's Dispatchable

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1				(08/14/13)
2	JMW-8	--	36	Contact log describing Staff
3				conversations with Portland General
4				Electric staff regarding their
				Dispatchable Standby Generation program
				(1 pg.) (08/14/13)
				CROSS-EXAMINATION EXHIBITS.
5				COMMISSION STAFF: EDWARD J. KEATING
6	EJK-1CT	--	36	***CONFIDENTIAL***Prefiled Response
7				Testimony of Edward J. Keating (8 pp.)
				(08/14/13)
8	EJK-2	--	36	Cedar Hills Mark-to-Market Proposed
9				Adjustment (1 pg.) (08/14/13)
10	EJK-3	--	36	Excerpt from PSE Response to Staff Data
11				Request No. 44 (excludes confidential
				attachments) (4 pp.) (08/14/13)
12	EJK-4	--	36	Excerpt from PSE Response to Staff Data
13				Request No. 54 (excludes confidential
				attachments) (5 pp.) (08/14/13)
				CROSS-EXAMINATION EXHIBITS
14				COMMISSION STAFF: DAVID C. GOMEZ
15	DCG-1CT	--	36	***CONFIDENTIAL***Prefiled Response
16				Testimony of David C. Gomez (19 pp.)
				(08/14/13)
17	DCG-2C	--	36	***CONFIDENTIAL*** Staff Adjusted PSE
18				PCORC Supplemental vs. 2011 GRC Power
				Costs Comparison (2 pp.) (08/14/13)
19				CROSS-EXAMINATION EXHIBITS
20				ICNU: Donald W. Schoenbeck
21	DWS-1T	--	36	Prefiled Response Testimony of Donald W.
				Schoenbeck (8 pp.) (08/14/13)
22	DWS-2	--	36	Qualifications of Donald W. Schoenbeck
23				(2 pp.) (08/14/13)
24	DWS-3	--	36	Comparison of Colstrip O&M Budget to
25				Actual Based on PSE Response to ICNU
				Data Request No. 1.2 (1 pg.) (08/14/13)

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1				(08/14/13)
2	DWS-5	--	36	Proposed weighted allocation factors (1 pg.) (8/14/13)
3	DWS-6	--	36	Relative Allocation of the Generation and Transmission Costs based on 2011 General Rate Case-Based Allocation Factors and ICNU's Proposed Allocation Factors (1 pg.) (08/14/13)
4				
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6	DWS-7	--	36	Excerpt of PSE Supplemental Response to ICNU Data Request No. 1.5 (2 pp.) (08/14/13)
7				
8				CROSS-EXAMINATION EXHIBITS PUBLIC COUNSEL: SEBASTIAN COPPOLA
9				
10	SC-1T	--	36	Prefiled Response Testimony of Sebastian Coppola (23 pp.) (08/14/13)
11	SC-2	--	36	Qualifications of Sebastian Coppola (7 pp.) (08/14/13)
12				
13	SC-3	--	36	Sebastian CoppolaA09/26/13 Power Cost Comparison 2002-2012 (1 pg.) (08/14/13)
14				
15	SC-4	--	36	Energy Generated by Source 2002-2012 (1 pg.) (08/14/13)
16	SC-5	--	36	Generating Capacity by Source 2002-2012 (1 pg.) (08/14/13)
17				
18	SC-6	--	36	PSE 2012 PCA Summary (1 pg.) (08/14/13)
19				
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OLYMPIA, WASHINGTON, SEPTEMBER 26, 2013

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1:30 P.M.

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P R O C E E D I N G S

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JUDGE FRIEDLANDER: It's 1:30, so let's go ahead and go on the record.

8

My name is Marguerite Friedlander, and I'm an administrative law judge with the Washington Utilities and Transportation Commission. This is the time and place set for a settlement hearing in Dockets UE-130583, UE-130617, UE-131099, and UE-131230. The Commission has convened this hearing to examine the settlement agreement filed on September 16, 2013.

14

15

Let's go ahead and begin with appearances starting with the Company.

16

17

MS. CARSON: Good afternoon, Your Honor. Sheree Strom Carson with Perkins Coie representing Puget Sound Energy.

18

19

20

JUDGE FRIEDLANDER: Thank you.  
And appearing today on behalf of the Industrial Customers of Northwest Utilities?

21

22

MR. WEBER: Joshua Weber with Davison Van Cleve for the Industrial Customers.

23

24

25

JUDGE FRIEDLANDER: Great. Thank you. And it's my understanding that Mr. Schoenbeck is also on the conference bridge?

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1 MR. WEBER: Yes, that's my understanding as well.

2 MR. SCHOENBECK: Yes, I am here, Your Honor.

3 JUDGE FRIEDLANDER: Great. Thank you.

4 Appearing today on behalf of Public Counsel?

5 MR. FFITCH: Simon ffitch on behalf of Public  
6 Counsel. Good afternoon, Your Honor.

7 JUDGE FRIEDLANDER: Good afternoon. And you  
8 mentioned before, I guess, via e-mail, that Mr. Coppola is also  
9 available via conference bridge?

10 MR. FFITCH: That's my understanding, and we can  
11 check.

12 Mr. Coppola, are you on the bridge at this time?

13 JUDGE FRIEDLANDER: Perhaps he'll join us later.

14 MR. FFITCH: We did arrange for him to do that,  
15 provide the number, so...

16 JUDGE FRIEDLANDER: Okay. That's fine, then.

17 And appearing today on behalf of Staff?

18 MR. TROTTER: For Commission Staff, Donald T.  
19 Trotter, Assistant Attorney General, and Steven W. Smith  
20 Assistant Attorney General.

21 JUDGE FRIEDLANDER: Great. Thank you. I think this  
22 is an appropriate time to discuss the admission of exhibits.  
23 Per the settlement agreement, the settling parties agreed to  
24 admit all of the exhibits, which would include the prefiled  
25 testimony and attached exhibits of all the parties. I would

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1 recommend that we also admit the bench requests and, obviously,  
2 the settlement agreement and joint testimony in support of the  
3 settlement agreement as well.

4 And as long as everyone is okay with that, I'll go  
5 ahead and admit the exhibits.

6 MR. FFITCH: And, Your Honor just for the record, we  
7 would request that a number be reserved for the public comment  
8 exhibit, if any.

9 JUDGE FRIEDLANDER: Certainly. And let's go ahead  
10 and give that exhibit the designation BR-2.

11 And would it be possible to get that to the  
12 Commission within a week?

13 MR. FFITCH: Yes, it would. Thank you, Your Honor.

14 JUDGE FRIEDLANDER: Okay. Then that'll be fine.

15 I'll also admit that in the final order, and if any  
16 of the parties has an objection at that point, they can raise  
17 it.

18 So I'll admit all of the exhibits at this time.

19 (Exhibit Nos. BR-1 through SC-6 were admitted into  
20 the record.)

21 (Bridge line beeps.)

22 JUDGE FRIEDLANDER: That may be Mr. Coppola.

23 Mr. Coppola?

24 MR. COPPOLA: Yes, this is Mr. Coppola.

25 JUDGE FRIEDLANDER: Okay.

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1 MR. COPPOLA: I was on the line before. I could hear  
2 you, but, apparently, you couldn't hear me.

3 JUDGE FRIEDLANDER: Okay. Great. Well, thank you.

4 Is there any other procedural business before I  
5 impanel the witnesses?

6 All right. Hearing none -- I'm sorry. Go ahead.

7 Okay. Well, that's fine.

8 Mr. Schoenbeck, you don't have to stand because I,  
9 obviously, can't see you, but if you would raise your right  
10 hand.

11 MR. SCHOENBECK: Mm-hm, yes.

12

13 KATHERINE J. BARNARD, CHRISTOPHER T. MICKELSON, STEFANIE A.  
14 JOHNSON, and DONALD W. SCHOENBECK (via telephone), witnesses  
15 herein, having been first duly sworn on oath, were examined and  
16 testified as follows:

17

18 MULTIPLE SPEAKERS: I do.

19 MR. SCHOENBECK: Yes, I do.

20 JUDGE FRIEDLANDER: Okay. Thank you.

21 What I anticipate doing is retrieving the  
22 Commissioners. When they come back, we'll go back on the record  
23 and at that point, I would like to have each of the witnesses on  
24 behalf of the parties give a brief statement as to the public  
25 interest; about how the settlement is in the public interest --

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1 very brief -- and then we'll open it up for Commission  
2 clarifying questions.

3 After that, I believe we're done, so let's go off the  
4 record. Thank you.

5 (Discussion off the record.)

6 JUDGE FRIEDLANDER: Let's go back on the record.

7 And if, at this time, I could have each of the  
8 settlement witnesses give a brief description of why the  
9 settlement is in the public interest beginning, perhaps, with  
10 the Company.

11 MS. BARNARD: Good afternoon. I'm Katherine Barnard  
12 representing Puget Sound Energy.

13 The Company believes that the settlement results in a  
14 fair, just, and reasonable outcome to this case. It will  
15 provide an immediate benefit to the customers of a rate  
16 reduction, and it also allows us to move forward with focusing  
17 on operations rather than litigation.

18 Key to the Company were the inclusion of the cost  
19 associated with the two hydro facility upgrades, resolution of  
20 the BPA credit issue, and also clarification and agreement on  
21 some of the lingering accounting issues, such as the major  
22 maintenance issue, and having that agreed upon.

23 JUDGE FRIEDLANDER: Okay. Thank you.

24 How about for Staff?

25 MR. MICKELSON: Good afternoon. Christopher T.

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1 Mickelson with Commission Staff.

2           From Staff's perspective, the full settlement results  
3 a magnitude of dockets. It'd take care of, as the Company,  
4 Kathy, stated, the issues of major maintenance, treasury grants,  
5 which have obviously been issues of contempt in the past. It  
6 also is taking care of determination of plant values related to  
7 Baker and Snoqualmie and LSR, and there was issues with that.

8           It also provides some guidelines for the upcoming  
9 2014 PCORC, and so for those reasons, it's in the public's  
10 interest.

11           JUDGE FRIEDLANDER: Thank you.

12           And Public Counsel, Ms. Johnson?

13           MS. JOHNSON: Stefanie Johnson with Public Counsel.

14           Public Counsel's testimony in this case focused  
15 solely on the power cost adjustment mechanism, but speaking to  
16 the public interest on that, we're satisfied with this that it  
17 meets the public interest because it allows the parties to  
18 address the PCA issues collaboratively and also sets up a time  
19 frame for, you know, if the collaborative isn't successful for  
20 litigation possibilities.

21           JUDGE FRIEDLANDER: Thank you. And, Mr. Schoenbeck?

22           MR. SCHOENBECK: Thank you, Your Honor.

23           ICNU reviewed many of the detailed work papers and  
24 spreadsheets provided by PSE as part of their work papers in  
25 response to data requests. We examined several issues, but we

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1 only chose to raise three, all of which are addressed in the  
2 settlement.

3           The three issues we raised were the appropriate level  
4 of Colstrip operation and maintenance expense, the BPA  
5 transmission rate charges, and finally a rate spread issue.

6           With respect to the settlement, there is a specific  
7 adjustment related to the Colstrip O&M value. PSE agreed to  
8 incorporate the latest information from Bonneville into their  
9 transmission wheeling cost in the settlement.

10           And with respect to the rate spread proposal we had,  
11 we are a unique party in raising that issue, but as part of the  
12 settlement, all parties agreed to have a collaborative process  
13 that would not only address the PCA issue, as noted by  
14 Ms. Johnson, but it would also address the opportunity, give all  
15 parties the opportunity to address the rate spread issue.

16           So as a result of the settlement, we urge the  
17 Commission to adopt it because we believe it would -- it will  
18 result in fair, just, and reasonable rates, and two processes  
19 that will hopefully streamline proceedings in the future.

20           So for all those reasons, ICNU fully supports the  
21 settlement.

22           JUDGE FRIEDLANDER: Okay. Thank you.

23           And at this time I'll open up the floor for questions  
24 of a clarifying nature from the Commissioners.

25           CHAIRMAN DANNER: Thank you. I guess I would like to

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1 know precisely what the impacts are going to be on the  
2 average -- precise on the average -- but I would like to know --  
3 give me an idea of how this is going to affect the average  
4 residential consumer's bill.

5 MS. BARNARD: Under the settlement it is a 10.4,  
6 almost 10.5 million rate reduction, which is about half a  
7 percent to average customers.

8 CHAIRMAN DANNER: So what is that? About a 50-cent  
9 decrease?

10 MS. BARNARD: Yes.

11 CHAIRMAN DANNER: Okay. And that's the kind of  
12 precision I'm looking for.

13 And the other question I have is really I think more  
14 of a legal question. I thought that when we established the  
15 PCORC mechanism, that we said that the rate design issues and  
16 rate spread issues were not to be considered there.

17 So if we're going to be considering them in a  
18 collaborative process looking forward, where are we going to --  
19 or how are we going to get to those issues?

20 MR. TROTTER: Your Honor, since that was a legal  
21 question, I'd be happy to take a stab at it.

22 CHAIRMAN DANNER: Okay. I want to put everybody else  
23 on the spot first.

24 No, go ahead.

25 MR. TROTTER: Okay. Well, as you're probably aware,

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1 there was a -- Public Counsel filed testimony on the PCA, and  
2 ICNU filed testimony on cost of service issues, and there's a  
3 motion to strike both of those as beyond the scope of the PCORC.  
4 And there is language in prior PCORCs about not raising cost of  
5 service issues.

6 As you know, with the recent settlement that the  
7 Commission approved regarding Puget, they agreed not to do a  
8 rate case. Whereas under the PCORC procedures, there was an  
9 agreement that they had to file a rate case, I think, within  
10 three months of the PCORC, so that settlement took away that  
11 vehicle for raising rate spread and rate design issues.

12 So that argument would have been addressed to you in  
13 those motions had we, you know, moved forward, so the parties  
14 are proposing a compromise -- and subject to your approval --  
15 that the parties collaborate and other interested people can  
16 come in and collaborate on these two issues.

17 Your question didn't deal with PCA, but I'm answering  
18 it that way, but collaborative on the PCA and rate spread, rate  
19 design, cost of service issues, if those collaboratives are  
20 successful, the parties agree that those issues can be brought  
21 before you for resolution in the next PCORC, which is a change,  
22 if at least -- and some parties' point of view had changed from  
23 what an authorized procedure might be, so we're asking you to  
24 approve that.

25 If there is no agreement on issues, then the

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1 Company -- or for issues there is no agreement on, the Company  
2 has agreed to initiate a separate docket which would come before  
3 you for resolution in the normal course of business.

4 CHAIRMAN DANNER: Okay. So just by approving the  
5 settlement, though, we're establishing the process for next time  
6 talking about rate design and the rate spread sheets?

7 MR. TROTTER: Yes. As to those that are -- to which  
8 agreement is reached. Those can be brought before you in the  
9 next PCORC, and for those for which there is no agreement, then  
10 that's going to be before you in a separate docket.

11 CHAIRMAN DANNER: Okay. Thank you for that  
12 clarification.

13 MR. TROTTER: But it was a compromise based on the  
14 fact that when you granted a settlement in another docket, that  
15 changed the way the PCORC process occurred with a rate case  
16 immediately following. And I don't think the issue was raised  
17 at that point, well, what about the opportunity to address these  
18 issues like we would have otherwise, and so this is a way of  
19 bridging that or mending that situation.

20 CHAIRMAN DANNER: Okay. Thank you very much.

21 MR. MICKELSON: If I could interrupt real quick.

22 Chairman, the answer to your first question is page  
23 20, Attachment A, to the settlement agreement. And the impact  
24 to an average residential customer will be 53 cents on a monthly  
25 basis, and \$6.36 on a annual basis.

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1                   CHAIRMAN DANNER: Okay. We were in the ballpark.

2                   COMMISSIONER GOLTZ: So I had a couple further  
3 questions on the collaborative. First, I think, for  
4 Ms. Barnard, is that when does the Company anticipate filing its  
5 2014 PCORC, or what's the range of dates?

6                   MS. BARNARD: It will be shortly before June 1st of  
7 2014, the reason being that we need to bring in the Centralia  
8 power purchase contract. And that contract goes into effect on  
9 December 1, so we will file on or before June 1st of 2014.

10                  COMMISSIONER GOLTZ: Okay. So in order for assuming  
11 a successful collaborative on the PCORC issues, when would the  
12 collaborative have to be complete in order for it to be  
13 accommodated into your June, or so, 2014 filing?

14                  MS. BARNARD: To be complete, I would -- you know,  
15 putting together the PCORC filing is a process that takes  
16 roughly three months. However, there's pieces that are going  
17 on, so I would think we would have to have complete resolution  
18 by probably -- early April probably by the latest. There could  
19 still be some tweaks until May 1, and we might be able to get it  
20 through. But I'm thinking it's going to have to be resolved by  
21 early April.

22                  COMMISSIONER GOLTZ: Okay. And for Public Counsel,  
23 is that consistent with the timeline you envisioned for this  
24 collaborative?

25                  MS. JOHNSON: I think that we haven't really set out

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1 the specific timeline at this point in time. I think that we  
2 understood the -- well, actually, I think -- correct me if I'm  
3 wrong, but the PCA collaborative is a July 1st filing if it's  
4 not resolved, and so it's actually a separate docket. It's  
5 unrelated to the next PCORC filing.

6 COMMISSIONER GOLTZ: Right, but --

7 MS. JOHNSON: So, basically, we have assumed that it  
8 begins in November, and, you know, based on how it proceeds, you  
9 know, could conclude in the spring prior to whatever the docket  
10 that would open in July.

11 COMMISSIONER GOLTZ: But there is one collaborative  
12 for both PCA and PCORC issues?

13 MS. BARNARD: No. Oh, for PCA and PCORC issues, yes,  
14 I'm sorry. There is one collaborative.

15 COMMISSIONER GOLTZ: One collaborative, but then  
16 there'll be two: a PCA filing separate from a PCORC filing?

17 MS. BARNARD: A PCA filing -- I guess I'm a little  
18 confused by that question.

19 So we will be making a PCORC filing --

20 COMMISSIONER GOLTZ: Right.

21 MS. BARNARD: -- by June 1.

22 When I think of the PCA, I'm thinking of the actual  
23 mechanism itself. You know, what could come out of the  
24 collaborative would be a filing that would say these are  
25 agreed-upon simplifications to either the PCA mechanism --

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1 COMMISSIONER GOLTZ: Right.

2 MS. BARNARD: -- or the PCORC mechanism. We're  
3 really not positive. And so there's pieces that may be able to  
4 simplify the process, that the parties could agree to, that  
5 could be filed earlier that we have easy agreement on.

6 COMMISSIONER GOLTZ: So let's say that the  
7 collaborative is successful on both PCA and PCORC.

8 Would there be a filing with the Commission to say,  
9 Here's what the parties have agreed on, will you approve this,  
10 or would the assumption be that the PCORC would just be governed  
11 by the agreement? In other words, the first time the Commission  
12 gets to look at the agreement -- or the collaborative on the  
13 PCORC side isn't the actual PCORC?

14 MS. JOHNSON: My understanding of it is actually that  
15 the discussion is more centered around the PCA itself and the  
16 operation of the PCA. I understand that the PCORC is a part of  
17 the mechanism and was a part of that original settlement  
18 agreement, but it's more about discussing how the mechanism  
19 itself works. I think for the collaborative that is going to  
20 look at rate spread and rate design, that would need to be  
21 complete in advance of the PCORC that they would file, but we've  
22 really been looking at this more as a PCA.

23 COMMISSIONER GOLTZ: Yeah, I know you have.

24 MS. JOHNSON: Okay.

25 COMMISSIONER GOLTZ: But looking at the PCORC side of

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1 this, assuming a successful collaborative where all parties  
2 agree on the PCORC issues, then do you envision bringing that  
3 agreement to the Commission for approval before you file a  
4 PCORC, or will we just see it for the first time in the PCORC  
5 and then if we don't agree with those principles, we have to  
6 make adjustments there?

7 MS. JOHNSON: My assumption is that anything would  
8 have to be approved before it could be filed and meet the  
9 current -- we're currently under -- operating under the previous  
10 order, and so we would need a new order to replace that if we  
11 had any changes to how the PCORC operates itself.

12 COMMISSIONER GOLTZ: So I'm wondering if that's true,  
13 then...

14 JUDGE FRIEDLANDER: Excuse me. I think one of our  
15 callers is on a very windy cell phone line or something. We're  
16 getting a lot of feedback here. That's better. Thank you.

17 COMMISSIONER GOLTZ: They can mute their phone.

18 JUDGE FRIEDLANDER: Right.

19 COMMISSIONER GOLTZ: And so I'm wondering if your  
20 April deadline for resolution really has to be early, if we have  
21 to build in some time for the Commission to approve this before  
22 you file the PCORC?

23 MS. BARNARD: Well, my recollection was that if the  
24 parties agreed to an approach, that we would actually file joint  
25 testimony that could be filed at the time of the PCORC, and so

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1 it would be decided in that PCORC.

2           Clearly, I agree with Public Counsel, that we have to  
3 present something to the Commissioners for you guys to approve a  
4 change in that. But if we had an agreed-upon approach, that  
5 could be filed jointly with that PCORC.

6           MR. MICKELSON: Chris Mickelson, Commission Staff.

7           The way Staff envisioned is obviously this process  
8 will start to be reviewed in November, and it would continue all  
9 the way through into the spring. And if there is agreement  
10 amongst all parties, those enhancements within the PCORC and PCA  
11 mechanism would be part of the Company's initial filing, and  
12 mostly likely maybe even joint testimony with multiple parties  
13 bringing that forward to the Commission for approval of not just  
14 the 2014 PCORC power cost rate, but probably also those  
15 enhancements to be adopted.

16           COMMISSIONER GOLTZ: And then in the collaborative,  
17 the issue of whether or not there should be a PCA or a PCORC,  
18 that's off the table, and everyone's agreed to that?

19           MR. MICKELSON: Correct.

20           MS. BARNARD: Correct.

21           COMMISSIONER GOLTZ: So if any party wants to  
22 eliminate the PCA or the PCORC, they just have to fold their  
23 arms and not be cooperative, and then they could raise that in  
24 the filing that the Company would make by July 1?

25           MS. BARNARD: That was my understanding.

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1 MR. MICKELSON: Correct.

2 COMMISSIONER GOLTZ: Okay. Now, let's assume that  
3 there's no -- that the collaborative is not successful, then we  
4 would do the 2014 PCORC under the existing PCORC standards?

5 MS. BARNARD: That is correct.

6 COMMISSIONER GOLTZ: And your filing to initiate in  
7 July 1, 2014, would really be for future PCORCs after that?

8 MS. BARNARD: The primary reason for that separate  
9 filing was so that there was a separate docket, and how those  
10 two pieces would work exactly together, I don't know that I'm  
11 clear. To me that's somewhat a legal issue. We would file the  
12 2014 PCORC in the same manner that we had filed previously, and  
13 I believe this was intended to be a separate docket, if  
14 necessary, that would run its own procedural timeline.

15 COMMISSIONER GOLTZ: Okay. And so then if the  
16 collaborative is not successful for either PCORC or PCA issues,  
17 then you would expect no later than July 1, a filing by the  
18 Company as to how you envisioned those processes should be going  
19 forward?

20 MS. BARNARD: Correct, which it may just be a filing  
21 to say that we believe that the mechanisms, as they are  
22 currently agreed upon, are fine. But it's that initial filing  
23 so that the other parties can take a different position.

24 COMMISSIONER GOLTZ: So that would not be a tariff  
25 filing, correct? That would just be a petition of some sort for

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1 an order set to modify past PCA orders or past PCORC orders?

2 MS. BARNARD: Either that or a compliance filing out  
3 of this docket. I don't know that we have determined exactly  
4 what the filing would look like, but it would either be a  
5 petition or something along those lines.

6 COMMISSIONER GOLTZ: But that process would be pretty  
7 much a straight policy call and possibly some legal issues?  
8 There wouldn't be much factual facts at issue and that sort  
9 thing, would there?

10 MS. BARNARD: I think it's hard to envision whether  
11 there would be. I think there could be some factual issues if  
12 you think about if someone was to want to challenge the PCORC or  
13 the PCA mechanism. Clearly there was testimony in this case  
14 regarding that, so there would likely be a witness for the  
15 Company. I don't believe it would be me, but...

16 COMMISSIONER GOLTZ: We could add a condition to  
17 that.

18 Okay. I think that's all I have. Thank you.

19 JUDGE FRIEDLANDER: Thank you.

20 Commissioner Jones, did you have any questions?

21 COMMISSIONER JONES: Yeah. I have just a couple.

22 JUDGE FRIEDLANDER: Okay.

23 COMMISSIONER JONES: Thank you for your patience  
24 here. I hope you all can hear me.

25 On the issue in Paragraph 8 of the settlement

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1 agreement on PCA- and PCORC-related issues, following up on  
2 Commissioner Goltz's question, the first meeting of the  
3 collaborative is to occur in November 2013, which is only five,  
4 six weeks away; is that correct, Ms. Barnard?

5 MS. BARNARD: Yes.

6 COMMISSIONER JONES: So you must have a scope or an  
7 agenda for the meeting, or you're getting ready for that, so I  
8 would like -- starting with Ms. Barnard, I would just like to  
9 ask each witness: What are the top three issues that you see  
10 being teed up in this collaborative, starting with Ms. Barnard.

11 MS. BARNARD: I don't believe the Company thinks  
12 there are particular issues. We believe that the mechanism has  
13 been working fine as it is. However, we also recognize that  
14 this condition was important to reaching a global settlement,  
15 and so we have agreed to it. We do not have a list at this  
16 point in time.

17 COMMISSIONER JONES: So how were you going to  
18 structure a collaborative if there's no agenda or no list of  
19 issues to be discussed?

20 MS. BARNARD: We will be sending out a proposal to  
21 the various parties as to what items they would want on the  
22 agenda so that we could move that forward.

23 COMMISSIONER JONES: Are you going to hire a  
24 facilitator to facilitate this discussion, or are you doing to  
25 do it yourself internally?

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1 MS. BARNARD: There hasn't been discussions either  
2 way on that, so I don't know.

3 COMMISSIONER JONES: Okay. Mr. Mickelson, what are  
4 your top three issues?

5 MR. MICKELSON: Well, most likely there could be  
6 symmetry of the bands or asymmetry of the bands; there could be  
7 looking at possible hedging and mark-to-market within the  
8 baseline; which component should be fixed and variable within  
9 the PCA, PCORC mechanism; so I figure those would probably be  
10 most likely our top three, maybe some more.

11 COMMISSIONER JONES: So you'll be dealing with  
12 mark-to-market issue -- and we've dealt with that in various  
13 orders of the Commission before -- but that will be on the  
14 agenda from your perspective.

15 Okay. Ms. Johnson?

16 MS. JOHNSON: I would say, first of all, part of the  
17 reason why we looked at this was based on the testimony provided  
18 by Staff in the 2011 case, and so I think that some of the  
19 discussion that was provided there around how the mechanism  
20 functions and the complexity of it. I think one of the issues  
21 we would want to look at is whether it makes sense to continue  
22 operating the way it is, or if there's -- you know, may be a  
23 better model for that.

24 I would say also in part our interest in this is  
25 because the mechanism has been in place for a number of years,

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1 and so I think we would want to look at whether it's functioning  
2 as it should have and whether the risk is being split correctly  
3 between ratepayers and the Company.

4 And I would say the third one is related to the  
5 trigger for rate change. It hasn't been triggered, and, you  
6 know, whether or not that's a good or a bad thing, I know  
7 there's been discussions in other cases about the trigger  
8 needing to be triggered.

9 So I think off the top of my head, those are three of  
10 the things that we're interested in.

11 COMMISSIONER JONES: Thank you.

12 Mr. Schoenbeck, it sounds like you and I are both on  
13 teleconference lines, but go ahead, please.

14 MR. SCHOENBECK: Certainly, Commissioner Jones.

15 My personal list of the top three -- because, of  
16 course, I haven't discussed this with the different clients of  
17 ICNU -- but the first one is more simplification of the process,  
18 thinking something more akin to an Avista mechanism or what  
19 PacifiCorp may have in Oregon and PG in Oregon where you're  
20 looking more at variable cost.

21 Part and parcel to that is what Mr. Mickelson  
22 mentioned, the whole idea of what fixed costs should be included  
23 in the mechanism, if any.

24 And, finally, I also agree with Ms. Johnson about the  
25 trigger mechanism, and we've had the PCA mechanism in place for

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1 well over 10 years now. And there is an accumulated balance and  
2 there's never been a trigger, so those would be my personal top  
3 three.

4 COMMISSIONER JONES: Thank you. That's very helpful.

5 The last question, my second one, is on the treasury  
6 grants. I just want to clarify with Staff and the Company the  
7 period of amortization of this is timed to be synonymous or  
8 synchronized with the Baker and Snoqualmie project useful lines  
9 through the FERC licenses.

10 Could you help me with that, Ms. Barnard? Is it 35,  
11 40, 50 years? What's the amortization period there?

12 MS. BARNARD: So the lives of the plant are 40 years  
13 and 50 years. However, it is the remaining life, and so it was  
14 over the license. The license are 40 years and 50 years, but I  
15 want to say that the remaining life is closer to maybe 39 and  
16 40-something.

17 COMMISSIONER JONES: Okay. And just, finally, when  
18 do you expect to receive -- I know it's tough to get information  
19 from the federal government. It may be closed down as of next  
20 week, but when do you expect to get the money or the grants from  
21 U.S. Treasury, just a rough estimate?

22 MS. BARNARD: The Company is hoping that the grants  
23 will be received by the end of the year, on or before December  
24 31st.

25 COMMISSIONER JONES: On or before December 31, 2013?

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1 MS. BARNARD: That's what we're hoping, yes.

2 COMMISSIONER JONES: Okay. Those are all of my  
3 questions, Judge.

4 JUDGE FRIEDLANDER: Okay. Thank you.

5 I had just one quick question. We've spent a good  
6 bit of time talking about the different collaboratives, and in  
7 both portions of the settlement agreement addressing either the  
8 PCA, PCORC collaborative, or the cost of service, rate spread,  
9 rate design collaborative, it says that the parties have to have  
10 full agreement.

11 Are we talking "parties" as in the party that raised  
12 it and PSE, or are we talking all four parties to the docket?  
13 Is it an instance where even though Staff did not raise the  
14 issue, Staff may end up intentionally or unintentionally  
15 derailing that? Or vice versa, if PSE is unhappy with something  
16 proposed but agreed to by the other three, they may end up  
17 unintentionally or intentionally derailing it?

18 So are we talking "parties" as in the two parties  
19 that have raised this or all four?

20 MR. MICKELSON: We're talking all parties, so it  
21 would be ICNU, Public Counsel, Staff, and the Company.

22 JUDGE FRIEDLANDER: Okay. Thank you.

23 Are there any other questions from the Bench?

24 CHAIRMAN DANNER: The only remaining thing -- and,  
25 again, this might just be a question for Mr. Trotter -- is about

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1 whether we need a prudence finding on Electron.

2                   It's your understanding that we don't, but you raised  
3 the possibility that we might, and I was just wondering why  
4 might we.

5                   MS. BARNARD: From the Company's perspective?

6                   Or, Sheree, do you want to -- you're my lawyer.

7                   MS. CARSON: Well, it's a 20-year power purchase  
8 agreement, and so from the Company's perspective, we expected to  
9 receive a prudence determination for that. In settlement  
10 discussions, others thought that it was reasonable to think of  
11 it as part of the consideration for the sale and that no further  
12 prudence determination is needed, but to the extent there is,  
13 the parties believe that it's appropriate to give a prudence  
14 determination is my understanding.

15                   So there's a little bit of, perhaps, difference of  
16 opinion as to whether or not a prudence determination is needed,  
17 but I don't think any parties question the prudence of it.

18                   CHAIRMAN DANNER: But it also sounds like none of the  
19 parties agree that a prudence finding is necessary? Or all the  
20 parties understand and agree that no prudence finding is  
21 necessary?

22                   MS. CARSON: Well, we're agreeing to that based on  
23 everybody else's determination that they're not later going to  
24 say, Oh, you should have gotten a prudence determination on this  
25 PPA.

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1 CHAIRMAN DANNER: Sure. Yeah. Okay.

2 COMMISSIONER GOLTZ: But is there anybody that  
3 disputes its prudence, or is that not a conclusion that has not  
4 been reached by some parties?

5 MR. MICKELSON: No. No one's disputing the prudence  
6 as long as the conditions stay the same.

7 CHAIRMAN DANNER: Yeah. I mean, it says --

8 MS. BARNARD: And that's our understanding.

9 CHAIRMAN DANNER: Yeah. To the extent the Commission  
10 determines that a prudence determination is required, the  
11 parties agree that the Commission should determine that the PPA  
12 is prudent, so...

13 COMMISSIONER GOLTZ: Okay.

14 CHAIRMAN DANNER: Okay. It sounds like --

15 COMMISSIONER GOLTZ: A surprise. Leave something for  
16 us to resolve.

17 CHAIRMAN DANNER: Got a quarter?

18 JUDGE FRIEDLANDER: Commissioner Jones, did you have  
19 something further?

20 COMMISSIONER JONES: Yeah, just on this.

21 To the parties, maybe to the Company, isn't this a  
22 moving target? My understanding is the contract has not been  
23 executed yet, the PPA.

24 MS. BARNARD: The PPA is part of the sale and  
25 purchase agreement, so it is all tied together. And the deal,

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1 the transaction, has not closed. It was originally scheduled to  
2 close at October 31st. One of the conditions is, of course,  
3 that the utility is allowed to sell those assets. The PPA is  
4 tied with that.

5 COMMISSIONER JONES: Okay.

6 MS. BARNARD: It has been. It is likely delayed.  
7 Obviously, we need the order in this, but more importantly is  
8 the negotiations that are going on between Electron, LLC, and  
9 the Indians. Right now we think it'll probably end up being  
10 extended until December 31st, so we still need resolution of  
11 this so that Puget has completed its obligations under the  
12 contract.

13 JUDGE FRIEDLANDER: So then that October 1st date for  
14 having an order out, that wouldn't be necessary?

15 MS. BARNARD: October 1st, no, because we don't  
16 believe it will sell on October 31st.

17 MR. MICKELSON: Well, wait a second. October 1st,  
18 you're talking for the settlement or the Electron only?

19 JUDGE FRIEDLANDER: No. Actually, Ms. Barnard had  
20 mentioned that you had thought it was going to close October  
21 1st, and you would need some kind of blessing from the  
22 Commission, an order by then. I'm just trying to make sure that  
23 October 1st is not a drop-dead date for this, and then you  
24 mentioned December 31st, so I wasn't sure which was...

25 MS. BARNARD: My understanding -- and this was in

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1 Mr. Wetherbee's testimony, the original timing of the closing of  
2 the transaction, and I believed it was -- October 31st is the  
3 timeline. It may have originally been contemplated to be done  
4 by October 1st, but no later than October 31st.

5 JUDGE FRIEDLANDER: I see.

6 MS. BARNARD: But there are provisions in there to  
7 extend it, and so this morning we checked. And unless they have  
8 approval from the tribe, it looks likely at this point that it  
9 may be extended.

10 JUDGE FRIEDLANDER: Okay. And if they should get  
11 approval from the tribe, what would that do to the timeline for  
12 getting an order out? Would you need to have one prior?

13 MS. BARNARD: I think with the settlement agreement,  
14 our proposal is that we are asking for rates to be in effect on  
15 November 1 --

16 JUDGE FRIEDLANDER: Right.

17 MS. BARNARD: -- and, therefore, we're going to need  
18 an order prior to October 31st anyway --

19 JUDGE FRIEDLANDER: Right.

20 MS. BARNARD: -- so we would still be able to close  
21 within the original parameters of the agreement.

22 JUDGE FRIEDLANDER: Okay. So as long as you have  
23 that order by October 31st, which, given whatever comes down the  
24 pike as far as an order goes, Staff will need time additionally  
25 to review tariff filings and such, so we're looking more at an

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1 order out prior to the 31st.

2 That would be fine with regard to the negotiation  
3 with the tribes?

4 MS. BARNARD: Correct.

5 JUDGE FRIEDLANDER: Or the tribe?

6 MS. BARNARD: Correct.

7 JUDGE FRIEDLANDER: Okay. Okay. Thank you.

8 COMMISSIONER JONES: Just following up on that, so  
9 what you're asking us to do, Ms. Barnard, is to make a finding?  
10 As in Paragraph 4, you're asking us to make a finding that the  
11 sale is, quote, in the public interest subject to as long as  
12 there are no material changes to the asset purchase agreement?  
13 That's what you want us to do?

14 MS. BARNARD: Yes.

15 COMMISSIONER JONES: And can you tell me a little bit  
16 about Electron Hydro, LLC? Are they a Washington corporation?  
17 Delaware? Who are the buyers? Just give me a thumbnail sketch  
18 of who these buyers are.

19 MS. BARNARD: That was Mr. Wetherbee's testimony. I  
20 believe they are local Washington buyers, but I would -- I'm not  
21 a hundred percent positive.

22 COMMISSIONER JONES: I'm sorry. I don't have  
23 Mr. Wetherbee's testimony in front of me.

24 MS. BARNARD: Does anybody have it?

25 COMMISSIONER JONES: Okay. So you think they're

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1 Washington buyers?

2 MS. BARNARD: I believe so.

3 COMMISSIONER JONES: Okay.

4 MS. BARNARD: We could certainly answer that and  
5 follow that up in a bench request.

6 JUDGE FRIEDLANDER: Yeah, that's definitely possible.

7 Let's go ahead and make that BR-3. And if you could  
8 get that to us within, say, a week.

9 CHAIRMAN DANNER: Well...

10 JUDGE FRIEDLANDER: Go ahead.

11 CHAIRMAN DANNER: I'm not sure we need it if it's in  
12 Mr. Wetherbee's testimony, unless...

13 MS. BARNARD: I believe it is in Mr. Wetherbee's  
14 direct testimony.

15 MS. CARSON: Also quite a bit of this is in the  
16 application for the approval of the sale, which has been  
17 consolidated with this docket, so I was just looking through  
18 that quickly.

19 COMMISSIONER GOLTZ: So let's just not do a bench  
20 request. And if we can't find it, we'll ask.

21 CHAIRMAN DANNER: Yeah. So if we can't find it in  
22 the testimony, then we can do a bench request.

23 COMMISSIONER JONES: That's fine.

24 JUDGE FRIEDLANDER: Okay. All right.

25 Go ahead, Commissioner Jones.

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1 COMMISSIONER JONES: No, that's it. That's it.

2 Thank you.

3 JUDGE FRIEDLANDER: Okay. Sure.

4 Are there any other questions from the Bench?

5 Okay. Do the parties have anything that they would  
6 like to add before we adjourn?

7 All right. Thank you for your time. We're  
8 adjourned.

9 (Proceeding concluded at 2:15 p.m.)

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