

**Docket Nos. UE-210532 and UE-210328 (Consolidated) -  
Vol. III**

**WUTC v. PacifiCorp, d/b/a Pacific Power & Light  
Company**

**December 9, 2021**



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UTILITIES AND TRANSPORTATION COMMISSION

VIRTUAL PUBLIC COMMENT HEARING

December 9, 2021

WUTC v. PacifiCorp, d/b/a Pacific Power & Light Company,  
and In the Matter of PacifiCorp, d/b/a Pacific Power &  
Light Company, Petition for an Order Approving Deferral  
of Revenues Related to

Renewable Energy Credits

Docket Nos. UE-210532 & UE-210328 (Consolidated)

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Present:

Judge Michael Howard  
David Danner, Chairman  
Ann Rendahl, Commissioner  
Jay Balasbas, Commissioner  
Ann Paisner, AAG Public Counsel  
Carla Scarsella, PacifiCorp  
Daniel Teimouri, as Assistant Attorney General  
Brent Coleman, Alliance of Western Energy Consumers  
Yochanan Zakai, The Energy Project

REPORTED BY: Laura A. Gjuka, CCR# 2057

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1 ALJ HOWARD: Good morning. Let's be on  
2 the record. Today is Thursday, December 9th, 2021, at  
3 10:51 a.m. We're here today for a settlement hearing in  
4 Docket UE-210532, which is captioned Washington  
5 Utilities and Transportation Commission versus  
6 PacifiCorp, doing business as Pacific Power & Light  
7 Company. The company characterizes this filing as a  
8 Limited-Issue Rate Filing or LIRF. This docket is  
9 consolidated with Docket UE-210328 where PacifiCorp has  
10 petitioned for a deferred accounting treatment of  
11 certain renewable energy credits.

12 My name is Michael Howard. I'm an  
13 administrative law judge with the commission. I'm  
14 joined today by Chair Dave Danner,  
15 Commissioner Ann Rendahl and Commissioner Jay Balasbas.

16 We are proceeding as a virtual hearing over  
17 the Zoom platform. Let's start by taking short-form  
18 appearances for the parties beginning with the company.  
19 And would the attorneys please spell your last name when  
20 you're giving your appearance.

21 MS. SCARSELLA: Appearing on behalf of  
22 PacifiCorp, Carla Scarsella, and that's spelled  
23 S-c-a-r-s-e-l-l-a.

24 ALJ HOWARD: Thank you. Could we have  
25 an appearance for staff.

1 MR. TEIMOURI: Good morning, Your Honor.  
2 This is Daniel Teimouri, Assistant Attorney General,  
3 here on behalf of commission staff.

4 ALJ HOWARD: Thank you. And for public  
5 counsel?

6 MS. PAISNER: Good morning. My name is  
7 Ann Paisner. I'm an Assistant Attorney General in the  
8 Public Counsel Unit of the Washington State Attorney  
9 General's Office. My last name is spelled  
10 P-a-i-s-n-e-r. Thank you.

11 ALJ HOWARD: Thank you. And could we  
12 have an appearance for AWEC.

13 MR. COLEMAN: Good morning,  
14 Judge Howard, Chair Danner, Commissioners Rendahl and  
15 Balasbas. Brent Coleman of the law firm  
16 Davison Van Cleve, appearing on behalf of the Alliance  
17 of Western Energy Consumers. The last name is spelled  
18 C-o-l-e-m-a-n.

19 ALJ HOWARD: Thank you. And just to be  
20 clear, the acronym I was using is AWEC, A-W-E-C,  
21 Alliance of Western Energy Consumers. Sometimes I will  
22 try to spell those out during this hearing.

23 And could we have an appearance for  
24 The Energy Project.

25 MR. ZAKAI: Good morning. This is

1 Yochanan Zakai with the firm of Shute Mihaly &  
2 Weinberger. I'm appearing on behalf of The Energy  
3 Project, which also goes by the acronym TEP or T-E-P.  
4 My last name is spelled Z-a-k-a-i. Thank you.

5 ALJ HOWARD: Thank you. So, to begin, I  
6 would like to just give a roadmap for today's hearing.  
7 We'll start with ruling on the admission of the prefiled  
8 testimony and exhibits and we'll address any motions  
9 that the parties would like to raise.

10 We'll then allow for opening statements. As  
11 I understand, the parties would like to give a joint  
12 opening statement presented by Shelly McCoy from  
13 PacifiCorp.

14 I will then swear in the witnesses who  
15 provided joint testimony in support of the settlement,  
16 and we'll hear testimony from those witnesses as a  
17 panel.

18 So on the issue of admitting evidence into  
19 the record and ruling on that, before the hearing I  
20 circulated an exhibit list, which include the company's  
21 direct testimony, revised testimony, and the settlement  
22 and supporting joint testimony filed on November 8th,  
23 2021.

24 Are the parties willing to stipulate to the  
25 admission of all the prefiled exhibits and testimony, up

1 to and including the settlement testimony and exhibits?

2 I would turn first to the company.

3 MS. SCARSELLA: No objections,  
4 Your Honor (inaudible).

5 COURT REPORTER: Can you please repeat  
6 that?

7 ALJ HOWARD: Ms. Scarsella, would you  
8 mind saying that again? I think you were breaking up on  
9 my end as well.

10 MS. SCARSELLA: Sure. Is this better?  
11 Is this better?

12 ALJ HOWARD: That is better.

13 MS. SCARSELLA: All right. I apologize,  
14 Your Honor.

15 The company has no objections to the  
16 admission of the exhibits, if that was the question.

17 ALJ HOWARD: Yes. Thank you.

18 Do the other parties likewise -- do the other  
19 parties raise any objection to the admission of the  
20 exhibits?

21 MR. TEIMOURI: No objection from staff,  
22 Your Honor.

23 ALJ HOWARD: Thank you.

24 MS. PAISNER: This is Ann Paisner.  
25 We -- public counsel does not object.

1 MR. COLEMAN: Neither does AWEC. Thank  
2 you.

3 MR. ZAKAI: No objections from  
4 The Energy Project. Thank you.

5 ALJ HOWARD: Thank you. In that case,  
6 the prefiled exhibits and testimony are admitted, and  
7 I'll provide a copy of the exhibit list to the court  
8 reporter after the hearing so it can be made part of the  
9 record.

10 (Bench Exhibit No. 1 introduced.)

11 ALJ HOWARD: I would also like to  
12 briefly speak with public counsel about the public  
13 comment exhibit. We had the public comment hearing for  
14 this docket, as well as the company's Power Cost Only  
15 Rate Case on November 18th.

16 How long would public counsel need to compile  
17 and submit the public comment exhibit?

18 MS. PAISNER: We would like to request  
19 one week. So if we could file that exhibit on  
20 December 16th, which is next Thursday, a week from  
21 today, that would be -- that would work for us.

22 ALJ HOWARD: That works for me as well.  
23 So that will be due on December 16th, close of business.  
24 And I would intend to mark that bench Exhibit 2.

25 (Bench Exhibit No. 2 introduced.)



1 ALJ HOWARD: Do we have any other  
2 motions or issues before we should turn to the opening  
3 statement?

4 All right. Hearing none, I understand that  
5 the parties intend to give a joint opening statement  
6 provided by Shelly McCoy from PacifiCorp.

7 Ms. McCoy, would you mind turning on your  
8 camera and your audio on?

9 MS. MCCOY: Yes. Can you hear me okay?

10 ALJ HOWARD: Yes, I can hear you very  
11 well.

12 And at this point I would invite the  
13 commissioners to turn on their cameras as well. And I  
14 have my camera on. I can't see myself in the program,  
15 but I see that I have my camera on.

16 All right. Ms. McCoy, you may begin.

17 MS. MCCOY: Okay. Thank you,  
18 Judge Howard.

19 Good morning Chair Danner, Commissioners  
20 Rendahl and Balasbas. In accordance with the  
21 commission-approved settlement stipulation in  
22 PacifiCorp's 2021 Rate Case, on July 1, 2021 the company  
23 filed a Limited-Issue Rate Filing, or LIRF, for review  
24 of major capital additions included in the rate case  
25 that were placed in service after May 1st, 2020.

1           Specifically, in this filing, the company is  
2 supporting the prudence and actual costs of the  
3 following LIRF capital additions: New Wind Projects -  
4 Ekola Flats, TB Flats, Cedar Springs II and Pryor  
5 Mountain; Repowering Projects - Dunlap and Foote Creek,  
6 the Aeolus to Bridger/Anticline 500 kilovolt (kV)  
7 Transmission Line Sequence 4 project and the associated  
8 230 kV network upgrades.

9           The forecasted costs of these capital  
10 additions were included in rates in the 2021 Rate Case  
11 subject to refund pending the review in this proceeding.  
12 PacifiCorp submitted testimony supporting the  
13 development and implementation of these projects and  
14 explaining the economic analyses that demonstrated that  
15 these projects are prudent, used and useful, and in the  
16 public interest.

17           In its original filing, PacifiCorp  
18 recommended the Commission approve the LIRF capital  
19 additions as prudent, authorize a decrease of \$616,000  
20 in rates, and approve a refund to customers of \$2.1  
21 million.

22           Following negotiations, the company, Staff,  
23 Public Counsel, the Alliance of Western Energy  
24 Consumers, and The Energy Project agreed to a  
25 stipulation. The stipulating parties agreed that the

1 LIRF capital additions are prudently incurred  
2 investments, used and useful, and appropriate for  
3 recovery in Washington rates to a decrease in rates of  
4 \$1,867,250 and a one-time refund of \$2,847,187; that it  
5 is appropriate that PacifiCorp be allowed to defer,  
6 track, and preserve revenues received from the sale of  
7 RECs from Pryor Mountain Wind Facility for later  
8 ratemaking treatment; that the Stipulation does not  
9 preclude the ability of parties to review and challenge  
10 the prudence of future costs incurred with respect to  
11 the LIRF Capital Additions, including but not limited to  
12 the purchase or sale of RECs by the company.

13 In joint testimony, the stipulating parties  
14 set forth a number of reasons why the stipulation is in  
15 the public interest, including: It supports a finding  
16 that the LIRF capital additions, The Energy Project  
17 represent significant new capital investment in  
18 renewable energy, are prudent; it reduces rates to  
19 reflect the actual cost of the additions; it reallocates  
20 transmission voltage radial lines with the sole purpose  
21 of connecting generation resources to PacifiCorp's  
22 transmission network consistent with the WIJAM  
23 allocation of those generation resources; it refunds  
24 back to customers the difference between the actual  
25 in-service and forecasted costs of the LIRF additions

1 and the WIJAM reallocation; it provides a mechanism for  
2 the Company to defer the revenues generated by the RECs  
3 from the Pryor Mountain Wind facility so that the  
4 Company can track and preserve for future ratemaking  
5 treatment for the benefit of customers; and it reaffirms  
6 the ability to review and challenge the prudence of  
7 future costs associated with the LIRF projects,  
8 including but not limited to the purchase or sale of  
9 RECs. Thank you.

10 COURT REPORTER: Would it be possible to  
11 get that after this hearing? It will save me a lot of  
12 time with spellings.

13 MS. MCCOY: Sure. I'll just make myself  
14 a note real quick.

15 ALJ HOWARD: Thank you, Ms. McCoy. And  
16 I will try to facilitate that, contacting the court  
17 reporter to provide that.

18 MS. MCCOY: Okay. Thank you.

19 ALJ HOWARD: Ms. McCoy, I believe you're  
20 on the settlement panel here in just a moment, so I will  
21 be swearing you in and we'll be having formal testimony,  
22 but are there any questions from the commissioners for  
23 Ms. McCoy at this point about her opening statement  
24 before we turn to testimony?

25 CHAIR DANNER: Not at this point, Judge.

1 ALJ HOWARD: Hearing none, we will now  
2 hear testimony from the witnesses who submitted the  
3 joint testimony in support of the settlement. Because  
4 this is a virtual hearing, let's first have the  
5 witnesses identify themselves and the party they're  
6 appearing for. If you could spell your last name that  
7 would also be helpful. And I see the settlement witness  
8 we have for PacifiCorp is Shelly McCoy. So let's turn  
9 first to the witness for staff.

10 MR. BALL: Good morning. This is  
11 Jason Ball with commission staff. My last name is  
12 spelled B-a-l-l.

13 ALJ HOWARD: And could we have the  
14 witness for public counsel.

15 MR. DAHL: Yes. My name is Corey Dahl,  
16 testifying on behalf of the Public Counsel Unit of the  
17 Washington State Attorney General's Office, and my last  
18 name is spelled D-a-h-l.

19 ALJ HOWARD: Thank you. And could we  
20 have the witness for AWEC.

21 MR. MULLINS: Good morning. This is  
22 Brad Mullins on behalf of the Alliance of Western Energy  
23 Consumers, or AWEC. My last name is spelled  
24 M-u-l-l-i-n-s. Thanks.

25 ALJ HOWARD: Could we have the witness

1 for The Energy Project.

2 MR. COLLINS: Good morning,  
3 Shawn Collins here on behalf of The Energy Project.  
4 Shawn is spelled S-h-a-w-n, last name Collins,  
5 C-o-l-l-i-n-s.

6 ALJ HOWARD: Thank you all. I will  
7 swear in each of you here at the same time. So please  
8 raise your right hand.

9 (Witnesses sworn.)

10 ALJ HOWARD: Thank you. At this point,  
11 I will open it up to questions from the commissioners.

12 COMMISSIONER BALASBAS: Thank you,  
13 Judge Howard. This is Commissioner Balasbas and I will  
14 be asking the first question.

15 So the first question -- and, actually, first  
16 few questions that I have are for you, Ms. McCoy,  
17 specifically related to TB flats. And so paragraph 10  
18 of the settlement states that LIRF capital additions are  
19 prudently incurred investments, used and useful, and  
20 appropriate for recovery in the company's Washington  
21 rates. The same paragraph also states that as TB Flats  
22 was placed in service during summer 2021, capital  
23 expenditures for this project are included in rates at  
24 the projected amount through July 2021.

25 So my first question is, what is the actual

1 in-service date for TB Flats?

2 MS. MCCOY: It was July -- so I don't  
3 remember the specific date, but it was towards the  
4 latter half of July 2021 was the in-service date.

5 COMMISSIONER BALASBAS: Okay. If we're  
6 not able to get a precise date, Judge Howard, we could  
7 mark that as an event request to get the actual  
8 in-service date.

9 ALJ HOWARD: I will make a note.

10 COMMISSIONER BALASBAS: So, Ms. McCoy,  
11 then my next question is -- so settlement, as we all  
12 know, was filed on November 8th, 2021. So if TB Flats  
13 was placed in service during July of 2001, why are the  
14 amounts in the settlement still included at projected  
15 levels?

16 MS. MCCOY: Yeah. So as we worked  
17 through the stipulation, we started with the numbers  
18 that the company had originally filed. And as we worked  
19 through with parties how to go about calculating the  
20 rate update and the refund, once we agreed on that we  
21 moved to the stipulation itself and the joint testimony.  
22 And in that process the numbers, as filed, did not get  
23 updated to actuals.

24 COMMISSIONER BALASBAS: Okay. So then I  
25 guess my next question is are the actual amounts known

1 at this time?

2 MS. MCCOY: Yes. I don't know them  
3 right off the top of my head, but yes, they would be  
4 known at this time.

5 COMMISSIONER BALASBAS: Okay. And then  
6 I guess as a follow-up to that, maybe without precise  
7 amounts at this point, do you have a sense of what the  
8 difference is between what the actual amounts are versus  
9 the projected amounts that are included in the  
10 settlement?

11 MS. MCCOY: My understanding is that it  
12 is within 2 or 3 million dollars.

13 COMMISSIONER BALASBAS: Okay. I guess I  
14 would defer to my colleagues, but I guess given this  
15 line of questioning, Judge Howard, we may want to either  
16 discuss or maybe consider having this as part of the  
17 bench request as well on the actual in-service date.  
18 But I will also defer to my colleagues if they feel they  
19 would like that as well.

20 And at this point I do not have any further  
21 questions right now, but will likely have some later.

22 MS. MCCOY: Okay. As a follow-up to  
23 your question about the in-service date, somebody did  
24 send it to me, it was July 26, 2021.

25 COMMISSIONER BALASBAS: Okay. Thank you



1 for that.

2 MS. MCCOY: You're welcome.

3 CHAIR DANNER: I assume, now that we  
4 have that in the record, we don't need to do a bench  
5 request on that date?

6 COMMISSIONER RENDAHL: No, but I do  
7 think it may be appropriate to get the actual difference  
8 in the record. So I would support a bench request with  
9 the last question that Commissioner Balasbas asked.

10 Okay. And with that I have some questions,  
11 again for you, Ms. McCoy, and it relates to Mr. Vail's  
12 revised testimony, which is RAV-1T. Do you have that  
13 with you?

14 MS. MCCOY: I don't, but I can get that  
15 pulled up in just a minute here.

16 COMMISSIONER RENDAHL: Okay. And just  
17 so you know, this is relating similar to the question  
18 from Commissioner Balasbas about TB Flats, this is a  
19 question about the Aeolus to Bridger/Anticline  
20 transmission line costs.

21 So let me know when you have that testimony  
22 up and I'll give you a page reference.

23 MS. MCCOY: Okay. Okay. I have the  
24 file open now.

25 COMMISSIONER RENDAHL: Okay. Great.

1 And so this is the revised testimony?

2 MS. MCCOY: I believe so. I didn't know  
3 that there -- I apologize, I didn't know that there was  
4 a revised version. So --

5 COMMISSIONER RENDAHL: Okay. So in the  
6 revised version on page 21, starting at line 22,  
7 Mr. Vail testifies that the actual and forecasted costs  
8 of the transmission line are \$652.9 million, which is  
9 approximately 26 million lower than what was included in  
10 the 2009 GRC. But in the same exhibit he describes that  
11 the actual costs for the same project through May 2021  
12 were 639.4 million, and that's at page 23, lines 10  
13 through 15.

14 So my question is really whether there were  
15 any projected amounts similar to TB Flats included for  
16 the Aeolus to Bridger/Anticline line in the LIRF or  
17 whether it was all actual?

18 MS. MCCOY: No, it's all actual for the  
19 Aeolus to Bridger/Anticline transmission line.

20 COMMISSIONER RENDAHL: Okay. So I guess  
21 I was a bit confused when I read the testimony to read  
22 the revision to include forecasted costs. That's what  
23 raised my concern. But you're saying that there are no  
24 projected costs included --

25 MS. MCCOY: Right. We included all

1 actual in-service amounts through May in the LIRF for  
2 the transmission line.

3 COMMISSIONER RENDAHL: Okay. I'm going  
4 to take a quick look. So in the revised testimony the  
5 revision on line 23 of page 21 is in parentheses, and it  
6 says actuals and forecast through December 2021, not  
7 May 2021. So that's what raised my concern because I  
8 thought that the amounts were through May of 2021.

9 MS. MCCOY: I'm sorry, could you point  
10 me to the reference? That will be helpful.

11 COMMISSIONER RENDAHL: Sure. So this is  
12 on page 21 of the revised testimony of Richard A. Vail,  
13 RAV-1TR. And on line 23, it reads -- that line reads  
14 "are 652.9 million," and then in parens, "actual and  
15 forecast through December 2021," unparen.

16 MS. MCCOY: Okay. I apologize,  
17 Commissioner Rendahl. The document I'm looking at is  
18 definitely not the revised version of the testimony  
19 because what you're quoting is not matching up with the  
20 version I have. So let me make sure I get the revised  
21 version.

22 COMMISSIONER RENDAHL: Okay. Is  
23 Mr. Vail available to be sworn in?

24 MS. MCCOY: Yes.

25 COMMISSIONER RENDAHL: Maybe that's the

1 best way to proceed and not put you on the spot.

2 MS. MCCOY: That very well might be the  
3 better answer, yes.

4 COMMISSIONER RENDAHL: Judge Howard, is  
5 that something we can do?

6 ALJ HOWARD: Yes, it looks like Mr. Vail  
7 is on the line.

8 Mr. Vail, can you hear me?

9 MR. VAIL: Yes, I can hear you.

10 ALJ HOWARD: All right. Great. Would  
11 you be able to turn on your camera and testify once I  
12 swear you in?

13 MR. VAIL: Yeah. I can't see if my  
14 camera is on but I think it is.

15 ALJ HOWARD: Yeah, I can see you just  
16 fine.

17 Would you please raise your right hand, I'll  
18 swear you in.

19 (Witness sworn.)

20 ALJ HOWARD: Commissioner Rendahl,  
21 please feel free to ask any questions of Mr. Vail.

22 COMMISSIONER RENDAHL: Thank you.

23 And, Mr. Vail, since you were on the line,  
24 I'm assuming you heard the line of questions I had for  
25 Ms. McCoy?

1 MR. VAIL: Yes, I did. I just called up  
2 my copy of the revised testimony. If you could go back  
3 to the reference, I would appreciate it. I wasn't sure  
4 exactly which page and line number you were on.

5 COMMISSIONER RENDAHL: All right. So  
6 I'm looking at your revised testimony. I'm looking at  
7 page 21 at the very bottom on line 23 where there is a  
8 change included in the parenthesis related to both --  
9 stating both actuals and forecasts through  
10 December 2021. Is that --

11 MR. VAIL: I see that.

12 COMMISSIONER RENDAHL: Is that the  
13 correct revised testimony?

14 MR. VAIL: That is the correct revised  
15 testimony. So the Aeolus to Bridger/Anticline line was  
16 placed into service in late 2020. There is a time delay  
17 in getting all of the individual assets into plant  
18 placed in service. And so that dollar figure would not  
19 change, but getting the assets placed in service and  
20 into our system is my understanding what would be the  
21 additional forecasted costs.

22 COMMISSIONER RENDAHL: So --

23 MR. VAIL: So the actual total costs of  
24 that project, 652.9 million.

25 COMMISSIONER RENDAHL: Okay. So I'm

1 just wondering what the -- if you can clarify why you  
2 included that in forecasted if they are actually actual  
3 numbers? Did they just need to be moved through the  
4 company's accounting system?

5 MR. VAIL: Yeah, they actually need to  
6 be placed into our asset accounting system in the  
7 appropriate bucket, so to speak. We classify substation  
8 assets in one category and transmission line assets in  
9 another category. So it's getting that -- we call it  
10 unitizing -- each one of those assets into our asset  
11 accounting system.

12 COMMISSIONER RENDAHL: Okay. Thank you  
13 for that clarification. I guess I will just ask the  
14 other settling parties whether they understood that and  
15 whether they're comfortable with that explanation for  
16 purposes of the settlement.

17 MR. MULLINS: Commissioner Rendahl, this  
18 is Brad Mullins with AWEC. And I had a chance to look  
19 at the work papers while we were speaking. And the  
20 May 2021 plant balance for Aeolus to Bridger was  
21 \$639 million and some change. And so I think the  
22 distinction here is that, you know, the number that was  
23 quoted in Mr. Vail's testimony is not the number that  
24 was actually used to establish the LIRF refund or the  
25 refund at issue here. So those trailing additions over

1 2021 were not included in rates. Only the amounts  
2 through May 2021 were included.

3 COMMISSIONER RENDAHL: Okay. And is  
4 that the understanding of the other panelists?

5 MR. BALL: This is Jason with staff. I  
6 believe so, but I haven't had the chance to go through  
7 the work papers live right now. So am I allowed to say  
8 subject to check?

9 COMMISSIONER RENDAHL: Yes. And I  
10 believe there is a -- and Judge Howard can maybe  
11 identify the appropriate exhibit -- but I believe there  
12 is a reference in the exhibit to what was actually  
13 included in the settlement, and that is the number that  
14 Mr. Mullins is identifying.

15 ALJ HOWARD: Yes. This is Judge Howard,  
16 I could be wrong, but are we discussing the figures in  
17 Appendix C to the settlement?

18 COMMISSIONER RENDAHL: I believe so,  
19 yes.

20 Okay. So I'm going to move on. I think this  
21 clarifies my question about the testimony. I  
22 appreciate, Mr. Vail, you making yourself available for  
23 that.

24 And this goes on -- Ms. McCoy, this goes to  
25 sort of the next question about the difference between

1 the actual costs and final costs. So in your testimony,  
2 which is Exhibit SEM-1T at page 10, you state that the  
3 costs for the capital projects that are included in the  
4 L-I-R-F or LIRF don't represent final costs because  
5 additional small costs might be incurred as the project  
6 is finalized, and that's what Mr. Vail was just talking  
7 about.

8           And so I guess this is the question of this  
9 difference between the May 21 actual and anything  
10 projected beyond that would be in the final costs that  
11 the parties have agreed in the settlement are subject to  
12 review later; is that correct?

13           MS. MCCOY: This is fairly standard with  
14 large major capital additions, we have the in-service  
15 date but then there is some continuing work to finish up  
16 the project. There will be some ongoing capital to wrap  
17 that up. So at this time in the LIRF we are including  
18 actuals through May of 2021 for the project. And any  
19 additional capital work that goes into service after  
20 this point, we won't be trueing up rates as part of the  
21 LIRF but rather that capital, that plant in-service  
22 would be included in the rate base of our next GRC.

23           COMMISSIONER RENDAHL: Okay.

24           MS. MCCOY: Does that help?

25           COMMISSIONER RENDAHL: That does help.



1 MS. MCCOY: Okay.

2 COMMISSIONER RENDAHL: So I have a  
3 question next about the Pryor Mountain capital asset,  
4 but I guess I will defer to my colleagues if there are  
5 questions they have to follow up on questions that  
6 Commissioner Balasbas and I had on the actual versus  
7 final costs.

8 CHAIR DANNER: Yeah, so this is  
9 Chairman Danner, and I just want to be clear that with  
10 regard to TB Flats, where we just learned the in-service  
11 date, but are we talking about -- you know, is the  
12 revenue requirement set using actual costs or projected  
13 costs with regard to that project?

14 MS. MCCOY: The calculation was done  
15 with actuals through May and projected costs for the  
16 last couple of months. So up through -- it is projected  
17 through July.

18 CHAIR DANNER: Okay. Thank you for that  
19 clarification. But we have -- in the final order in the  
20 2021 rate case it said that the company would come in to  
21 demonstrate the prudence and actual cost -- and that's  
22 actually a quote from the order -- during the future  
23 retrospective review, which is this LIRF proceeding.

24 We also have a used-and-useful policy  
25 statement that says that -- again, quoting -- "costs

1 that continue to be the product of forecasts and  
2 projections for budgets are not supported by  
3 documentation or that are otherwise not shown to be used  
4 and useful will not qualify for inclusion and must be  
5 refunded."

6 And I'm just wondering how the use of  
7 projections here is consistent with that guidance, and I  
8 was wondering if anyone on the panel has some thoughts  
9 there?

10 MR. BALL: This is Jason with staff.  
11 The way I understood the quote you just provided was  
12 that staff and all the parties here needed to be  
13 reviewing all the documentation we could get from the  
14 utility to review the plants and make sure that they are  
15 used and useful, known and measurable, for Washington  
16 rate-making purposes.

17 The company filed that information through  
18 May with what it had and then also provided some  
19 additional projected amounts through July and continued  
20 to provide additional information to us. However, for  
21 the purposes of achieving a settlement, we were trying  
22 to strike a balance between what the utility provided to  
23 us in its initial filing, what it was able to provide to  
24 us through discovery, and what we believed would  
25 continue to happen after the in-service date.

1           That balance resulted in us accepting a May  
2 in-service number with some additional amounts after May  
3 through July that was supported by documentation. It  
4 was supported by, you know, invoices and capital  
5 business plans as a way of balancing the delay that had  
6 occurred with this plant.

7           There is additional capital that's going to  
8 come in related to TB Flats, as Shelly McCoy just talked  
9 about. The way that will come into rates is just like  
10 any other investment that occurs outside of a rate case.  
11 We've got rate payers right now paying for what is  
12 actually used and useful and in service, which is a wind  
13 plant that is generating power. There will be  
14 additional money that has to cover some last -- or some  
15 additional amounts related to -- I think some of it is,  
16 like, landscaping and some minor building additions.

17           The rate payers aren't going to be paying for  
18 those right now, and they're not going to pay for them  
19 until the company presents another rate case and updates  
20 the plant and service numbers, along with the  
21 depreciated amounts. So it really was just -- in my  
22 opinion, it was just trying to strike a balance between  
23 what we had versus what we were trying to accomplish.

24           CHAIR DANNER: So if I may paraphrase  
25 you then, it's not entirely consistent with the used and

1 useful or the 2021 GRC order, but for purposes of the  
2 settlement you're finding that that inconsistency is  
3 justifiable?

4 MR. BALL: Yes, especially given that  
5 the bulk of the money was included in the May number.  
6 So we had a significant amount of it through May. And  
7 the differences that occurred from May to July --  
8 obviously there were differences and that's why we  
9 included the forecasted number, but it wasn't really  
10 about trying to not follow the used and useful statement  
11 or not follow the order. We were trying to follow what  
12 we believed was the spirit of it, which was get the  
13 plant values into rates based upon what they cost and  
14 their in-service date, which was in July.

15 CHAIR DANNER: All right. So my next  
16 question is really along the same lines. I'm just  
17 trying to make sure that we understand fully. The  
18 used-and-useful policy statement, again, at paragraph 45  
19 states, "The commission will not allow companies to  
20 assess surcharges for amounts claimed to be  
21 under-recovered during the rate effective period. If  
22 identified investment costs exceed what the regulated  
23 company is collecting from customers based on its  
24 proposed estimated or projected costs, the company may  
25 file an accounting petition."

1           So my question, are the amounts included for  
2 TB Flats in this LIRF greater than what is currently  
3 included in rates?

4           MR. BALL: My understanding is no, that  
5 the total final capital amount for TB Flats exceeded the  
6 amount that's in rates. And there will be a mismatch  
7 that will result in the company not recovering the full  
8 capital costs. And it's because we didn't have the full  
9 capital costs at the end, but we had a pretty  
10 substantial portion of it.

11           CHAIR DANNER: Okay.

12           MR. BALL: My understanding also is the  
13 company is not seeking accounting deferral treatment,  
14 which means rate payers will be getting the benefit  
15 today of in-service plant at today's capital costs,  
16 while the utility gets the assurances of prudence. And  
17 then in 2023, when they file a new rate case, we will  
18 have the additional capital brought in at the  
19 depreciated amounts, just like we would have with any  
20 other investment.

21           CHAIR DANNER: All right. Well, thank  
22 you.

23           Another question, in the joint testimony,  
24 page 13, you testify that, except for TB Flats, the  
25 capital expenditures included in rates are reflected in

1 their annual amounts through May of 2021. But on the  
2 same page you say that all plant-related balances are  
3 reflected in Washington rates on a December 31st, 2021  
4 end-of-period basis.

5 So my question is how can the project be  
6 included at May 2021 levels but also on a December EOP  
7 basis?

8 MS. MCCOY: This is Shelly McCoy with  
9 the company. So we have the actual in-service amounts  
10 for the projects at May 2021. And then for purposes of  
11 setting the rates, we walked the depreciation out to the  
12 end of 2021, so that the rate base for purposes of  
13 setting the rates is end of period December 31st, 2021  
14 for a January 2022 rate-effective date.

15 MR. MULLINS: This is Brad Mullins with  
16 AWEC. Because we're rolling forward the depreciation,  
17 it increases accumulated depreciation, and that's a  
18 pretty substantial benefit to rate payers.

19 And in addition to that, the ADIT,  
20 accumulated deferred income taxes, are also calculated  
21 as of December 31st, 2021, which is also a large benefit  
22 to rate payers because those balances grow very rapidly  
23 over the first few years of the wind resources' lives.  
24 So doing it this way is a benefit to customers.

25 CHAIR DANNER: Okay. All right. Thank

1 you very much. Those are all the questions I have.

2 Thank you, Judge.

3 COMMISSIONER RENDAHL: So just to follow  
4 up on that last exchange, so while the joint testimony  
5 refers to end-of-period rate base, it's really only just  
6 the depreciation amounts that were brought to end of  
7 period.

8 MS. MCCOY: It's the accumulated  
9 depreciation and then the accumulated deferred income  
10 taxes are brought to end of period, correct.

11 COMMISSIONER RENDAHL: Okay. But not  
12 the others potential costs --

13 MS. MCCOY: Right.

14 COMMISSIONER RENDAHL: -- capital costs  
15 for the --

16 MS. MCCOY: For the actual gross plant.  
17 We did not project that out to the end of December,  
18 correct.

19 COMMISSIONER RENDAHL: Okay. Thank you.  
20 That's helpful clarification.

21 Any other witnesses have responses?

22 Okay. Then I'm going to move on to the  
23 Pryor Mountain matter. And for the court reporter,  
24 that's spelled P-r-y-o-r.

25 So this refers to Mr. Engelhoven's

1 testimony -- I guess it's Van Engelhoven, I'm sorry to  
2 mispronounce the name -- he discusses the COVID-19  
3 pandemic supply chain disruptions that impacted that  
4 project. And the company states in his testimony -- and  
5 I'll give the page reference for those, it's RV-1TC at  
6 412 through 19. And I do not believe what I'm referring  
7 to is confidential, but I will just look quickly just to  
8 make sure. No, this is not confidential.

9           The company states that during the  
10 construction of the Pryor Mountain wind project it  
11 received notices from vendors related to these supply  
12 chain disruptions. And so I guess the first question  
13 is, did these notices and the claims impact the cost of  
14 the investment that's included in rates in this  
15 proceeding? Or are they reflected in any way?

16           MS. MCCOY: Yes. So because  
17 Pryor Mountain went into service on -- I believe it was  
18 on April 1st of 2021, the amounts included in the LIRF  
19 reflect the full in-service amount. And any -- so it  
20 would reflect the actual costs incurred by the company  
21 for this project.

22           Commissioner Rendahl, you're muted.

23           COMMISSIONER RENDAHL: Thank you. I  
24 appreciate that. It happens to everybody.

25           MS. MCCOY: It absolutely does.



1                   COMMISSIONER RENDAHL: So what types of  
2 claims is the company working on with these vendors?  
3 Are these claims that would compensate the company for  
4 some of the delay in increased cost?

5                   MS. MCCOY: So I'm hoping that maybe  
6 Mr. Van Engelhoven is on here and could speak to the  
7 specifics. But, in general -- and I don't know  
8 specifically to Pryor Mountain -- but I know that in  
9 general there have been some liquidated damages claims  
10 for some of the projects. And, unfortunately, I don't  
11 have the specific knowledge to be able to speak to  
12 whether that applied to this project or the amount.

13                   COMMISSIONER RENDAHL: Okay. Well, let  
14 me ask you a few additional questions, and if you can't  
15 answer then maybe we'll see if Mr. Van Engelhoven is  
16 available. And I guess really the question is how the  
17 company is going to account for any discounts or credits  
18 that might reduce the costs of this for customers. And  
19 the question is whether those savings -- it sounds like  
20 those savings or potential savings are not reflected in  
21 the settled costs, but I guess it would be a question to  
22 the future to make sure that those costs -- those  
23 credits or discounts as the company comes forward would  
24 be provided to the benefit of customers.

25                   MS. MCCOY: Right. So to the extent

1 that those credits are known or reasonably estimated,  
2 they would already be included in the cost of the  
3 project because the company also has to record the  
4 assets on its books at its actual cost.

5 To the extent that they are not included, you  
6 know, we would need -- we'll have to look at that and  
7 see what -- if there is any outstanding claims, and we  
8 can work with the parties on determining the best way to  
9 incorporate that for our Washington customers.

10 COMMISSIONER RENDAHL: And I guess my  
11 question would be would that be in the next general rate  
12 case -- this is for other -- other witnesses as well --  
13 would this be in future rate cases or some other  
14 proceeding?

15 MR. BALL: This is Jason with staff.  
16 Yes, it would generally be as a part of a rate case  
17 where we take a holistic view of the company's books.  
18 Insurance proceeds is an account we both review, as well  
19 as an adjustment that is generally looked at very  
20 closely.

21 COMMISSIONER RENDAHL: Thank you, any  
22 other responses by other witnesses.

23 MR. MULLINS: This is Brad with AWEC. I  
24 don't necessarily have a response but more of a -- kind  
25 of a question, and that is whether a deferral might be

1 needed for those proceeds in order to capture them in  
2 the rate case. And so that might be kind of an issue  
3 that we would need to grapple with or some other sort of  
4 mechanism to make sure that those get returned.

5 COMMISSIONER RENDAHL: Okay. Well,  
6 Judge Howard, we may want to consider a bench request  
7 related to this for all the parties, but for now I think  
8 my question has been answered. So I'll defer to my  
9 colleagues if they have additional questions.

10 ALJ HOWARD: This is Judge Howard. I  
11 made a note of the possible bench request on that issue.  
12 Are there any other further questions from the  
13 commissioners?

14 CHAIR DANNER: Well, I have just a  
15 housekeeping item, it's not related to Pryor Mountain,  
16 it's basically -- I think it is a question for  
17 Ms. McCoy. In Mr. Meredith's direct testimony in  
18 exhibit RMM-1T, basically the proposal was to submit a  
19 single set of tariff sheets in the compliance filing in  
20 the LIRF proceeding that would reflect the price changes  
21 in both the LIRF and the Power Cost Only Rate Case after  
22 the commission issues a final order. But, as you know,  
23 we've changed the dates there. We've extended the final  
24 orders dates in the P-Corp to April 2022, and I just --  
25 I want to clarify that you're now planning to submit two

1 separate compliance tariff sheets and not combine them?

2 MS. MCCOY: That is correct. Yeah.

3 CHAIR DANNER: Okay. That's all. Thank  
4 you very much.

5 MS. MCCOY: You're welcome.

6 COMMISSIONER RENDAHL: And,  
7 Judge Howard, I do have a couple more questions related  
8 to the Pryor Mountain REC deferral petition.

9 ALJ HOWARD: Certainly.

10 COMMISSIONER RENDAHL: And probably  
11 these -- well, this question goes to any of the parties,  
12 and this is related to the deferred accounting treatment  
13 for revenues generated by the sale of renewable energy  
14 credits from Pryor Mountain.

15 Paragraph 6 of the accounting petition  
16 estimates revenues from the REC sales to be about  
17 \$66,000 a year. And this amount isn't discussed in the  
18 settlement or in the joint testimony. Did parties agree  
19 to the amounts specified in the accounting petition, or  
20 is it necessary to have those amounts specified in the  
21 settlement?

22 MR. BALL: This is Jason with staff. I  
23 don't believe it's necessary to have it specified  
24 because REC sales can be dependent upon the market and  
25 how much money you actually receive for them can vary.

1                   COMMISSIONER RENDAHL: Thank you. And  
2 then I guess another question is, and this is for  
3 Ms. McCoy, how many years do you expect the sale of  
4 these RECs to continue? Is it for the life of the  
5 Pryor Mountain project?

6                   MS. MCCOY: I believe that the term of  
7 the agreement is -- I want to say it's 25 years but I'm  
8 not sure. There is very specific terms around the sales  
9 of the RECs from Pryor Mountain, as it falls under  
10 Oregon Schedule 272. So the -- I would say that any  
11 variability would most likely be related to the  
12 generation and not the market pricing of the RECs. But  
13 I am not -- you know, I am not the expert on the  
14 contract for sure.

15                   COMMISSIONER RENDAHL: Right. But the  
16 deferral petition makes that possible to bring in the  
17 actuals at the time that the company seeks to recover  
18 the rates?

19                   MS. MCCOY: Right. So the deferral  
20 would be based on the actual revenues, Washington's  
21 allocation of the actual revenues. And then I think the  
22 likely scenario is that we would include that benefit in  
23 our next rate case for Washington customers.

24                   COMMISSIONER RENDAHL: Okay. Well,  
25 thank you. I think that addresses my questions related

1 to Pryor Mountain. I have nothing further. Thank you.

2 MS. MCCOY: You're welcome.

3 ALJ HOWARD: Are there any further  
4 questions from the commissioners?

5 CHAIR DANNER: I have no other  
6 questions.

7 ALJ HOWARD: All right. Hearing none, I  
8 would like to thank our panel of witnesses, as well as  
9 Mr. Vail, for making himself available and joining the  
10 panel today. We appreciate all of your participation.  
11 Is there anything further that we should address before  
12 we go off the record?

13 All right. Hearing nothing, we can go off  
14 the record in a moment. I would ask Ms. Gjuka stay on  
15 the line for a moment so we can work out providing that  
16 opening statement. Thank you all. We are adjourned.

17 (Proceedings concluded at 11:43 a.m.)

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C E R T I F I C A T E

1 STATE OF WASHINGTON )  
2 ) SS  
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5 Reporter, pursuant to RCW 5.28.010 authorized to  
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8 That the annexed and foregoing deposition  
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10 each witness named herein was taken stenographically  
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13 I further certify that according to CR 30(e) the  
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18 I further certify that all objections made at the  
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20 manner of taking the deposition or to the conduct of any  
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22 I further certify that I am not a relative or  
23 employee of any such attorney or counsel, and that I am  
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