

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of: The) TRANSCRIPT OF HEARING
Application of Rocky Mountain)
Power for Authority to Increase) Docket No.: 09-035-23
its Retail Electric Utility)
Service Rates in Utah and for)
Approval of its Proposed Electric)
Service Schedule and Electric) VOLUME III
Service Regulations)

Monday, December 14, 2009 - 9:00 a.m.

Location: PUBLIC SERVICE COMMISSION
160 East 300 South
Fourth Floor
Salt Lake City, Utah 84111

Before: Chairman Ted Boyer
Commissioner Ron Allen
Commissioner Ric Campbell

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1 Also present: Debbie Schorn (by telephone)

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E X H I B I T S

Exhibit No.	Description	Marked	Admitted
UIEC Cross 1	Data Request	499	523
UIEC Cross 2	10(k) year end 12/31/08	513	523
DPU Exhibit 11	Powell direct testimony	554	555
DPU 6.0	Evans direct testimony	528	529
DPU 6.0 SR	Evans surrebuttal testimony	529	529
DPU 11 SR	Powell surrebuttal testimony	554	555
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1 December 14, 2009 - 9:04 a.m.

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

3 CHAIRMAN BOYER: Let's go on the record in Docket
4 No. 09-035-23. I just mentioned off the record that
5 Ms. McDowell is here with Mr. Hickey representing Rocky Mountain
6 Power, and as I understand it, we have a person on the phone
7 listening in. Would you please identify yourself.

8 MS. SCHORN: Yes. Debbie Schorn.

9 CHAIRMAN BOYER: And you are representing, Miss
10 Schorn?

11 MS. SCHORN: RFI Consulting.

12 CHAIRMAN BOYER: Very well. Welcome to our hearing
13 this morning.

14 MS. SCHORN: Thank you.

15 CHAIRMAN BOYER: Keeping with that, let's start with
16 Mr. Duvall, who's already here. Have you been sworn?

17 THE WITNESS: I have not.

18 GREGORY N. DUVALL,
19 being first duly sworn, was examined and testified as follows:

20 CHAIRMAN BOYER: Thank you. Please be seated. Will
21 this be Ms. McDowell or Mr. Hickey this morning?

22 MR. HICKEY: Ms. McDowell.

23 CHAIRMAN BOYER: Okay. Ms. McDowell?

24 MS. McDOWELL: Thank you, Chairman.

25 //

1

DIRECT EXAMINATION

2 BY MS. McDOWELL:

3 Q. Good morning, Mr. Duvall.

4 A. Good morning.

5 Q. Could you state your full name and spell it for the
6 record, please.

7 A. Yes. My name is Gregory N. Duvall, G-r-e-g-o-r-y,
8 and Duvall is D-u-v-a-l-l.

9 Q. Mr. Duvall, how are you employed?

10 A. I work for PacifiCorp.

11 Q. What is your title with PacifiCorp?

12 A. I'm the director of long-range planning and net
13 power costs.

14 Q. In that capacity have you prepared and filed in this
15 case direct rebuttal and supplemental rebuttal testimony and
16 exhibits?

17 A. I have.

18 Q. And do you have before you Rocky Mountain Power's
19 testimony and exhibit list for its net power cost?

20 A. I do.

21 Q. Does that contain a complete description of your
22 direct rebuttal and supplemental rebuttal testimony and
23 exhibits?

24 A. Yes, it does.

25 Q. Do you have any corrections or revisions to your

1 prefiled testimony?

2 A. Yes, I do. In my direct testimony, on page 16, line
3 341, the number \$9.07 should be changed to \$12.42. And in my
4 rebuttal testimony, on page 9, line 180, the number 12 should be
5 changed to the number 48. And on line 9 -- on page 9, sorry,
6 line 184, after the word "No," add a comma and the phrase "other
7 than the change from 48 months to 12 months." Then on page 12
8 of my rebuttal, between the -- in the -- in the chart that
9 appears just before line 244, in the label for the rolling
10 48-month coal-generation line, replace the number for
11 December '08 of 45,304,825 megawatt-hours with 45,254,472
12 megawatt-hours. And finally, on page 16 of my rebuttal
13 testimony, line 340, replace "OCS's adjustment" with "the OCS
14 and division adjustments." And on page 16, line 341, replace
15 "OCS's adjustment is" with "the OCS and Division adjustments
16 are." Those are all the corrections I have.

17 Q. So Mr. Duvall, taking into account those
18 corrections, if I were to ask you the same questions that are
19 set forth in your prefiled testimony today, would your answers
20 be the same?

21 A. Yes, they would.

22 MS. McDOWELL: We would offer the direct rebuttal
23 and supplemental testimony of Mr. Duvall along with the exhibits
24 listed on our testimony and exhibit list.

25 CHAIRMAN BOYER: Is there any objection to the

1 admission of Mr. Duvall's direct rebuttal, supplementary
2 rebuttal, and exhibits as corrected? Seeing none, they are
3 admitted.

4 MS. McDOWELL: And Chairman Boyer, I'd just like to
5 take a minute here to offer the testimony of David Godfrey also
6 on the power comp issue. No party had questions for Mr. Godfrey
7 so he will not be appearing today, so just as an administrative
8 matter we would like to offer his testimony in the record at
9 this time as well.

10 CHAIRMAN BOYER: Why don't you identify that for us.

11 MS. McDOWELL: It's the rebuttal testimony of David
12 Godfrey filed on November 12, 2009, addressing transmission and
13 distribution capital expenses. It's also listed on our
14 testimony and exhibit list.

15 CHAIRMAN BOYER: Thank you. Is there any objection
16 to the admission of Mr. Godfrey's testimony? Seeing none, it is
17 also admitted.

18 MR. GINSBERG: While we're doing that, can we go
19 ahead and admit the other two witnesses where there was no
20 cross-examination --

21 CHAIRMAN BOYER: Yes, I think this would be an
22 appropriate time to do that, Mr. Ginsberg.

23 MR. GINSBERG: Excuse me?

24 CHAIRMAN BOYER: This would be an appropriate time
25 to do that.

1 MR. GINSBERG: Okay. It's the testimony of Jamie
2 Dalton, which was DPU Exhibit... DPU Exhibit 13, and the
3 testimony of Mr. Wheelwright, which was DPU Exhibit 12. And the
4 exhibit numbers are all identified on the exhibit sheet that we
5 provided the commission.

6 CHAIRMAN BOYER: Thank you, Mr. Ginsberg. Any
7 objection to the admission of Mr. -- the testimony of
8 Mrs. Dalton or Wheelwright? Seeing none, they are admitted into
9 evidence as well.

10 MR. GINSBERG: Thank you.

11 CHAIRMAN BOYER: Thank you. Miss McDowell?

12 MS. McDOWELL: Thank you, Chairman.

13 Q. Mr. Duvall, have you prepared a summary of your
14 testimony?

15 A. Yes, I have.

16 Q. Have you asked me to distribute three exhibits that
17 are from your rebuttal, prefiled rebuttal testimony?

18 A. Yes, I have.

19 Q. Can you proceed to give the Commission your summary?

20 A. Okay. Good morning, again, Mr. Chairman,
21 commissioners. The summary of my testimony will address the 14
22 remaining contested net power cost issues in this case. All
23 remaining contested issues concern how to model net power costs
24 on a normalized basis. There are no claims that RMP has been
25 imprudent.

1 First, however, I'd like to make some general
2 observations that -- for reference, the current rates in -- in
3 rates net power cost are a billion 30 million, or \$17.22 per
4 megawatt-hour. Rocky Mountain Power is requesting to set net
5 power costs at 1,018,000,000, or a -- \$12 million below what's
6 currently in rates. The lowest individual proposal from the
7 committee is to set net power costs at 965 million, which
8 represents a \$65 million reduction from those -- the current
9 levels of net power cost.

10 Table 1, which is embedded in my testimony and has
11 been handed out to you by Ms. McDowell, shows the historic and
12 forecast net power costs. So this was the one that's labeled
13 Actual Net Power Costs, Net Power Costs, Projections and
14 Proceedings. By looking at Table 1, it's clear that we're at
15 the bottom of a trough. Net power costs have been higher in the
16 past, and they're expected to go higher in the future. It's
17 also clear that setting net power cost below -- at the levels
18 that other parties propose, which are \$17 or less per
19 megawatt-hour, are unreasonable. And given that Rocky Mountain
20 Power has agreed not to charge -- not to change its net power
21 costs outside of an ECAM until September 2011, Rocky Mountain
22 Power forecasts it will under-collect net power costs in Utah
23 during the time the proposed rates are in effect beyond the test
24 period in this case, even if the company gets its full request.

25 I sponsored seven revisions that I believe complied

1 with the Commission's 2007 general rate case order. Each
2 revision improves the accuracy of net power costs. It was
3 either sponsored by another witness or sponsored by myself as an
4 item that was in process and not been completed by the time that
5 we filed our direct case. Each of these items reflect known and
6 measurable changes, were available before the parties filed
7 their direct testimony, and that they are easy to audit. And I
8 validated each one of these in my testimony.

9 Market caps, a new issue this time. Only four years
10 ago, in the Commission's October 2005 order in the order cost
11 docket, the commission found that the company's "coal resources"
12 are back down some hours, and use of a production cost model
13 including market caps is necessary to accurately identify
14 production costs. The evidence in this -- in that case showed
15 that coal backed down by an average of about 156 average
16 megawatts. Evidence in this case confirms that has not changed.

17 On page 12 of my testimony, this is the second chart
18 that has been handed out, this is the one where I've corrected a
19 number. The handout has the corrected number on it. I present
20 a chart that shows actual coal generation for the last ten
21 years. And the chart establishes three important facts. First,
22 by removing market caps, Mr. Falkenberg models coal generation
23 at 46.1 million megawatt-hours, which exceeds actual coal
24 generation by almost any measure. Then Mr. Falkenberg's measure
25 of actual -- actual coal generation which he compares the model

1 results to is based on the 12 months ending December 2008, which
2 is 46 million megawatt-hours, which the chart validates is an
3 abnormally high level to be comparing the results of power cost
4 studies to.

5 And finally, applying the commission-approved caps,
6 Rocky Mountain Power models coal generation at 45 -- 45.3
7 million megawatt-hours, which we believe is reasonable as
8 validated by this -- by this chart. The 45.3 million
9 megawatt-hours exceeds any of the 48-month average, rolling
10 average numbers that are shown on the chart. So there's no
11 basis for the Commission to reverse their prior decision
12 approving market caps.

13 Wind integration. In my direct testimony I
14 presented seven pages of discussion and a 15-page exhibit
15 supporting the company's 2008 wind integration study that's
16 included in its 2008 integrated resource plan in order to
17 validate the company's wind integration costs.

18 And then on page 36 of my testimony, which is the
19 final page of the three handouts that you have received, I
20 present a summary of the parties' initial positions at the time
21 that I filed my rebuttal testimony. In my rebuttal testimony I
22 adopted the OCS position, so we moved from \$6.91 to \$6.62. In
23 their third rebuttal testimony the Division modified their
24 proposal to \$4.81.

25 I present evidence in my rebuttal testimony that

1 shows that UAE's proposal is flawed and should be not considered
2 as a reasonable alternative by the Commission. It's interesting
3 to note that all parties except EPA's intra-hour costs are at
4 least \$5.89 per megawatt-hour, which is the last column there,
5 yet argue that RMP's intra-hour costs should be no greater
6 \$4.83.

7 On a related item, the office has also recommended
8 that the costs associated with facilities that are not owned or
9 not purchased by Rocky Mountain Power but reside in our control
10 area, that the costs associated with providing wind integration
11 services to those facilities not be included for rate making.
12 That -- that is an unreasonable proposal, since Rocky Mountain
13 Power is obligated to interconnect to any generation facility
14 that locates in its control area, and we're not allowed by FERC
15 tariff to discriminate against wind facilities.

16 On the minimum loading and heat rate duration I
17 would simply point you to my -- refer you to my JND 4R and 5R.
18 And these -- these two exhibits are pictures of heat rate curves
19 in my rebuttal testimony. These two exhibits validate that
20 Mr. Falkenberg's proposed adjustments to the rate heat rate are
21 based on artificial model inputs and should be rejected. The
22 Company uses actual heat rate curves, and Mr. Falkenberg alters
23 those in a manner that they don't reflect accurate information
24 anymore.

25 For the minimum duration of the plants,

1 Mr. Falkenberg has also assumed an artificial modeling
2 assumption by setting the minimum generation levels of all 36 of
3 RMP's thermal unit levels to levels that they're incapable of
4 achieving.

5 The value of startup energy. Rocky Mountain Power's
6 position on this has been consistent, that there is no net value
7 to startup energy because much of the ramping's controlled by
8 hydro, and there are efficiency losses that have to do with
9 redispatching hydro and thermal resources to levels that are no
10 longer optimal within the hour. These additional costs are not
11 captured by GRID, they would offset any cost savings from the
12 startup energy.

13 In addition, in my rebuttal testimony I show that
14 the inclusion of startup energy by Mr. Evans and Mr. Falkenberg
15 is modeled incorrectly. While they include the startup energy,
16 they don't include the time in the GRID model for the units to
17 start up. And making that correction would validate the
18 Company's position that there are no -- no net -- no net value
19 to startup energy.

20 Mr. Falkenberg make an additional error in that --
21 in his value of startup energy by assuming that -- that energy
22 that's produced within the hour can be sold in the hourly
23 markets. That's just not possible.

24 Short-term firm synchronization. In my rebuttal
25 testimony I show that Rocky Mountain Power's approach to the

1 treatment of short-term firm transmission costs, where we use
2 the current estimate of expenses and a four-year average for the
3 usage, is a valid normalizing technique. Rather -- and I also
4 show that Mr. Falkenberg's adjustment is invalid. Rather than
5 taking the four years' average of short-term firm wheeling
6 expense as he claims, he's actually converted these contracts
7 from capacity contracts to energy and modeled them in GRID, so
8 that he only captures the expenses associated with the usage of
9 the contracts. This is -- this is not -- these are -- this is
10 just like option contracts and ignoring the premium costs. And
11 if calculated as he claimed, if he just took the four years
12 of -- four-year average of historic short-term firm expenses and
13 averaged them, the adjustment would be far less than what he
14 proposes, and would only be about 1.8 billion on a company
15 basis.

16 Planned outages, this is a fairly small adjustment.
17 Mr. Evans has presented a planned outage schedule that modifies
18 the schedule presented by the Company. I show that his
19 adjustment is arbitrary and can't be replicated on a long-term
20 basis. Mr. Falkenberg then adopts Mr. Evans' schedule, but then
21 shifts Currant Creek from the fall to the spring. This shifting
22 puts three of our four combined tibo combustion turbines in the
23 spring, and so I believe it's unbalanced and it ignores the fact
24 that Currant Creek was on planned outage in the fall of this
25 year.

1 On monthly and daily screens, the Company's
2 implemented the monthly screens adopted by the Commission in the
3 2007 general rate case as recommended by Mr. Falkenberg in that
4 case. Mr. Falkenberg now proposes to use a -- daily screens
5 based on the notion that the dispatchers make daily decision
6 based on daily changes in the facts about loads and resources
7 and market prices and all that. I -- I point out in my rebuttal
8 that GRID, or any other model for that matter, is not that
9 sophisticated. The GRID receives one input, and it doesn't
10 change once the inputs are set, and that the use of the daily
11 screens is inconsistent with the level of complexity of the
12 model.

13 The Troy-Faste upgrade, this, again, is small, but
14 it's based on an assumption, an artificial assumption that
15 389 megawatts of transmission are available to deliver troy to
16 the system when in fact there's only 387 megawatts that
17 physically exists.

18 The smut shaping, the transmission imbalance, and
19 the biomass nongeneration agreement, my testimony presents
20 additional data and rationale on each of these issues since they
21 were heard by the Commission last. In each case the new
22 information provided validation for reversing the Commission's
23 decision on these issues.

24 In conclusion, I'd like to make three points. The
25 first point is that no party has claimed that Rocky Mountain

1 there should be no updates. But when other parties proposed a
2 number of updates that we -- we did change between the direct
3 testimony and the rebuttal testimony to agree to a limited
4 number of updates.

5 Q. Your initial position, you mean when you filed the
6 case?

7 A. In the direct testimony, correct.

8 Q. Now, you understand that updates are taking place in
9 the revenue requirement phase of the case outside of net power
10 costs?

11 A. That's my understanding.

12 Q. For example, one of the examples that you bring up
13 is the High Plains hydro -- wind plant; is that right?

14 A. That's correct.

15 Q. And you understand that when the Company initially
16 filed its case, the capital cost for that plant was \$70 million?

17 A. I'm not familiar with it, but I'll take that,
18 subject to check.

19 Q. You're not suggesting that the updates in the rest
20 of the case not occur, are you?

21 A. No, I'm not.

22 Q. What is unique about net power cost that we should
23 have no updates?

24 A. I don't believe there's anything unique about net
25 power costs that we shouldn't have updates. I think what's

1 happened in the past is that -- that the updates have been very
2 selective. And I think my testimony is that we would prefer
3 some guidance on the Commission this terms of, you know, what
4 gets updated, what are the rules for updating so that it could
5 be fair going forward.

6 Q. One of the areas that you included was this Idaho
7 Power wheeling contract. Is that right?

8 A. That's correct.

9 Q. Now, when you initially filed your case, I believe
10 the Idaho Power contract was an increase of \$2 million. Is that
11 right?

12 A. I believe that's right, yes.

13 Q. And you indicated that in September, new information
14 became available that increased it to 11 million?

15 A. Yeah. There -- there's actually two -- two
16 contracts with Idaho Power. They all have to deal with the
17 delivery of power out of the Bridger facility. The -- there's
18 the RTSA, or what's called Restated Transmission Service
19 Agreement, and the IT -- ITSA, which is the Integrated
20 Transmission Service Agreement. Both of those, at the time we
21 had filed we knew the changes to the RTSA, but we didn't know
22 the changes to the ITSA, and those are what are included in our
23 rebuttal testimony.

24 Q. And when do those changes become known? I think you
25 say September?

1 A. Yeah, I think that's right.

2 Q. And that also a fair characterization of the
3 other -- the... I have a few questions about the planned outage
4 adjustment. You indicated in your summary it's both a DPU and
5 CCS adjustment?

6 A. Yeah. The schedule proposed by Mr. Evans was then
7 adopted by Mr. Falkenberg, and then Mr. Falkenberg made one
8 additional change.

9 Q. And I think you indicate in your testimony that
10 since it's relatively small compared to past cases, is that --
11 it should basically not take place?

12 A. No, no, I didn't say that at all. I mean, but it is
13 relatively small. I think the last time we were here, the
14 maintenance or the planned outage adjustment was 10 to \$12
15 million. As I recall, it's about 300,000 in this case.

16 Q. Is the adjustment size for planned outages affected
17 by the cost of replacement power that you assume in the model?

18 A. Yes, it would be.

19 Q. So would it be fair to say that if, as you called
20 it, a trough is occurring in this case with a low forward price
21 curve, and that the size of adjustment in the future could be
22 higher, depending on what the market price of power is?

23 A. Well, the trough is not a result of forward price
24 curves and market prices; it's a result of many other factors.
25 That's one of the factors. And to the extent the forward price

1 curves go up, then I think the -- the adjustment for the planned
2 outages would probably increase. But I wouldn't expect it to
3 increase a whole lot.

4 Q. Now, the Division's adjustment or Mr. Evans's
5 adjustment was to manually adjust the GRID model to what he
6 would say more accurately reflects the four-year -- normalized
7 four-year level of planned outages. Is that a fair
8 characterization?

9 A. Well, yeah. He -- in his testimony, in his
10 surrebuttal testimony, on page 4, line 74, he identifies what he
11 calls a flaw. And the flaw is that what the Company has done is
12 to -- required outages at a particular coal plant follow one
13 another with no overlap, and then he says this is a perfectly
14 reasonable requirement. But he's then trading that off with the
15 requirement to try to be actual. So we've got sort of competing
16 requirements here as to what's important.

17 Q. But the answer to my question was he was trying to
18 more reflect what actually is taking place?

19 A. He was, that's correct.

20 Q. You don't disagree that that was accomplished by
21 that attempt to try to more to reflect what actually is taking
22 place?

23 A. No, I don't disagree with that.

24 Q. I have a few questions on the startup energy. And
25 do I understand it right that the GRID model, you input into the

1 GRID model the startup energy, it's not in the model itself?

2 A. Well, it's sort of --

3 Q. Startup fuel?

4 A. Yes and no. Because it is in the model in terms of
5 the commitment decision, but when the -- when the -- at the end
6 of the day, when it reports out net power costs, it doesn't pick
7 up that -- those hours.

8 Q. So you go through each plant and determine how much
9 startup fuel is needed to start up the plant, and then the model
10 assumes that the plants start when they reach minimum loading.
11 Is that right?

12 A. That's right. And it's just for the gas plants.

13 Q. So that period of time between the time the plant
14 starts up and the time it reaches minimum loading, the GRID
15 model isn't actually calculating what happens there?

16 A. That's true.

17 Q. And you would agree that something happens there;
18 would you not?

19 A. Well, yeah. And I mean, if -- the way the model's
20 set up is the plants have -- physically have minimum down times
21 before they can restart. Once you shut them down, you got to
22 keep them down, Lake Side and Currant Creek for six hours and
23 Chehalis for eight hours. And so in the GRID model, since it
24 starts things up just right to full load at moment one, in order
25 to -- if you're going to include startup energy into the model,

1 you need to allow for two to three hours of startup time in
2 order to make sure that if you're including that startup energy,
3 that you're not double-counting or over-counting to all of the
4 startup costs.

5 Q. How long does it take to reach minimum loading for
6 these plants?

7 A. It's about two hours on Lake Side and Currant Creek
8 and three hours on Chehalis.

9 Q. And that energy is going somewhere, is it not, when
10 it starts up?

11 A. Well, it -- it is. But I... the... In the GRID
12 model, if you don't allow for the extra time for startup, you've
13 got the full amount of energy plus the startup energy, you've
14 got too much energy. So you have to -- you have to allow the
15 two to three hours of startup time when that energy's delivered.
16 So if -- if you include that in GRID, then that's -- that was
17 the correction I pointed out, that you'd need to make that
18 adjustment to GRID if you were to include the startup energy.

19 Q. Both the DPU and CCS have an adjustment on this
20 area; is that correct?

21 A. Yes, they do.

22 Q. And they calculate it differently, the effect of the
23 value of the startup energy?

24 A. They did.

25 Q. One uses market prices; is that right?

1 A. Yeah. What -- Mr. Falkenberg just puts energy in
2 the GRID model and lets GRID do what it will do with it, so it
3 allows it to sell to markets. And that was the -- the second
4 error I pointed out in his adjustment.

5 Q. And the Division uses average coal prices; is that
6 right?

7 A. Yes, they do.

8 Q. Now, you -- in response, you basically say that when
9 these units start up -- and do they usually start up in the
10 morning?

11 A. Typically they would start up in the morning, that's
12 right.

13 Q. And you say that they are -- I think it's line 527.

14 A. Of my rebuttal?

15 Q. Yeah. Yes, sir.

16 A. Okay.

17 Q. You indicated that what it's primarily replacing
18 is -- or primarily producing is hydro. Is that right?

19 A. That's correct.

20 Q. Now, again, does the model tell you that?

21 A. No.

22 Q. Hydro actually has a value; does it not?

23 A. Well --

24 Q. Later in the day?

25 A. If you don't lose -- hydro is energy-limited. So if

1 you don't generate it in one hour and you don't spill it, then
2 you can generate it at some other hour. And the value or cost
3 would be the difference between the market prices or the value
4 of that energy when you used it.

5 Q. So that value of that hydro could have a high value
6 later in the day?

7 A. Well, the -- when -- when you're starting up a
8 plant, you have to basically deoptimize the system from where it
9 was. And so if you were planning to use your -- use your hydro
10 in a certain way, and because you had your gas plant on you had
11 to ramp up your hydro, so as your gas plant comes on you can
12 back down your hydro. You just deoptimized the system,
13 increased your cost over what it would be without the startup.
14 So you've actually increased your system costs in that -- in
15 that case.

16 Q. If we could, the handout exhibit that you have on
17 here for the wind, do you have that in front of you?

18 A. Yes, I do.

19 Q. I just wanted to sort of put in perspective where
20 we've come from on this wind. Was the first time that wind
21 integration was introduced was in the '07 rate case?

22 A. It was -- I believe it was the '07 case.

23 Q. And at that time were there -- inter-hour wind
24 charges were calculated as five percent of the amount of wind
25 available? Is that -- is that how you did that?

1 A. I'm not sure I understand the question.

2 Q. As I understand it, before this case for inter-hour
3 wind charges, it was a -- five percent of wind capacity was the
4 charge.

5 A. I don't recall that. I don't believe that's what we
6 did.

7 Q. How did you do it?

8 A. Well, for -- there were no inter-hour charges
9 explicitly made. This is all the result of the new wind
10 integration study from the 2008 IRP.

11 Q. Okay. So for the '07 and '08 rate cases there were
12 no inter-hour?

13 A. That's correct.

14 Q. And then for intra-hour charges for the '07 rate
15 case, it was \$1.14?

16 A. That's correct. And I just represented what we
17 called the forecasting error, which is it didn't include any of
18 the costs for ramping up and ramping down to follow the known
19 changes of the wind during the hour.

20 Q. And then also in the '08 rate case, which I -- I
21 guess the test year was 2009. Is that right?

22 A. That's correct.

23 Q. Half of this test year; is that fair?

24 A. Correct.

25 Q. The intra-hour charges were \$1.16?

1 A. That's correct. And that, again, was just the --
2 this was before we completed our -- our wind integration study
3 and the IRP.

4 Q. And that's bringing in the regulate-up and regulate-
5 down functions of the intra-hour charges?

6 A. Yeah, after -- after the \$1.16. The \$1.16 was just
7 the forecast error.

8 Q. So that was the -- this -- the IRP, which I guess
9 was filed in June. Is that right?

10 A. It was May.

11 Q. May, was the first time that these regulate-up,
12 regulate-down charges were introduced into this rate case in
13 every case?

14 A. That's correct.

15 Q. And at least you presented those in your IRP. Is
16 that -- is that what I understood?

17 A. That's correct.

18 Q. And then parties filed comments on those within the
19 IRP process?

20 A. They did.

21 Q. How much wind do you have currently?

22 A. I can tell you how much we have in this case.

23 Q. Okay.

24 A. In this case we have 1,524 megawatts that are under
25 our control, and then there's another, I believe, about 200 that

1 are under Bonneville's control.

2 Q. And has that amount been added over the last few
3 years to reach that level?

4 A. Yes, it has.

5 Q. Do you happen to know when your first wind plant was
6 installed?

7 A. Well, the first one that's still running is Foote
8 Creek One. And that was, I believe, installed in about 1998,
9 give or take a year.

10 Q. And is -- you have 1,400 megawatts. What are the
11 plans for wind for the next few years?

12 A. Well, we have in our IRP, we obviously have the plan
13 to reach 2,000 by the year 2013.

14 Q. So as wind is added, it is the Company's position
15 that more regulating reserves are required to be added to the
16 system?

17 A. That's correct.

18 Q. Has the Company provided any evidence to show that
19 the amount of regulating reserves has actually increased since
20 wind has been added to the system?

21 A. Well, we've provided the 15-page appendix out of the
22 IRP to describe all of these. We've provided in discovery the
23 wind integration model to all the parties so they can go through
24 it and validate that the numbers were calculated up correctly.

25 Q. Is wind also done outside of the GRID model?

1 A. The wind integration charge --

2 Q. Yes.

3 A. -- is calculated outside of the GRID model, and in
4 fact it's done through a wind -- the intra-hour is calculated
5 using a wind integration model that the Company developed. It's
6 an intra-hour model.

7 Q. So that charge that you're proposing was calculated
8 independent of GRID?

9 A. That's correct.

10 Q. And then how does it get into GRID?

11 A. Well, it doesn't really get into the model GRID, it
12 gets into the net power costs, by adding them together.

13 Q. So you just take the GRID results, and then I
14 think -- I think I understand that this wind integration charge
15 is worth about \$28 million. Is that -- is that right?

16 A. It's -- I -- I believe that's about right. It's
17 \$4.83 per megawatt-hour for the intra-hour.

18 Q. So the intra-hour is worth 28 million. Is the total
19 amount then worth more than that?

20 A. No. The two -- the combined total is worth about in
21 that ballpark.

22 Q. So that dollar amount is then just added to the net
23 power cost results that come out of GRID?

24 A. That's correct.

25 Q. Now, GRID function is to simulate the operation of

1 the system; is it not?

2 A. Well, it is. And in regard to the wind integration,
3 we look at -- at intra-hour costs. GRID is an hourly model, it
4 can't simulate intra-hour cost, and that's the cost that we look
5 at for the purposes of wind integration. And that's why we
6 built an intra-hour model that looks at the ten-minute data in
7 order to see what kind of costs that are associated with ramping
8 up and ramping down and discovering forecast error.

9 Q. But it's sort of an independent model separate from
10 the effects of operation of the system within the GRID itself?

11 A. Well, it's separate from GRID, but it has a --
12 what's called reserve stack. It looks at what the incremental
13 costs are for following the -- for meeting the wind integration
14 costs.

15 MR. GINSBERG: Thank you. That's all I have.

16 CHAIRMAN BOYER: Thank you, Mr. Ginsberg.

17 Mr. Proctor?

18 MR. PROCTOR: Thank you, Mr. Chairman.

19 CROSS-EXAMINATION

20 BY MR. PROCTOR:

21 Q. Mr. Duvall, I have also some questions about the
22 updates that you made in your rebuttal. First of all, the Idaho
23 Power transmission contract, and I believe you referred to it as
24 the ITSA; is that correct?

25 A. Well, there's -- there's two contracts, the RTSA and

1 the ITSA.

2 Q. Which one of those is involved in the FERC
3 proceeding that PacifiCorp has intervened in?

4 A. That's the ITSA.

5 Q. And that was the one that in direct testimony you
6 opined was estimated to increase net power costs by about two
7 million?

8 A. No, that was the RTSA.

9 Q. And then there was another amount in your direct
10 testimony, and that -- line 98, page 5, for those who want to
11 look, about a -- well, wheeling expenses of approximately
12 \$12 million increase in net power cost. Is that --

13 A. That's right.

14 Q. So is the ITSA the one that is -- is that in the
15 \$12 million number that you put in your direct testimony?

16 A. No, it's not.

17 Q. But you did testify that -- that the Company knew
18 that Idaho Power was requesting an increase in that contract; do
19 you not -- did you not?

20 A. Well, they were -- they were looking to raise their
21 wheeling rates any way they could, and they were in the process
22 of doing that.

23 Q. And on June 19th of this year they filed with the
24 FERC seeking a rate increase at that time?

25 A. I'll accept that.

1 Q. And that increase was from \$186 -- excuse me --
2 \$186,924 to \$3,477,725 per year, correct?

3 A. That sounds right.

4 Q. Later on, in a data response, you -- the Company
5 stated that they estimated the increase to be about 3.7 million.
6 Do you recall that?

7 A. I don't recall that.

8 Q. Did you respond to that data response or did someone
9 else?

10 A. I would have to look at it.

11 Q. Okay. And PacifiCorp intervened in that matter and
12 protested that increase; did they not?

13 A. Yes, that's my understanding.

14 Q. And they protested it for a number of reasons. Are
15 you familiar with those reasons?

16 A. I am not familiar with those reasons.

17 Q. Have you been asked to advise the Company pertaining
18 to that transmission contract and the rate increase?

19 A. No, I have not.

20 Q. So that's taken place outside of your -- your
21 purview?

22 A. That's correct.

23 Q. Do you know whether or not FERC has taken any action
24 on the protest?

25 A. I really don't know the status of that.

1 Q. Now, you stated in your rebuttal testimony, and it
2 begins on page -- line 150 of page 7 and carries on until
3 page 8, and you're outlining the updates that you wish to make.
4 And 6, the rebuttal NPC should reflect changes to the Company's
5 wheeling contracts with Idaho Power Company and BPA that
6 occurred as early -- let's see -- as of early September.
7 Transposition. Is that a reference to the Idaho Power contract?

8 A. The 11.1 million?

9 Q. No. Beginning at line 150 on page 7 of your
10 rebuttal testimony, over to line 154. Yeah, you're -- there's
11 an \$11 million figure, I didn't read that. My question is the
12 contract changes that you were referring to at line 150 to 152,
13 does that include the Idaho Power contract?

14 A. Yes, it does.

15 Q. But are those changes, however, only temporary in
16 the sense that according to the FERC, they're subject to refund?

17 A. Well, the FERC I believe typically makes their rates
18 subject to refund.

19 Q. Do you know whether the FERC has offered a
20 preliminary analysis of Idaho Power's request to increase the
21 rate?

22 A. No, I do not.

23 Q. Would it surprise you that they have found that
24 Idaho Power -- at least a preliminary analysis indicates that
25 Idaho Power's proposal has not been shown to be just and

1 reasonable?

2 A. I don't have any knowledge of that.

3 Q. Well, you do know that the Company protested the
4 matter, correct?

5 A. Yes, I do.

6 Q. And you do know also that the increase is
7 approximately 1,700 percent to that contract; do you not?

8 A. Well, I know what the -- I presume you calculated
9 that correctly, but the increase is what it is. It's -- you
10 know, the 3.7 million I guess is what you said.

11 Q. Well -- yes, 3.4. Would it surprise you under that
12 circumstance then, that the FERC's preliminary analysis also
13 concluded that --

14 MS. McDOWELL: You know, I'm going to object to this
15 question because this witness has said he is not familiar with
16 these issues, so I don't think there's any foundation for the
17 continuing line of questions into this area.

18 MR. PROCTOR: Mr. Chairman, he's appearing here
19 certainly as somebody who's responsible for the regulatory
20 aspect of net power costs. This is certainly a net power cost.
21 He has in his testimony requested a reimbursement of this
22 amount. And I'm certain that Mr. Duvall is very aware of the
23 manner in which FERC reviews transmission contract rate
24 requests, and in particular, where this company has, as he has
25 stated, protested the matter. I think I'm -- I don't have much

1 more to go, but I think I'm entitled to ask these questions.

2 CHAIRMAN BOYER: Well, I think it's appropriate for
3 you to ask if he knows of the preliminary findings of the FERC.
4 And I guess you could ask if he's surprised, and he can say yes
5 or no, he's not surprised. I don't know what probative value
6 that gives to the proceedings though. To that extent I'm going
7 to overrule the objection.

8 MR. PROCTOR: I'll just go on. Thank you,
9 Mr. Chairman.

10 Q. Mr. Duvall, did you -- you didn't disclose any of
11 the -- the fact that there was a protest in the size of the
12 increase, or that there was a pending proceeding in FERC to this
13 commission in your rebuttal testimony, did you?

14 A. No, I didn't. And let me just --

15 Q. If I may, I just want to ask you one more question,
16 and then you can answer the question that you wanted to answer.
17 Is that because you didn't --

18 MS. McDOWELL: I'll object to that. You know, he's
19 entitled to answer the question that he's asked, and if that --
20 you know, if he needs to explain his answer, he's entitled to do
21 that.

22 MR. PROCTOR: If you just let me ask this one
23 question, then he can carry on.

24 CHAIRMAN BOYER: Ask your question, Mr. Proctor.

25 Q. (By Mr. Proctor) Is that, Mr. Duvall, because you

1 didn't know that this was going on?

2 A. That I didn't know that what was going on?

3 Q. That the protest, the amount of the increase, you
4 didn't put it in your rebuttal because you didn't know about it?

5 A. No, I -- I knew about it. And frankly, this --
6 Idaho Power is in the process of setting their rates to their
7 correct tariff rates, their current point-to-point service
8 rates. The contract that we've had with them is a very old
9 contract with very old rates. And it wouldn't surprise me
10 that -- that the -- in today's environment, if they've asked to
11 set their transmission rates to compensate them for their
12 current service charges, that they would prevail.

13 Q. Is that the position of the Company in the -- before
14 FERC, that, yes, they're entitled to that rate increase?

15 A. That is my -- my opinion of the -- I mean, it's just
16 my -- my thinking of the situation. They're asking for
17 basically full recovery. And we're -- they're coming off a
18 very, very, very old, low-cost wheeling contract.

19 Q. The Company responded to OCS data request 26.5. The
20 request was does the Company believe it is reasonable to assume
21 that Idaho Power will be granted 100 percent of the increased --
22 or excuse me -- its requested rate increase in FERC docket
23 ER-019335 even though the Company is protesting that increase.
24 Did you assist in answering that data response?

25 A. I believe I saw that data response.

1 Q. Did you provide input into its -- to the response
2 from the Company?

3 A. Actually, I --

4 MS. McDOWELL: Excuse me. Do you have a copy of the
5 data request you could show the witness?

6 MR. PROCTOR: The only one I have is with my notes
7 on it, unfortunately. I'll show that one to him, if that's
8 okay, and then you can just answer the questions that I've
9 written on here.

10 MS. McDOWELL: Thank you.

11 MR. PROCTOR: Isn't that easy?

12 CHAIRMAN BOYER: Let the record reflect that counsel
13 is showing Mr. Duvall a copy of an answer to a data request.
14 What's the -- what's the date, number of that data request --

15 THE WITNESS: That is OCS data request 26.5, dated
16 December 8th, 2009.

17 CHAIRMAN BOYER: Thank you.

18 THE WITNESS: So no, I did not answer this.

19 Q. (By Mr. Proctor) Mr. Duvall, the final subject I
20 want to discuss briefly with you is this: You stated that if
21 this commission were to provide -- or to grant the Company its
22 requested net power cost, that the amount in rates would be
23 \$17.48 per megawatt-hour. Is that correct?

24 A. That is correct.

25 Q. But you also have asked them to consider the fact

1 that rates are projected by the Company to increase over the
2 next year and a half, up through December of 2011, correct?

3 A. That is correct.

4 Q. Are you asking this commission then to reject
5 adjustments to the net power cost because the Company has
6 projected beyond the test period in this case?

7 A. Not at all. It's just a point of reference for the
8 Commission to understand where power costs are expected to go in
9 the future.

10 Q. But the test period is ending June of 2010?

11 A. That's correct.

12 MR. PROCTOR: Thank you, Mr. Duvall.

13 CHAIRMAN BOYER: Thank you, Mr. Proctor. Let's turn
14 now to Mr. Dodge, please.

15 MR. DODGE: Thank you, Mr. Chairman.

16 CROSS-EXAMINATION

17 BY MR. DODGE:

18 Q. Good morning, Mr. Duvall.

19 A. Good morning, Mr. Dodge.

20 Q. The questions I have are on wind integration, not
21 surprisingly.

22 A. Not surprisingly.

23 Q. Let's start with magnitude. Can you tell us
24 approximately how much in wind integration charges are being
25 recovered in rates today from customers? Let's say companywide,

1 to make it easier.

2 A. I believe that would have been based on the \$1.14
3 type number, so I think the number's in the range of 5 to
4 \$6 million.

5 Q. And what is the number companywide that you're now
6 requesting, the increase from a high of six... the increase from
7 that number to today, what are you asking for?

8 A. Well, I think it's in the \$28 million type number.

9 Q. So that's a \$22 million increase. You'll
10 acknowledge that's substantive?

11 A. Well, it's based on our -- our current studies. I
12 think, again, the old study was based on one simple forecast-
13 error calculation, it used hourly information. We have
14 substantially improved our wind integration study; we've looked
15 at five components now, not just one component. It's not
16 surprising that -- that the numbers are higher.

17 Q. And my question was, you'll acknowledge that's a
18 substantive increase?

19 A. It's what it is.

20 Q. You don't consider \$28 million, or a \$22 million
21 increase, substantive to your customers?

22 A. I consider a \$22 million increase a \$22 million
23 increase.

24 Q. Okay, we can quibble about that. In any event, you
25 will acknowledge that the Company has the burden of proof to

1 establish this \$22 million increase in cost; does it not?

2 A. Absolutely. And that's why I put in the seven pages
3 of testimony and the 15-page exhibit out of the IRP --

4 Q. And we'll get to that.

5 A. -- the wind integration model and just tremendous
6 support for that number.

7 Q. And we'll get to that. We'll get through this much
8 quicker if you answer my questions without editorializing.

9 What -- you --

10 MS. McDOWELL: Objection. That was editorializing.

11 MR. DODGE: And his was not?

12 MS. McDOWELL: His -- he is answering the questions,
13 and I think he's entitled to do that.

14 MR. DODGE: If the Chairman wants to let him talk
15 all he wants, that will be the Chairman's call, obviously. But
16 I'm trying to --

17 CHAIRMAN BOYER: To speed up the process, if you
18 would answer Mr. Dodge's questions. And you'll have an
19 opportunity to editorialize, if you wish, or add to your answer,
20 clarify your answers during redirect by your own attorney,
21 Mr. Duvall.

22 Q. (By Mr. Dodge) Mr. Duvall, do you also acknowledge
23 that there's a difference between a utility establishing what it
24 may charge third parties for wind integration costs and what is
25 appropriate to add to the GRID model for purposes of charging

1 ratepayers?

2 A. I -- I would say no. And in fact, I don't know of
3 any third parties that charge wind integration services that are
4 regulated by FERC.

5 Q. BPA charges wind integration charges to you; does it
6 not?

7 A. BPA is not regulated by FERC.

8 Q. Well, you added that qualification. You understand
9 that there may be -- well, let me -- maybe you don't acknowledge
10 it. You don't acknowledge any difference in the analysis by
11 this commission in determining whether the costs you're trying
12 to pass on to customers for wind integration costs, you don't
13 acknowledge any difference in that analysis than in the analysis
14 someone like BPA may go through to determine third-party charges
15 they will charge to an outside entity?

16 A. I think the answer would be no. I think the cost of
17 providing the services are the cost of providing the services.

18 Q. With -- with -- captive ratepayers are, but you're
19 already charging for -- through GRID, right, for whatever it
20 determines is right; is that correct?

21 A. No, that's not correct. That was Mr. Higgins'
22 position.

23 Q. You don't charge your customers for net power costs
24 determined through GRID?

25 A. We charge for net power costs.

1 Q. And it's determined through GRID, primarily,
2 initially. Ignore wind -- wind integration cost for now, we'll
3 get back into it, but you use GRID to determine what to charge
4 your customers for net -- for net power cost, correctly --
5 correct?

6 A. Yeah, for net power cost absent wind integration
7 costs.

8 Q. Okay. And then the point is, in order to justify
9 charging customers something in addition, you have to establish,
10 one, that it's actually a cost to the company, correct, in order
11 to charge the customers? Would you agree with that?

12 A. I would agree with that.

13 Q. And secondly, that it's not already captured through
14 GRID or other rate-making processes. Would you agree with that?

15 A. I'd agree with that. And I think that's exactly
16 what we've done with the wind integration.

17 Q. And in all of that you acknowledge you bear the
18 burden of proof?

19 A. That is correct.

20 Q. Let's turn to page 39 of your rebuttal testimony,
21 Mr. Duvall. And we're going to be talking now about inter-hour
22 wind integration cost. And to establish a little bit of
23 background I think you've already testified to, to make -- but
24 to make sure we're on the same point, never before has -- has
25 this utility collected inter-hour wind integration costs from

1 its customers, it's always been intra-hour, correct?

2 A. That's correct.

3 Q. And on page 39 of your rebuttal, starting -- well,
4 you can start wherever you want. I'm starting on line 837,
5 where you say, as a result -- and you're talking here about
6 rebalancing for inter-hour wind integration -- the Company has
7 to take the prices that are available in the market. That is,
8 when the Company has to purchase to cover the newly identified
9 shortages, it may have to pay the prices offered the sellers.
10 And the next sentence, and it may have to take the prices that
11 buyers are willing to pay. You used "may" there deliberately;
12 did you not?

13 A. Well, I've used it there.

14 Q. And I assume it was deliberate?

15 A. I -- I guess so.

16 Q. And let's turn now, if you will, to Appendix F,
17 which you say is your support to meet your burden of proof. And
18 if you will, turn to page 273 of Appendix F attached to your
19 direct testimony.

20 A. Okay.

21 Q. And again, this part of Appendix F is dealing with
22 the inter-hour cost that you're proposing to collect, correct?

23 A. Yes, it is.

24 Q. And if you look at the first full paragraph, four
25 lines down, it says -- begins: PacifiCorp incurs transaction

1 costs every time it trades a block of 25 megawatts. These
2 transactions may vary, depending on the time of the day and
3 location, and are currently estimated to be about 50 cents per
4 megawatt-hour over-market for purchases to cover shortfall and
5 under-market to cover forecast excess -- I -- I skipped a few
6 words in there, but basically getting the context -- during most
7 transactional hours. Then you go on to say, this internal
8 assumption is generally accepted by balancing staff and is
9 consistent with the assumption used in Portland General's wind
10 integration study.

11 Those are two data points you've offered this
12 commission to establish the 50-cent number you've used in this
13 calculation, correct?

14 A. That's correct.

15 Q. And one is internal staff, and one -- in a data
16 response you indicated there was nothing but verbal
17 communications, correct?

18 A. That's correct.

19 Q. So you're asking this commission to base millions of
20 dollars in rate increases on verbal hearsay from witnesses who
21 are not in this room to be cross-examined, that, trust us, we
22 suffer these costs. Is that basically the -- the result of your
23 request?

24 MS. McDOWELL: You know, I want to object to that.

25 The -- the reference to hearsay is a legal point. Hearsay is

1 not applicable here. These are experts' studies and experts'
2 testimony, so the hearsay issue is just a non-issue. So I think
3 the question is an improper question.

4 MR. DODGE: May I respond to that, Mr. Chairman?
5 Hearsay certainly is appropriate. This commission is prohibited
6 by Utah law from basing the finding on hearsay.

7 CHAIRMAN BOYER: I think Ms. McDowell's point is
8 that Mr. Duvall is not qualified to testify as to whether these
9 discussions were hearsay or not. But if you'd just delete that
10 from your question --

11 MR. DODGE: Okay, I won't use that word.

12 Q. So you're asking this Commission to rely on verbal
13 statements from witnesses that are not here, based on
14 discussions you or someone else in your company has had, to
15 support this increase or this first time ever addition into
16 rates of inter-hour wind integration costs?

17 A. Well, these -- we're asking the Commission to accept
18 that our system operators have indicated that there is a cost of
19 incurring day-ahead trades, especially when you look at -- at
20 wind, which has -- we've got 1,524 megawatts in this -- in this
21 case. And on a day-ahead basis, the last forecast they had was
22 the profile that would have been used in the position in the --
23 in the sort of initial study wherever the initial profile came
24 from. On the day ahead they have real weather information, they
25 have real wind information. And in the profile we may have seen

1 that maybe a thousand megawatts was expected to be on, but it
2 turns out there's no wind, and maybe there's only a hundred
3 megawatts, so all of a sudden they're 900 megawatts short.
4 They're not in a position to go out in the market and -- and
5 command the price that they want to buy power; they have to take
6 what's out there. And so that's the -- you know, the genesis of
7 the 50 cents, in talking -- talking with the market or the --
8 you know, the dispatchers, the folks who -- who -- market
9 operators, this is their estimate of what it does cost to incur
10 those purchases or sales on that short notice.

11 Q. Mr. Duvall, the assumption that you are relying upon
12 based on this information, apparently from your traders, is that
13 every single time there is an increase in wind from the
14 projection, hour ahead or day ahead, there is a cost to the
15 Company in the form of transaction costs, correct?

16 A. Well, that's -- I guess, yeah, that's correct. And
17 a transaction cost of 50 cents is a pretty small transaction
18 cost in the context of a market price that might be, you know,
19 50 or \$60.

20 Q. And what you're assuming is that in every case where
21 there is this delta between the projection, day ahead or hour
22 ahead, and the actual wind, day ahead or hour ahead, that there
23 is a revised projection, I should say, because we're not
24 actually dealing with actualities now, we're dealing with two
25 different projections, right, on the inter-hour?

1 A. On the day ahead and the hour ahead?

2 Q. Right. In other words, it's still a projection, but
3 it's --

4 A. Correct.

5 Q. -- the delta between those two projections that are
6 causing these costs you're talking about, correct?

7 A. That's correct.

8 Q. And your assumption is that every time that there
9 is, for example, an increase in wind projected hour ahead from
10 what was projected prior to that, that the Company will sell the
11 delta, that delta, the difference, will sell it on -- in the
12 hour-ahead market and incur transaction costs, correct?

13 A. Well, and it's -- on the day ahead it's based on the
14 size of the block, the 25-megawatt block. The hour ahead is
15 done on an hour-by-hour basis.

16 Q. I understand that. But in any event, without
17 worrying -- now, the 50 cents is just the day ahead, correct?

18 A. That is correct.

19 Q. And the hour ahead is 5 to 25 percent. And let me
20 ask about that. You have that in the study, but there's no
21 analysis or study to demonstrate in this record the 5 to
22 25 percent cost, it's again based on what your traders told you,
23 correctly -- correct?

24 A. That's correct.

25 Q. Then let's go back then. So hour ahead, let's just

1 use that hour ahead. Your -- your projection for a certain wind
2 side has now gone up from what it was the hour before. Your
3 traders make the decision, we're going to sell that delta in the
4 hour-ahead market and incur a transaction cost, correct?

5 A. Well, that is -- that is correct. And part of that
6 is that in the -- in the power markets, the markets are not a
7 point price, they're a bid/ask spread. And this is picking up
8 the bid/ask spread.

9 Q. I understand that. But I just wanted you to stay
10 with me, because you're going to need to follow my line of
11 questions to understand my next one. So what -- what you would
12 assume for purposes of this analysis, this request that --
13 inter-hour wind integration charge, is that in that hour ahead,
14 if the -- if the forecast has now gone up, they're going to sell
15 the difference. What -- correct, right? Would that -- that's a
16 correct statement?

17 A. That is correct.

18 Q. Every time there's -- every time there's a delta,
19 based on your study, there will be a sale with a transaction
20 cost?

21 A. In the day ahead, as long as it's 25 megawatts or
22 more.

23 Q. Now, what if in that same hour, hour ahead, the
24 Company is actually selling into the balancing market based on
25 other resources within the same balancing area? Then is it not

1 an option of the Company, instead of selling to what the
2 transaction cost, to reduce a sale that otherwise it would have
3 had and save the transaction cost?

4 A. No. This was a point brought up by Mr. Higgins in
5 his surrebuttal testimony. Once we've made a sale we can't undo
6 it. And his suggestion is that we -- rather than make -- I
7 think it was make more purchases, we could reduce sales. And if
8 you've already made the sales, then you can't reduce them
9 without basically breaking contracts.

10 Q. Mr. Duvall, that was not Mr. Higgins' testimony, but
11 let me try and bear down. Stay with me, because I'm not talking
12 about a sale already made.

13 Your traders are looking at everything, their whole
14 panoply of resources as they make their -- their balancing
15 transaction decisions; are they not?

16 A. Yes, they are.

17 Q. So one hour ahead, when they now realize that wind
18 plant A has gone up, the projection has gone up -- I'm just
19 using a hypothetical -- they decide one hour ahead we've got 25
20 extra megawatts that we can sell in the next hour because the
21 projection has gone up. If at another resource, be it wind, be
22 it gas, be it any other resource in the same transmission
23 bubble, there is a resource where they have projected that they
24 would be selling excess. Based on that hour-ahead projection,
25 they can net the two and choose not to make that 25-megawatt

1 sale, thus saving transaction costs; can they not?

2 A. I presume in that hypothetical, if I followed it
3 all, I think the answer was yes, they could do that.

4 Q. Well, let's talk about it. How many hours a year
5 does -- is Rocky Mountain Power selling balancing transactions
6 into the market? Do you have any idea?

7 A. I would say probably close to every hour.

8 Q. So I was going to say I could get the information if
9 you want, but it's over 8,000 hours a year the Company is
10 actually selling balancing transactions into the market. Is it
11 a roughly the same for buying in the market? In other words,
12 isn't the Company almost every hour buying and selling into the
13 balancing market?

14 A. That's true.

15 Q. And if, per chance, one of those balancing sales
16 that you're making every hour is in the same transmission bubble
17 as the wind excess that you now are dealing with, you can net
18 the two and not make the sale and save 50 cents; can you not?

19 A. Like I said, in that hypothetical example, I suppose
20 the answer would be yes.

21 Q. It's hypothetical, but it's also reality that you're
22 buying and selling every hour, and the Company has not indulged
23 in any assumptions that there's even one hour during the year
24 when you have a difference between the projected -- the earlier
25 projection and the day-ahead or hour-ahead projection of wind,

1 you've made the presumption that not even in one hour can we
2 simply reduce a sale we'd other make -- otherwise make, or
3 increase a sale or increase a purchase we other -- we would
4 otherwise make if it's the other side, instead you've chosen to
5 make assumptions that in every hour you must sell and must buy
6 with the transaction cost, correct?

7 A. Correct.

8 Q. Don't you think that the Commission is entitled to
9 know and ratepayers are entitled to know before you charge this
10 that you've done a study to demonstrate that there isn't one
11 hour during the year that you're offsetting purchase or sales,
12 which by definition are losing money, transaction costs every
13 time, every hour, don't you think we're entitled to know whether
14 there might be even one hour in which that's true, or maybe
15 50 percent of the hours, in which case there's no transaction
16 cost, correct?

17 A. That's not correct.

18 Q. If 50 percent of the time you're able to -- to avoid
19 the transaction cost by simply reducing sales or increasing
20 purchases you would otherwise be making, and 50 percent of the
21 time you have to buy at that same transaction cost, it's going
22 to offset each other net to zero; is it not?

23 A. Well, I said it was not because you're making up
24 assumptions about all of this sort of hypothetical situation.

25 Q. Well, I'm -- I'm forced to make it up because the

1 Company chose not to -- to study it; did it not?

2 A. Well, the Company, as I mentioned before, I mean, we
3 had discussions with our dispatchers and -- to get the -- you
4 know, based on their experience, what the -- what the cost of
5 these transactions are. And in fact, in some instances there's
6 not a bid or not an ask in the market. You know, the markets,
7 especially on the day-ahead or the hour-ahead market, it's not
8 like going to the stock market. It's not as -- as liquid as
9 that.

10 Q. Mr. Duvall, you're answering a different question.
11 I'm with you now. I have accepted for purposes of my
12 hypothetical in this line of questions that there is a
13 transaction cost of 50 cents, or whatever it is, on the hour
14 ahead, I understand it's 5 to 25 percent of the cost. The
15 transaction cost your -- your traders told you to assume when
16 you have to buy or have to sell into a spot market, I'm
17 accepting those numbers, and saying there's an opportunity here
18 for the Company to save money by reducing those transaction
19 costs by offsetting sales and purchases if they're happening at
20 the same time within the same transmission area. And -- and
21 my -- and the point is, you didn't do that study to determine
22 whether there's any hours at all, maybe even 50 percent of the
23 hours, that would offset these transaction costs to zero. Isn't
24 that correct?

25 A. I -- I disagree with the premise of your question

1 where you keep saying there may be 50 percent of the hours that
2 fall in this category. I think the concept that's mentioned by
3 Mr. Dive is correct.

4 Q. Okay, but did you study it, did you do any analysis
5 to determine how many hours you could offset transaction costs,
6 sales or purchases, rather than incurring them by buying and
7 selling because of wind variability?

8 A. No, we did not.

9 Q. And just to make sure we understand, in GRID or
10 in -- in this conceptual world we're dealing with with wind
11 integration cost, every hour that there's an above market -- I
12 mean a higher projection, so now one hour we have 25 megawatts
13 more than we projected, there's got to be another hour where
14 it's 25 below, correct? They have to offset each other in order
15 to equal the net energy, the total energy that's included in
16 this case. Is that not correct?

17 A. I don't think I followed that one.

18 Q. For -- in order to have the same net energy that
19 you're asking customers to pay for, total energy. I shouldn't
20 use the word net, net energy costs gets me... In order to
21 arrive at the number of megawatt-hours of energy that you're
22 asking the customers to pay for in the test period, every time
23 you assume that that energy goes up by 25 megawatts over the
24 projection, somewhere else there is the necessary assumption it
25 goes down by 25 megawatts to offset those in equal -- in total

1 energy hours that you've assumed in the case, correct?

2 A. I -- I still don't quite follow what you're -- I'm
3 not comfortable saying correct or incorrect.

4 Q. All right, I will leave that then. Let's turn --
5 and the whole discussion we've had is as to inter-hour cost,
6 this new category that has never been included. In contrast,
7 intra-hour costs, where you can't go to market, you have to use
8 your own resources to account for variances within the hour,
9 those have been included in rates at a fairly low level,
10 correct?

11 A. Yeah, the forecast error piece.

12 Q. And now you've added regulating up and regulating
13 down within the hour, correct?

14 A. That's correct.

15 Q. Let's talk about -- and the way you've chosen to --
16 or the way you've -- the way the study -- the Company has
17 studied these costs, these intra-hour costs, is to determine an
18 additional amount of reserves that have to be held by the
19 Company in order to account for it, correct?

20 A. That's correct.

21 Q. Now. How many hours of wind -- or excuse me. How
22 many megawatts of wind were included in the last rate case? Do
23 you have any idea?

24 A. I do not.

25 Q. In this case you've testified you have roughly

1 1,724 megawatt-hours -- megawatts of wind resources. Would it
2 be dramatically different than that in the 2009 test period we
3 used in the last rate case?

4 A. I'm sure it would be less than half of that.

5 Q. About half of that? Now, Mr. Ginsberg asked you a
6 question that I don't believe you fully answered, and that was
7 did the -- did the Company ever do a study to demonstrate that
8 in fact its reserves increased by the same proportion you're
9 proposing they will increase going forward in the test period to
10 account for the wind that was in the last test period?

11 A. Well, I -- if you're talking about actual reserves?

12 Q. Yes, actual reserves. Have you done an analysis to
13 show this Commission that actual reserves increased by the
14 amount you're -- you're trying to recover in this case? Or let
15 me put it back in that test period, to show that it -- it
16 actually increased by the level that your new study would say it
17 would have increased by?

18 A. Well, no, it's -- what we -- our wind integration
19 costs are based on studies that we've provided to the
20 Commission.

21 Q. And so again, the answer is there was no study done
22 on actual reserves to show that they've increased because of
23 wind?

24 A. That's right.

25 Q. When -- when you regulate up, that means the wind's

1 gone down within the hour so you have to ramp up another gas
2 line, for example, correct?

3 A. Correct.

4 Q. You understand that Mr. Higgins agrees there are
5 costs there that are not covered in GRID and that the Company
6 should be allowed to recover?

7 A. Yes, I do.

8 Q. And his proposed recovery is \$3.02, which would be
9 roughly a 260-percent increase over what you're collecting in
10 rates today for those costs -- or for -- for intra-hour costs?

11 A. Yeah, his recommendation was \$3.02.

12 Q. Now let's talk about regulating down, because I
13 think that's where you and Mr. Higgins disagree on the
14 intra-hour part. When you regulate down, what's going on in the
15 real world is you've assumed -- and I'm going to make up numbers
16 here for a hypothetical -- a hundred megawatts of output from
17 this wind plant. During the hour it increased, the wind blows
18 harder, so you're now up to 125 megawatts that you didn't
19 expect. What's the result -- what's the reaction of the Company
20 going to be to that?

21 A. The reaction would be that we need to provide the
22 ramping services, we need to ramp something down to offset the
23 ramp up of the wind.

24 Q. That does not require you to buy more reserves, does
25 it? Ramping down your gas plant to account for ramping up of a

1 wind plant during the hour does not require additional reserves,
2 does it?

3 A. Yes, it does.

4 Q. How so?

5 A. If you look at the GRID model, we don't include the
6 ramping down in the GRID model. So if we have a gas plant
7 that's running in the GRID model in a particular hour when
8 ramping-down services are needed, that's in the GRID model at
9 full output, and under the wind integration study it's assumed
10 to be used to do ramping. You can't do double duty. You can
11 either provide the energy out of the gas plant or you can
12 provide the ramping services. And the lost energy from the
13 ramping down is not in the GRID study.

14 Q. I understand your answer, but that didn't say that
15 you buy extra reserves to deal with that. You're saying that
16 the -- you're saying you think there's a cost to ramping down
17 that's not included in GRID, correct?

18 A. That's correct. And we don't necessarily need to
19 buy extra reserves, we just need to redeploy plants from
20 providing power to the system and providing ramping reserves.

21 Q. And yet the way you've chosen to illustrate the cost
22 is to assume you do buy a reserve, that's the only evidence in
23 this record for ramping down as additional reserves are
24 theoretically purchased to cover this cost which you
25 acknowledged is not really buying reserves, correct?

1 A. No, it's that we -- we have modeled that additional
2 reserves are required to make -- to follow the ramping down. I
3 don't believe we show anywhere that we need to purchase
4 additional reserves.

5 Q. You're asking the ratepayers to pay for additional
6 reserves, but you're admitting you don't have to buy them. So
7 you're just using that as a proxy for the cost to the Company of
8 the ramping-down activities?

9 A. No. I -- I think we're -- we're maybe not
10 communicating on this. That -- that what we're saying is that
11 to provide the ramping-down services you need to hold some units
12 out that you can ramp down. And that's reserves.

13 Q. And yet you've acknowledged you don't buy the
14 reserves for ramping down.

15 A. Well, we would typically -- there's a cost to
16 holding reserves for ramping down, and it's a lost opportunity.
17 If you -- if you have to take a plant and ramp it down to follow
18 the wind coming up, you can no longer profit on that plant by
19 taking it to market, so it's a lost-opportunity cost.

20 Q. I accept that, that you think there's a lost
21 opportunity, but it isn't a reserve, you don't buy reserves for
22 it. You're using the cost of reserves as a proxy for that lost-
23 opportunity cost without demonstrating that the two are
24 correlated; are you not?

25 A. We can provide reserves for our own facilities. We

1 don't have to buy reserves.

2 Q. Well, again, ramping down, you're not doing
3 reserves, you're ramping another unit down. And there may be
4 costs to that, but it's not purchasing reserves. Isn't that
5 correct?

6 A. I would disagree with that. It's a form of
7 reserves.

8 Q. It's a form of reserves, not one you buy though?

9 A. Well, we could buy it, but we don't typically buy
10 it.

11 Q. Because the system has enough flexibility within it
12 to accommodate it, correct?

13 A. Well, the -- the system -- we have enough of our own
14 resources that we can provide the reserves from. But if they're
15 providing reserves, then we've lost the opportunity to take them
16 to market, and that's the cost.

17 Q. Understand -- understandably. But the customers
18 have paid for that resource that is now providing the reserves.
19 We've already paid for the gas plants that allow you to back
20 down and follow wind.

21 A. Well, there's -- again, the -- it's already included
22 in GRID, and it's -- without providing the ramping service,
23 certainly you pay for the fuel, but you also get -- the
24 customers are also getting the opportunity value of having that
25 resource on the system.

1 Q. And nowhere in this record does there appear an
2 analysis of how one would calculate those lost-opportunity costs
3 of ramping down a resource rather than selling it into the
4 market, or whatever, all you've got is the reserve estimate,
5 correct?

6 A. We've provided in discovery the wind integration
7 model. It's an intra-hour model that deals with all of these --
8 these pieces that was provided to everybody through discovery.

9 Q. Let's move on, Mr. Duvall. If you'll look on
10 page 42 of your rebuttal, from lines 905 to 908 you were asked
11 whether there may be further refinements to your wind
12 integration analysis. You acknowledge there are some, but you
13 say they would all increase wind integration cost. You also
14 acknowledged there are some refinements that may well decrease
15 wind integration costs; do you not?

16 A. Yes, I do.

17 Q. And, for example, in Appendix F, they are several
18 areas referenced in there; are there not? You acknowledge in
19 Appendix F that you will continue to refine it. You will want
20 to reference page 269. At the top of -- at the top of -- top of
21 page 269 you say that the analysis -- the wind integration cost
22 analysis will continue to be refined and expanded, correct?

23 A. That's what it says, yes.

24 Q. And then if you turn to page 271, down at the very
25 bottom of that page, the next -- the last full sentence on that

1 page: While actual day-to-day balancing operations may require
2 less reserves than suggested in this study, attention to
3 televents is an important consideration for overall system
4 reliability. So you acknowledge that -- that what you're
5 projecting may not be the level of reserves you actually have to
6 carry in the system, correct?

7 A. Well, that -- that -- that sentence there has to do
8 with that you would require different levels of reserve at
9 different times, depending on the situation with your wind.

10 Q. And then on page 278 you -- does the Company not
11 identify, beginning on 278, tools, approaches, and other
12 opportunities to try and significantly reduce the forecast
13 error, lead to real-time enhancements in -- in forecasting that
14 would allow the wind integration charges to be lower?

15 A. Yes. And in fact, we have some very good wind
16 forecasting tools that we've developed in the Company already.

17 Q. This is still very much a work in progress within
18 the Company and within the IRP; is it not?

19 A. Well, I think it's within the Company, within the
20 IRP and within the industry. But I think the results speak for
21 themselves.

22 MR. DODGE: Thank you. I have no further questions.

23 CHAIRMAN BOYER: Let's take a ten or 15-minute
24 recess and then we will hear from Mr. Reeder.

25 (A recess was taken, 10:30 a.m. to 10:48 a.m.)

1 CHAIRMAN BOYER: Mr. Reeder, your turn for
2 cross-examination.

3 MR. REEDER: Thank you.

4 CROSS-EXAMINATION

5 BY MR. REEDER:

6 Q. Good morning, Mr. Duvall.

7 A. Good morning, Mr. Reeder.

8 CHAIRMAN BOYER: Mr. Reeder, would you please bring
9 your mike closer to you so we can all hear and the reporter can
10 hear.

11 MR. REEDER: Thank you. All right, I'll try.

12 Q. Mr. Duvall, we're going to be talking about a couple
13 of your exhibits today, exhibits to your testimony. Our
14 references will be to the net power cost reports. Do you have
15 both of them available to you?

16 A. Would that be from my direct or rebuttal?

17 Q. Both, please.

18 A. Okay.

19 Q. All right. Let's start with the net power cost
20 report dated November of 2009. Is that the one attached to your
21 rebuttal testimony?

22 A. Yes, it is.

23 Q. And that's the one that represents the most recent
24 cost service net power cost report that we have?

25 A. That's correct.

1 Q. And that's the one that includes the updates we've
2 been discussing?

3 A. That's correct.

4 Q. Let's turn to the first page of that report and look
5 at the Special Sales for Resale.

6 MR. GINSBERG: Which exhibit number are you on?

7 MR. REEDER: We're on the GND 1R.

8 MR. GINSBERG: Okay.

9 MR. REEDER: Net Power Cost Report dated
10 November 2009.

11 Q. Do you see the Special Sales for Resale on the first
12 page of that exhibit?

13 A. I do.

14 Q. Are they contracts between PacifiCorp and third
15 parties for the sale of power?

16 A. Yes, they are.

17 Q. And I see they're broken down between long-term
18 contracts and short-term contracts.

19 A. And system balancing sales.

20 Q. What is a long-term contract, Mr. Duvall?

21 A. Well, I don't know that it has a particular
22 definition. These are -- these are usually more than one year
23 in length, and most of these have been around for a while.

24 Q. And the short-term contracts are contracts of a year
25 or less?

1 A. Typically they are.

2 Q. All right. And I see that there are several of them
3 that expire this year. In fact, in your testimony you testified
4 that you're losing some favorable contracts, didn't you?

5 A. Yes, I did.

6 Q. I can see that there are some of them that
7 deliveries apparently end December of 2009?

8 A. That's correct.

9 MR. REEDER: May I have marked as the next exhibit
10 in order a request. It is confidential, so don't talk about it
11 without your lawyer's permission.

12 CHAIRMAN BOYER: Should we mark this as UIEC Cross
13 1?

14 MR. REEDER: Please.

15 Q. Mr. Duvall, do you have in front of you a document
16 that's been marked for identification as UIEC Cross Exhibit 1?

17 A. I do.

18 Q. And can you identify that document?

19 A. It's the UIEC data request 9.1 dated November 18,
20 2009.

21 Q. What is the subject matter of that data request?

22 A. It's a request as to whether Rocky Mountain Power's
23 entered into a sales contract with NB Energy for the sale of
24 renewable power during the year 2010.

25 Q. And attached to the data request is a contract; is

1 that true?

2 A. Yes, it is.

3 Q. And that contract, for the record, is on yellow
4 paper, meaning we shall try to refer to it strictly in general
5 terms so as to avoid disclosure of confidential information.

6 But maybe you can help me, Mr. Duvall. What is
7 confidential in this document? What do we need to steer free
8 of?

9 A. I'm not exactly sure what parts of it are
10 confidential. I believe it probably talks about, obviously,
11 commercial prices for recs, I believe.

12 Q. Let's look at -- let's look at the contract itself.
13 And recognizing there may be confidential terms in there, let's
14 you and I try to talk in general terms. And, counsel, please
15 feel free to shut us down if we get too close to the edge.

16 What is the date of this contract?

17 A. October 21st, 2009.

18 Q. Do you know how long this contract was in
19 preparation?

20 A. I do not.

21 Q. Did you know of this contract?

22 A. Not specifically, no.

23 Q. This contract was entered into without your
24 knowledge?

25 A. I -- we have a group that is our commercial group

1 that would be the ones who do these.

2 Q. So when you prepared your November exhibit, this
3 October contract wasn't known to you?

4 A. I don't know if it was or not. I -- I don't recall
5 it, but given that it's October 21st, that's pretty late in the
6 game.

7 Q. We'd know because we're a bunch of lawyers involved,
8 it started much earlier than that though, wouldn't we?

9 A. I -- I don't understand the question.

10 Q. Do you have any idea how long it took to negotiate
11 this contract?

12 MS. McDOWELL: Objection. He's already indicated he
13 wasn't aware of the contract.

14 Q. (By Mr. Reeder) The question, do you have any idea
15 how long it took to negotiate this contract?

16 A. No, I do not.

17 Q. Thank you. Let's look at the volume of the sale,
18 section 3, the amount of energy to be sold. Let me read what
19 the Nevada staff had to say about that; we know this won't be
20 confidential: The contract provides for a hundred megawatts of
21 power, 60,000 megawatt-hours to be sold in December of 2009, 727
22 megawatts to be sold in 2010. Is that the volume to be sold in
23 this contract, Mr. Duvall?

24 A. Were you reading from the contract?

25 Q. I was actually reading from the Nevada Power order

1 on the contract so that it wasn't confidential.

2 A. What were those numbers again? I'm sorry.

3 Q. 60,000 megawatt-hours in December of 2009, 727,000
4 megawatt-hours in 2010.

5 A. That looks about right.

6 Q. Turning to the price terms of the contract,
7 Mr. Duvall, section 4. Do you have that section in front of
8 you?

9 A. I do.

10 Q. Price terms of this contract, and here let's you and
11 I both be on general terms, because I suspect this is
12 confidential. The price is sold on an index; is it not?

13 A. It is.

14 Q. Plus an editor?

15 A. It is.

16 Q. And the Commission has before them the index to
17 which this contract refers? They have the contract in front of
18 them, they can see which index you and I are not talking about?

19 A. That's correct.

20 Q. All right. How can the Commission numerically
21 quantify that index so that it can determine the value
22 PacifiCorp will receive under this contract?

23 A. I really haven't thought about that.

24 Q. Is this index an index whose results are routinely
25 published by, among others, Megawatt Daily, so it's readily

1 available information?

2 A. I'm -- I'm not familiar with exactly what the -- the
3 index publishes, whether it's historic or future; I'd have to
4 check on that.

5 Q. Okay. But the price in this contract refers to a
6 particular point in time price from a particular index; does it
7 not?

8 A. It's a particular point in time in the future, I
9 believe is the way I read it.

10 Q. Right. It refers to a point of delivery, price,
11 measured at a point in time on a particular index?

12 A. Correct.

13 Q. All right. So to the extent the Commission needs to
14 discover what that price is, they can go to a publication that
15 publishes that index's price for that point in time?

16 A. I -- I don't know that.

17 Q. Okay. Would you ask someone in your company during
18 the next break to determine whether or not this price that
19 you've put in the contract for the sale of power is a price that
20 someone can discover from a publication so that the receipts
21 might be audited by someone? Do we or do we not have a certain
22 price term?

23 MS. McDOWELL: Objection. That is a completely
24 vague question. I couldn't follow it.

25 Q. (By Mr. Reeder) The question is precise. The

1 question is: Under the Uniform Commercial Code, if the price
2 can't be determined based on the contract, the contract's void.
3 If this price can be determined by the reference to a third-
4 party index, then it's not void. Is this an enforceable
5 contract or not?

6 MS. McDOWELL: Objection. That's a legal
7 conclusion.

8 CHAIRMAN BOYER: I'm going to sustain that
9 objection. I think the question is -- is could we, if we chose
10 to look to a published index to find out what these costs are at
11 a given point in time. And I think Mr. Reeder is asking if you
12 would check with people from the Company during the next break
13 to find out if that is or is not the fact. Did I restate your
14 question --

15 MR. REEDER: Correct, you're correct.

16 CHAIRMAN BOYER: Is that okay with you, Mr. Duvall?

17 THE WITNESS: I can do that.

18 CHAIRMAN BOYER: Thank you.

19 Q. (By Mr. Reeder) And the second part of the price in
20 this contract is stated in dollar terms. We shouldn't have too
21 much difficulty discovering that, should we, Mr. Duvall?

22 A. I'm sorry, I was writing.

23 Q. Fine, go ahead, finish writing, then I'll ask the
24 question.

25 A. Go ahead.

1 Q. The second part of the price is stated in dollar
2 terms. We shouldn't have much difficulty discovering that
3 price, should we?

4 A. No.

5 Q. All right. Now, turning to the last page of the
6 contract, the contract references the sourcing of the resources
7 for this contract. Again, it's confidential, so let's just --
8 in general terms. Sources the resourcing of this contract,
9 doesn't it?

10 A. It's not -- I -- I don't know. It's not what the
11 words say.

12 Q. Okay. Let's go back and look at the contract,
13 section 3.

14 MS. McDOWELL: I'm just going to object to this
15 question, this whole line of questions, because Mr. Duvall has
16 testified he was not -- he's not familiar with this contract, he
17 was not involved in the drafting of this contract, he was not
18 aware of the contract at the time he provided his rebuttal
19 testimony. And there's a continuing line of questions here
20 about what the documents says. The document speaks for itself.
21 And this witness is not familiar with the document in order to
22 be able to provide any additional insight. So I think the whole
23 line of questioning is without foundation, and objection.

24 CHAIRMAN BOYER: Well, the document does speak for
25 itself, but somehow the words have to find their way into the

1 record, and I think Mr. Reeder is using Mr. Duvall as the
2 messenger on that. You may proceed, Mr. Reeder.

3 Q. (By Mr. Reeder) Mr. Duvall, would you turn to
4 section 3 of the contract. Does this contract spell out that
5 this contract is to be 98 percent renewable?

6 A. Yes, it does.

7 Q. And are the resources listed in Appendix A renewable
8 resources that one might expect PacifiCorp to service this
9 contract from?

10 A. Yes.

11 Q. Are the costs associated with providing service
12 under this contract except -- and I have to apologize here, I'm
13 not schooled in wind integration costs. Are the costs for
14 providing service under this contract, except possibly the wind
15 integration costs, already included in GRID?

16 A. No. I mean, if the contract's not included in GRID,
17 then the cost of providing service in the contract is not
18 included in GRID.

19 Q. So what would be the cost of providing service under
20 this contract then, Mr. Duvall, if this is renewable?

21 A. Well, this is a -- this is a sales contract, so I'm
22 not sure that we would track exactly what the costs are
23 associated with providing the service.

24 Q. What would you expect the production cost for wind
25 to be?

1 A. The production costs of wind are -- are typically --
2 I mean, they have no fuel cost, so it's zero plus whatever
3 integration costs are.

4 Q. And what would you expect the production costs for
5 the hydro to be?

6 A. For the hydro, is that in that list as well?

7 Q. Yes.

8 A. I don't know. It would typically be zero, or with
9 some -- some kind of variable O&M costs associated with it.

10 Q. Are the capital costs associated with the plants
11 that would provide this service included in your revenue
12 requirement?

13 A. They appear to be all resources that would be in the
14 revenue requirement.

15 Q. Let's pass that topic and go to another one,
16 Mr. Duvall. Let's go back to your direct testimony, if we might
17 for a moment. Looking at page 11 of 17, and we're now into the
18 net power cost report dated June of 2010, says the print date on
19 my version. Have you got that document?

20 A. I do. Eleven of 17?

21 Q. Yes, sir.

22 A. Yes, I do.

23 Q. Looking at the bottom of page 11 of 17, I see the
24 average fuel costs per anum BTU?

25 A. That's correct.

1 Q. And the prices stated there are the prices that you
2 would forecast? Recognizing we've got dueling models on
3 forecasting prices, is this the prices you would forecast you
4 would pay for fuel for these units?

5 A. That's correct.

6 Q. Are these the burner tip price or are these the
7 wellhead price? Are these -- do they include transmission or
8 exclude transmission?

9 A. Well, in the -- it would be at the plant, I believe.

10 Q. So these include transmission?

11 A. I think for the most part. I'm thinking that the
12 transmission or the -- for Chehalis, I don't recall whether it's
13 separate or not.

14 Q. So the actual gas costs that you face would be this,
15 less whatever you pay for transportation?

16 A. Yeah.

17 Q. All right. Referring back to page 5 of 17 of that
18 exhibit. And again, we're referring to the June 2010 hour cost
19 study.

20 A. Okay.

21 Q. The total gas burn cost there, \$275 million, is that
22 the extension of the prices we were looking at just a moment
23 ago?

24 A. So it's 272,000 -- 272 million?

25 Q. Yes. I'm sorry.

1 A. Yeah. Yes, it is.

2 Q. All right. Looking down below it, I see a line
3 entitled Gas Swaps.

4 A. Correct.

5 Q. 174 million?

6 A. Correct.

7 Q. What are gas swaps?

8 A. What is a gas swap?

9 Q. What is a gas swap?

10 A. A gas swap is a financial instrument that is used
11 to -- in hedging.

12 Q. In what way do you use it in hedging?

13 A. We would typically use it to fix the price.

14 Q. You bought a financial instrument to fix the price?

15 A. Yes.

16 Q. And you made a payment of \$174 million on those
17 financial instruments in this -- in this report?

18 A. We -- many of these swaps -- and we've talked about
19 this elsewhere -- we have gas swaps and we have electric swaps.
20 And as I recall in this case, the electric swaps were in the
21 \$180 million range as a credit to that power cost, so netted
22 together --

23 Q. Wait a minute. You're -- you're netting what you
24 earned selling forward favorably against what you lost buying,
25 as a buyer, unfavorably? Give us a break.

1 Let's stick with the gas costs a minute. Did you
2 pay someone \$174 million because of a financial instrument
3 involved in the purchase of natural gas swaps?

4 A. We -- we incurred that cost on gas swaps and we
5 incurred a slightly larger benefit on electric swaps.

6 Q. Let's just stick with gas swaps, if we might. This
7 is a forecast -- to be fair, this is a forecast of what your
8 forecasted loss was on the financial instruments that you bought
9 in June of 2010. This is just a forecast. This is one of those
10 dueling model problems again?

11 A. Well, it's -- it's impossible to separate the gas
12 swaps and the electric swaps.

13 Q. Okay. Let's try it for a minute. Let's just look
14 at this line. Did you pay someone or forecast you would pay
15 someone \$174 million?

16 MS. McDOWELL: This has been asked and answered now
17 two or three times.

18 CHAIRMAN BOYER: We do now have a very direct and
19 straightforward question. Go ahead and answer it, Mr. Duvall.

20 THE WITNESS: I'm sorry, what was the question?

21 Q. (By Mr. Reeder) Did you forecast on June 10,
22 2000 -- did you forecast on -- in June of this year that you
23 would pay someone \$174 million for gas swaps?

24 A. Those were the gas swaps that were in place at the
25 time that we prepared the study.

1 Q. And from whom did you buy these gas swaps?

2 A. I don't actually know the names of the
3 counterparties, but they're counterparties in the market.

4 Q. Can you give us some examples of the persons you buy
5 gas swaps from?

6 A. Well, they're -- they would be -- I -- I -- don't
7 have any examples of any particular entities.

8 Q. Would Goldman Sachs be someone that sold you these
9 gas swaps?

10 A. They could be.

11 Q. Would Morgan Stanley be someone that sold you these
12 gas swaps?

13 A. They could be.

14 Q. Would you expect the sellers to be those kind of
15 financial institutions?

16 A. I think generally that's probably -- probably
17 correct.

18 Q. All right. Let's go forward to the next study,
19 because the numbers change a bit on us. We've updated a bit.
20 Going forward to the November study, let's look at the same
21 pages and ask the same questions, if we might, for a minute.
22 In -- on page 11, we here have the prices you expect to pay,
23 including transportation for delivery to your gas units,
24 updating them through November?

25 A. On page 11?

1 Q. Yes, please.

2 A. Yes.

3 Q. Okay. And if we compare the prices on page 11 of
4 the November document with the pages on -- with the prices on
5 page 11 of the earlier document, we see you forecasted some
6 changes in the gas prices, don't we?

7 A. We see what? I'm sorry.

8 Q. That you have changed the forecast for some of the
9 unit prices for gas. I'm sorry.

10 A. That's correct.

11 Q. Now, if we drill precisely to it, we'll see the
12 prices for Currant Creek and Lake Side have gone up, don't we?

13 A. So the Currant Creek is at four --

14 Q. Up to four -- 4.24 from 3.95, each rounded. And I'm
15 sorry, I can only remember three digits.

16 A. I lost my place on the --

17 Q. Comparing page 11 with page 11. Sorry.

18 A. That's correct.

19 Q. All right. Now, if we look further back in the
20 exhibit, we can see the same kind of analysis that we saw in the
21 earlier exhibit. I think the page reference is page 5.

22 A. Right.

23 Q. And we can see that your gas costs have now
24 increased to \$275 million from the \$272 million we had in the
25 earlier exhibit?

1 A. Correct.

2 Q. And your gas swaps have correspondingly come down?

3 A. Correct.

4 Q. All right. When you choose to fix the price of
5 natural gas by buying gas swaps, are you familiar with the kinds
6 and types of vehicles that the Company uses to determine whether
7 or not that is the most efficient way to protect itself?

8 A. I'm not really the expert in the gas hedging area.

9 Q. Do you know whether or not the Company considers
10 options as opposed to financial index for fixed swaps?

11 A. I believe that the Company has considered options in
12 the past. As we've brought options before commissions, in
13 particular the Utah commission, they have been -- on the
14 electric side they've been challenged pretty heavily by some of
15 the intervenors. So that has certainly weighed on our decisions
16 as to whether options are something that fit into a regulatory
17 environment.

18 Q. And are you aware of any study done by PacifiCorp to
19 evaluate the difference in costs to ratepayers, and the
20 difference in cost to the Company, to be fair, a strategy that
21 is option heavy versus swap heavy?

22 A. I'm not personally aware of those.

23 MR. REEDER: Let's have marked as the next exhibit
24 in order pages from your 10(k).

25 CHAIRMAN BOYER: That will be UIEC Cross Exhibit 2.

1 MR. REEDER: I have the entire 10(k) if you'd like
2 to see the whole thing. I just copied some pages.

3 Q. Mr. Duvall, do you have before you a document that
4 has been marked for identification as UIEC Cross Exhibit 2?

5 A. Yes, I do.

6 Q. Can you identify that document?

7 A. It's from the form 10(k) for the fiscal year ended
8 December 31st, 2008. There appear to be two pages; one looks
9 like a cover page and one looks like page 11 of the document.

10 Q. All right. And do you see there a subject, a
11 paragraph entitled Natural Gas?

12 A. On page 11, yes.

13 Q. All right. Directing your attention to that, does
14 that describe the Company's natural gas hedging policy?

15 A. It talks about, at very, very high level, how
16 PacifiCorp manages its natural gas supply requirements by
17 entering into forward commitments for physical delivery of
18 natural gas, in managing exposures, increasing natural gas
19 through forward commitments for the purchase of forecasted
20 natural gas requirements, fixed price and financial swap
21 contracts that settle in cash based on the difference between
22 fixed price and floating price. So it's -- it's pretty high
23 level.

24 Q. Let's look at the last sentence under the Natural
25 Gas paragraphs as of December 31. Is that fair, that sentence?

1 A. Yes.

2 Q. Can you read that for me?

3 A. As of December 31, 2008, PacifiCorp has economically
4 hedged 64 percent of its forecast physical exposure and
5 94 percent of its forecast financial exposure for 2009. For
6 2010, PacifiCorp currently has hedged 48 percent of its forecast
7 physical exposure, 85 percent of its forecast financial
8 exposure.

9 Q. Now, if the process is so high level, can you help
10 me understand it? Does that mean that 98 percent of your
11 natural gas exposure is covered by hedges for the period 2009?

12 A. Well, this says the -- it says economically hedged
13 as of December 31st. So whatever our position was on
14 December 31st, we were financially hedged to those levels. And
15 financially hedged means that we use delta options. These are
16 not -- these are not binary hedging, these are economic hedging.
17 So that that's -- that's -- those measures are -- will change
18 day to day. So as of December 31st that was our position. As
19 of, you know, early January 2009, things will have changed if
20 gas prices change, spark spreads on gas plants change, our
21 position changes, our load change. So that was the situation
22 for economically hedged as of December 31st, 2008.

23 Q. Let's talk about the financial exposure from this --
24 this is the \$174 million or \$164 million check we're writing,
25 94 percent of its financial exposure was hedged as of December

1 31, 2009?

2 A. It says what it says.

3 Q. Do you change those positions from time to time? Do
4 you eliminate positions or put on new positions?

5 A. Well, the position changes on us, and so we manage
6 that position.

7 Q. The financial position changes on you or the
8 economic position changes on you?

9 A. All of it.

10 Q. Physical price changes. Does the hedge price
11 change?

12 A. The hedge price would change.

13 Q. As you bought new hedges, or do you sell the hedges?

14 A. Well, on swaps I believe we would typically be a
15 buyer as well.

16 Q. Now, let's look at the next -- I'm sorry. Did you
17 finish your answer?

18 A. I'm sorry. I think with swaps we would typically be
19 the fixed-price side of the swap.

20 Q. The buyer. Looking at 2010, 48 percent of your gas
21 is physically hedged?

22 A. That's what it says, yeah.

23 Q. And 85 percent of your -- of your position for 2010
24 is financially hedged?

25 A. That's right.

1 Q. How far out do you hedge?

2 A. I believe we have provided hedging policies to -- in
3 discovery. These are all confidential, so I'm not sure --

4 Q. Would it be fair to say that you hedge out for a
5 number of years?

6 A. We -- we hedge for multiple years.

7 Q. More than two?

8 A. More than two, correct.

9 Q. Have you come to this Commission and asked them for
10 approval of your gas hedging policy and demonstrated to them how
11 this gas hedging policy benefits the ratepayers?

12 MS. McDOWELL: I just want to object. I have been
13 waiting and waiting for this line of questioning to be tied to
14 something that's actually in a piece of prefiled testimony filed
15 by this witness or another company witness or by Mr. Reeder's
16 witness, and I have yet to hear anything that ties this to an
17 issue that Mr. Reeder has raised or that the Company has raised.
18 The Commission's rules preclude a party from establishing their
19 cases through cross-examination, and that appears what -- to be
20 what Mr. Reeder is doing. So I just want to object to that. I
21 don't think it's proper.

22 MR. REEDER: If you read the direct testimony of
23 Morris Brubaker you'll see we raised these very issues. We
24 asked the Commission to consider hedging as an alternative and
25 challenged whether this provided the lowest cost gas resource to

1 the ratepayers. Your witness has testified that he's paying
2 \$164 million to Morgan Stanley and Goldman Sachs. That's one of
3 the more relevant prices we've heard this morning.

4 CHAIRMAN BOYER: Mr. Duvall has also testified that
5 he's not a hedging expert. So I guess we'll let you proceed,
6 Mr. Reeder, but to the extent you don't know, Mr. Duvall, you
7 can say, "I don't know."

8 Q. (By Mr. Reeder) You got the last question?

9 A. What was the last question again? I'm sorry.

10 Q. Have you come to this Commission and asked for this
11 commission to approve the hedging policy of this company, this
12 multiyear hedging policy, not knowing how far out it extends, by
13 demonstrating to them that it provides the lowest cost in
14 natural gas to the ratepayers?

15 A. Well, there is a docket open with the Commission on
16 natural gas hedging. We also have the ECAM docket open with
17 this Commission. And frankly, I don't know whether the
18 Commission is interested in approving a hedging policy. I don't
19 think that issue has ever been raised with the Commission by
20 anyone. But it would, I think, fall in a category of some kind
21 of preapproval, which I'm not sure is -- at least with my
22 experience, is what the Commission likes to do.

23 Q. In a financial swap, Mr. Duvall, how, when your load
24 is financially secure to 94 percent, is the ratepayer assured of
25 the lowest cost of natural gas?

1 A. Well, the hedging policy is not meant to produce the
2 lowest cost, it's meant to mitigate the risk.

3 MR. REEDER: I have nothing further. Thank you.

4 CHAIRMAN BOYER: Thank you, Mr. Reeder.
5 Commissioner Allen?

6 COMMISSIONER ALLEN: Thank you, Mr. Chairman. In
7 reading the prefiled testimony in the previous cases in this one
8 also, I come across the analytical tool, the forward price curve
9 that you use. And I'm just curious. I don't know that I
10 completely understand what goes into the forward price curve.
11 Can you enlighten me on that, Mr. Duvall?

12 A. Certainly. And in the context of our test periods,
13 we have -- we have two pieces of our forward price curve. The
14 second piece doesn't kick in until after 17 months, so I'll just
15 focus on what we do for the near term or what would be used in
16 rates. And that is that, obviously, every day our traders are
17 updating their forward price curve, but once a quarter those
18 price curves are validated through our risk-management
19 department, who go out independently and get broker quotes from
20 brokers and on the -- entered on the last day of each quarter.
21 So it would be the, you know, March, June, September and
22 December this -- this validation process would take place. And
23 the -- the forward price curves that our traders develop are
24 then -- as they're validated, they have to be within five
25 percent of broker quotes. And then the final official forward

1 price curve is locked down and made public for use in regulatory
2 proceedings.

3 COMMISSIONER ALLEN: And when those forward price
4 quotes are being created, do they just include natural gas
5 costs, are they -- do they reflect your hedging policies? What
6 goes into that? Or is it -- is it one of those perfect market
7 scenarios where all the data is then known?

8 A. It's -- it's just market prices. It's what -- what
9 the -- you know, what the price is both in electric and in gas
10 markets.

11 COMMISSIONER ALLEN: Oh, okay, great. So then I
12 could assume that then any hedging strategies that you have that
13 are available as far as information goes will be built into
14 those calculations, they know what the upper and lower limits
15 are?

16 A. Well, they know what the forward price is at the --
17 at the time that they would enter into any kind of hedging.

18 COMMISSIONER ALLEN: Okay, great. Thank you.

19 CHAIRMAN BOYER: Mr. Campbell?

20 COMMISSIONER CAMPBELL: I just have a few questions
21 related to the integration cost sheet that you provided us
22 today. First of all, can you -- can you explain what the
23 difference is between your BPA price and OCS's price? It looks
24 like there's quite a bit of difference. Where is the difference
25 between them there?

1 A. Well, it's probably not a difference of opinion,
2 it's a difference in timing. Bonneville filed a rate case, and
3 in that rate case they asked for a wind integration charge of
4 \$2.72 per kilowatt month, which translates into the \$12.42 per
5 megawatt-hour at the 30-percent capacity factor. So that was
6 their original proposal. In their final record of decision they
7 landed on \$1.29 per kilowatt month and converted to dollars per
8 megawatt-hour. That's the five eighty.

9 COMMISSIONER CAMPBELL: And I guess the second
10 question related to this exhibit is still do you believe that
11 Bonneville -- I guess could you just make the comparison of
12 Bonneville with their set of resources vs. PacifiCorp with your
13 set of resources, would you expect one to have higher
14 integration costs than another?

15 A. Well, Bonneville is mainly hydro. They have
16 somewhere in the range of 18,000 megawatts of hydroelectric
17 facilities, mainly on the Columbia River. So I think there --
18 and as compared to PacifiCorp, that has somewhere around what, 9
19 or 10 percent hydro facilities across the system, and a
20 couple -- or a few natural gas plants that we can use. So I
21 would -- I would think that they're relatively comparable.

22 Now, one of the -- in the -- I think it was
23 Mr. Ginsberg mentioned some comments that had come in on the --
24 on the wind integration study and the IRP forums, and we
25 received comments from both the CUB and the Northwest Renewable

1 Project, which is a renewable group in the Northwest, that
2 suggested that the Bonneville market -- or the Bonneville price,
3 their tariff price be used as the market price for rate making.
4 So they -- they seemed to think that that was a reasonable
5 market price for use with PacifiCorp.

6 COMMISSIONER CAMPBELL: I guess my final question on
7 this integration issue is do integration costs change with the
8 larger amount of renewables on a system? I mean, is it -- is
9 the ratio one for one, or as you increase the amount of
10 renewables, would that to a larger extent or a lesser extent
11 change your integration cost?

12 A. Well, I think the general view of folks is that it
13 increases them. And I think if you look back at your avoided
14 cost docket that was a few years ago, there was -- a few years
15 ago there was some -- there was actually for avoided cost you'd
16 set the integrated costs at \$3. And that was looking at some
17 numbers that were \$2 to \$4. And the \$2 was for a lower
18 penetration, the \$4 was for a higher penetration. Those were
19 sponsored by the Division in that case.

20 CHAIRMAN BOYER: Just a question or two, Mr. Duvall,
21 on -- this regards cross-examination by Mr. Proctor, when he was
22 talking about intra-hour integration costs and regulating down.
23 And during the course of that discussion with Mr. Proctor you
24 testified that the Company can provide ramping services in-house
25 to cover those costs, I guess they're shortfalls, and that they

1 in turn are in the form of reserves. My question is, is that
2 true also at hours of peak demand? Does the Company have in
3 Utah or systemwide sufficient reserves to cover that?

4 A. Well, and I guess what I -- not without purchasing
5 some. But we would set ourselves up for that. And my point
6 there was that we don't need to buy reserves; we can purchase
7 power to replace the power and then hold back our generators to
8 provide the reserves.

9 CHAIRMAN BOYER: Okay. Thank you, Mr. Duvall.
10 Before we return to redirect, Mr. Reeder, do you wish to offer
11 into evidence UIEC Cross Exhibits 1 and 2?

12 MR. REEDER: If I may, I offer them.

13 CHAIRMAN BOYER: Are there any objections to the
14 admission of these exhibits? If not, they are admitted.

15 Ms. McDowell, redirect?

16 MS. McDOWELL: Thank you, Chairman Boyer.

17 REDIRECT EXAMINATION

18 BY MS. McDOWELL:

19 Q. Mr. Duvall, are you familiar -- I want to ask you
20 some questions to follow up on some of the questions you've been
21 asked on wind integration. So again, are you familiar with the
22 Commission's decision in the 2007 case on wind integration
23 charges?

24 A. Yes, I am.

25 Q. And do you recall that the Commission basically said

1 that it recognized that the Company had limited experience in
2 forecasting wind integration charges, especially as wind
3 penetration levels increased, so it would accept the Company's
4 wind integration charges in that case which are based on
5 planning assumptions consistent with a portfolio view? Do you
6 recall that portion of the Commission's order?

7 A. Yes, I do.

8 Q. Now, in this case is the Company's wind integration
9 study also based on planning assumptions consistent with a
10 portfolio view?

11 A. Yes, it is.

12 Q. Now, because wind integration charge forecasting is
13 relatively new, is it normal practice for utilities to look at
14 each other's studies and compare and contrast and validate their
15 studies by reviewing other utility studies?

16 A. Yes, it is.

17 Q. In the case of your balancing charge which Mr. Dodge
18 asked you about, did you validate that charge by reviewing
19 studies of other utilities?

20 A. Yes, in part. And that was -- I think he read that
21 out of the appendix where -- that the -- Portland General uses
22 the 50 cents for the day-ahead and the -- they use 20 percent
23 for the hour-ahead balancing.

24 Q. And that is as compared to 50 cents for the one
25 charge in your study, and then what is your percentage, is it 5

1 to 25 percent?

2 A. Five to 25.

3 Q. So would you say those are similar in range?

4 A. Absolutely.

5 Q. Now, in setting that charge, do your traders take --
6 I assume it's an average cost that they have estimated for you?

7 A. Yes, it is.

8 Q. So average would contemplate the fact that sometimes
9 it could be more, sometimes it could be less?

10 A. That's correct.

11 Q. Now, as a -- as a percentage of your wind
12 integration, your total wind integration charge proposed in this
13 case, what is that? What would you estimate the balancing
14 charge to be?

15 A. Well, the day ahead I believe came out to 32 cents
16 out of \$6.62, so that's a very small percentage. And overall
17 the total was the dollar -- \$1.79 out of the \$6.62. I haven't
18 computed those percents, but that's...

19 Q. So is your -- your current position on intra-hour
20 cost is \$1.79 for those costs; is that right?

21 A. Inter-hour, yes.

22 Q. And you're saying that only a portion of that is
23 related to this balancing cost issue?

24 A. A portion of it's related to day ahead and a portion
25 of it's related to hour ahead.

1 Q. So now on the BPA charge, following up on the
2 questions that you were asked about the comparability of that
3 charge, the BPA charge is an intra-hour charge; is that correct?

4 A. That's correct.

5 Q. And did you look to that charge to validate -- that
6 five eighty-nine charge to validate the Company's position of
7 four eighty-three?

8 A. Yes, I did.

9 Q. And why -- why do you think that the BPA charge is
10 actually higher than the Company's charge?

11 A. Well, I don't -- I don't really know exactly why
12 it's higher, but it certainly was initially proposed to be twice
13 as big as that, and obviously went through a lot of public
14 scrutiny in the BPA rate case, where they finally landed on
15 the -- on the five eighty-nine, or the \$1.29 per kilowatt month.

16 Q. Now, the UAE position in this case is to disallow
17 all inter-hour costs, correct?

18 A. That's correct.

19 Q. Not just costs related to this balancing charge?

20 A. That's correct.

21 Q. And the -- have you reviewed the UAE's positions in
22 the last two cases to compare its position in this case with
23 respect to the wind integration charges?

24 A. I... Oh, it's turned up.

25 CHAIRMAN BOYER: If you could stand back a bit and

1 if Ms. McDowell could stand a little bit closer, we'd be in
2 great shape.

3 MS. McDOWELL: All right.

4 CHAIRMAN BOYER: Thank you.

5 MS. McDOWELL: Thank you.

6 A. I -- I don't recall what UAE's position was on the
7 last two cases, but we didn't have -- the inter-hour costs were
8 not an issue.

9 MS. McDOWELL: Okay. That's all I have. Thank you
10 very much.

11 CHAIRMAN BOYER: Okay. Thank you, Mr. Duvall. You
12 may be excused.

13 THE WITNESS: Thank you.

14 CHAIRMAN BOYER: We'll turn now to the Division
15 witnesses. Mr. Evans will be your first witness, Mr. Ginsberg?

16 MR. GINSBERG: Yes.

17 CHAIRMAN BOYER: Mr. Evans, you haven't been sworn
18 in this proceeding, I don't believe, have you?

19 THE WITNESS: No, I have not.

20 GEORGE W. EVANS,
21 being first duly sworn, was examined and testified as follows:

22 CHAIRMAN BOYER: Thank you. Please be seated.

23 Mr. Ginsberg.

24 //

25 //

1

EXAMINATION

2 BY MR. GINSBERG:

3 Q. Would you go ahead and state your name for the
4 record.

5 A. My name is George W. Evans, E-v-a-n-s.

6 Q. And you have filed testimony in this proceeding;
7 have you not?

8 A. Yes, I have.

9 Q. What's been marked as DPU Exhibit 6.0 was your
10 direct testimony with attached exhibits that have been
11 identified on our exhibit list?

12 A. Yes.

13 Q. Do you have any corrections to make in your direct
14 testimony?

15 A. Yes, I do.

16 Q. Okay.

17 A. I have one small correction to make. On page 11,
18 line 171, the word "two" should be replaced with the word "one,"
19 and the word "years" should be made singular.

20 Q. And you filled then some supplemental direct
21 testimony, 6.0 SD with no exhibits; is that correct?

22 A. That's correct.

23 Q. And any corrections in that one?

24 A. No.

25 Q. And then finally, you filed some surrebuttal

1 testimony, Exhibit 6.0 SR with a number of attached exhibits?

2 A. Yes.

3 Q. And any corrections to make in that?

4 A. No.

5 Q. And part of your exhibit in your direct testimony
6 was confidential; is that correct?

7 A. Several exhibits were confidential, yes.

8 Q. Okay. And so if those questions were asked to you
9 today, that's the testimony that you would give to the
10 Commission?

11 A. Yes.

12 MR. GINSBERG: Okay. With that, I'd ask to have
13 admitted the exhibits as identified.

14 CHAIRMAN BOYER: Are there any objections to the
15 admission of Mr. Evans's direct, supplemental direct, and
16 surrebuttal testimony? Seeing none, they are admitted.

17 Q. (By Mr. Ginsberg) And do you have a summary of your
18 testimony?

19 A. Yes, I do. In my -- in my testimony I present five
20 recommended modifications to the Company's filed net power
21 costs. The first is a reduction of .3 million dollars for
22 planned outages on coal units. The next was a \$1 million
23 reduction for the heat rate for the plant Wyodak. I also
24 recommend a reduction of wind integration costs, a reduction of
25 \$2.1 million for startup energy, a reduction of \$2.6 million for

1 coal costs.

2 I also discuss certain new additions to net power
3 costs that Mr. Duvall made in his rebuttal testimony. My
4 reduction for planned outage -- planned outages on coal units of
5 .3 million dollars is based on a revision to the Company's
6 normalized planned outage schedule used in GRID. I compared the
7 Company's normalized schedule to the actual planned outages for
8 the past four calendar years and found certain discrepancies. I
9 adjusted the GRID schedule to better match historical and
10 develop the .3 million dollar adjustment. My \$1 million
11 reduction for the plant Wyodak heat rates has been accepted by
12 the Company, and basically was an error in their computation of
13 the heat rate curve for plant Wyodak.

14 We've discussed wind integration costs quite a lot
15 already this morning. The Company proposes a charge of some
16 \$28 million for wind integration costs broken down into two
17 pieces, inter-hour costs and intra-hour costs. My testimony
18 concerns primarily -- only the intra-hour costs. Between myself
19 and Dr. Powell, we've identified some nine flaws in their
20 intra-hour cost analysis, which the Company has not refuted.
21 Dr. Powell -- Dr. Powell will present the Division's final
22 position on the wind integration cost issue.

23 There is a charge in the Company's filed NPC for the
24 cost of fuel to start up all gas-powered plants, which we've
25 discussed this morning also. The energy, however, is ignored.

1 My adjustment of \$2.1 million would give customers a credit for
2 that energy produced by the startup fuel.

3 My last recommendation is based on the revised cost
4 of coal. The actual change to the coal cost was produced by the
5 Company based on my data request. I requested that they update
6 the coal cost to include consistent assumptions on inflation,
7 and to also include current estimates of commodity prices that
8 affect coal. So my \$2.6 million reduction is based on these
9 company-revised coal costs.

10 This coal cost analysis and my other analyses are in
11 no way dependent on the inconsistency in annual coal burns.
12 That was identified last week during the hearings related to the
13 coal inventory adjustment presented by Mr. McGarry.

14 Finally, in his rebuttal testimony filed on November
15 the 12th, Mr. Duvall included in his revised net power cost
16 certain adjustments that increased system net power costs by
17 \$19.1 million. Including these new adjustments at this point
18 makes it virtually impossible for the parties to write
19 discovery, receive discovery responses, analyze the proposed
20 adjustments. My recommendation is that the Commission reject
21 these last-minute adjustments by Mr. Duvall.

22 And that concludes my summary.

23 MR. GINSBERG: Thank you. He's available for
24 questioning.

25 CHAIRMAN BOYER: Thank you, Mr. Evans. Let's turn

1 to Ms. McDowell, cross-examination.

2 CROSS-EXAMINATION

3 BY MS. McDOWELL:

4 Q. Good morning, Mr. Evans.

5 A. Good morning.

6 MS. McDOWELL: So, Commissioner, can you tell me if
7 the -- that's about the right volume?

8 CHAIRMAN BOYER: That's perfect.

9 MS. McDOWELL: All right. Thank you.

10 Q. So Mr. Evans, can you turn to your surrebuttal
11 testimony, please, at page 4.

12 A. Surely.

13 Q. I wanted to ask you a little bit about your planned
14 outage adjustment.

15 A. Okay.

16 Q. There at line 70 you -- in the question and answer
17 beginning on line 70 you indicate that it's your opinion that
18 the Company's planned outage schedule suffers from at least one
19 basic flaw. Do you see that?

20 A. Line 73, yes.

21 Q. And then you go on to discuss that flaw in the next
22 Q & A, and you indicate that that flaw is that the Company's
23 approach to modeling planned outages required that outages at a
24 particular coal plant follow one another with no overlap. Is
25 that correct?

1 A. Yeah, that's correct. And a normalized data
2 schedule like the one used in GRID, you've got added at every --
3 every unit at every power plant, which is not normally the case.
4 If you were talking about a real schedule, that's not a
5 normalized schedule, you would not have an outage at every unit
6 at every power plant, so of course you would in all likelihood
7 avoid overlap of outages at each separate unit.

8 Q. Do you understand that Mr. Duvall's direct testimony
9 explained that the no overlap policy was designed to -- both to
10 provide plant reliability so you wouldn't have multiple units
11 out at the same time, and also to replicate the reality that a
12 plant crew, a repair crew typically went from one unit to
13 another in the repair process?

14 A. I certainly understand the issue about the plant
15 crew, but when you're talking about a real planned outage
16 schedule such as the planned outage schedules for the calendar
17 year 2008, let's say. But when you're talking about these
18 normalized schedules it's a completely different story. And in
19 my view what you have to do, the main driving force needs to be
20 how many megawatts of coal do you have out in a given week. And
21 if you follow historically what's -- what that has been, how
22 many megawatts of coal have been out in a given week
23 historically, that's the most reasonable outage schedule.

24 Q. But -- but I understand that your testimony is that
25 you're trying to capture the actual practices and schedules the

1 Company's used in doing planned outages in your adjustment,
2 correct?

3 A. Yes.

4 Q. And one of those actual assumptions and realities
5 the Company faces is that it can't have more than one unit out
6 in a plant at one time; isn't that correct?

7 A. Yeah. And that's a perfectly logical constraint if
8 you're talking about a typical year in which you have maybe, you
9 know, two of the four units out on major maintenance at a given
10 plant.

11 Q. So --

12 A. But here we're talking about every unit is going to
13 be on maintenance no matter what.

14 Q. So are you aware that in the Company's last rate
15 case, the Division also sponsored an adjustment for planned
16 outages?

17 A. Yes, I'm aware of that.

18 Q. Let me just get a document to hand you. So
19 Mr. Evans, I've handed you what I believe -- let me just check
20 with the chairman, but I believe it's Cross Exhibit No. 10.
21 I've been informed by Mr. Hickey that we left off at 9 last
22 week, so bearing no correction, I'm at Cross Exhibit 10, which
23 is the prefiled supplemental direct testimony of Mr. Dalton
24 filed in the Company's 2008 rate case.

25 A. Yeah.

1 Q. Have you had a chance to briefly review that
2 testimony?

3 A. I -- what -- what part of it do we need to look at
4 here?

5 Q. Can I direct your attention to page 8, please, line
6 114 to 121. Now, there Mr. Dalton indicated that he had a
7 correction to make to his planned outage schedule. Do you see
8 that?

9 A. Yes, I do.

10 Q. And the schedule -- or the correction that he states
11 was that the Division's recommended adjustments to the planned
12 outage date at coal strip unit 3 would overlap the actual
13 scheduled planned outage date at coal strip unit 4. In
14 practice, there should be no overlapping planned outage dates
15 among units at a given plant. To remedy this, the Division
16 moved the coal strip unit 3 planned outage date to the period,
17 blank. This change is shown in my confidential exhibit. Do you
18 see that testimony?

19 A. I do.

20 Q. So Mr. Evans, based on this testimony, wouldn't you
21 agree that in the Company's last rate case, the Division
22 expressly endorsed the Company's no-overlap policy for modeling
23 planned outages and rates?

24 A. Yes, they did.

25 Q. And in this case you refer to that policy as a basic

1 flaw in the Company's approach, which justifies your adjustment,
2 correct?

3 A. Yeah, I believe it is a flaw.

4 Q. Well, Mr. Evans --

5 MR. GINSBERG: Let him finish the answer.

6 A. It's a flaw because it results in having an
7 incorrect or -- compared to historical, it results in an
8 incorrect number of megawatts out in a given week.

9 Q. (By Ms. McDowell) But Mr. Evans, isn't that a
10 complete reversal of the Division's position on this issue since
11 the last rate case?

12 A. It may be. I don't know.

13 Q. And you have not anywhere in your testimony
14 acknowledged or explained that change, have you?

15 A. No, I haven't. I believe I just did though.

16 Q. So Mr. Evans, can I ask you to turn to page 18 of
17 your direct testimony. I wanted to ask you a question about
18 your startup energy adjustment.

19 A. Okay.

20 MS. McDOWELL: And I'd offer Cross Exhibit 10.

21 MR. GINSBERG: Do we have his direct testimony?

22 MS. McDOWELL: Did I say direct --

23 MR. GINSBERG: I guess I didn't hear you.

24 MS. McDOWELL: I'm sorry, his direct testimony

25 page 18.

1 MR. GINSBERG: Okay.

2 CHAIRMAN BOYER: Are there any objections to the
3 admission of RMP Cross Exhibit 10? Seeing none, it is admitted.

4 MR. GINSBERG: Can I ask what's all crossed out? Is
5 that just confidential information?

6 MS. McDOWELL: I just -- to make the cross-
7 examination easier I just submitted the redacted copy. So it's
8 confidential information that's been redacted.

9 Q. So Mr. Evans, I wanted to ask you about your startup
10 energy adjustment. And you provide some background to that
11 adjustment at the question and answer beginning on line 282. Do
12 you see that?

13 A. Yes.

14 Q. So now, I take it the rationale for your adjustment
15 is that net power costs reflect the cost of startup energy, so
16 they should also include the -- basically the benefits
17 associated with that startup energy in the modeling. Is that
18 a -- is that a fair summary?

19 A. Well, the net power cost include startup fuel costs,
20 it would be cost of producing the startup energy. But there is
21 no recognition whatsoever of the startup energy itself.

22 Q. So I take it your position would be different if the
23 startup costs were not included in the...

24 A. The startup fuel costs?

25 Q. That's correct.

1 A. Yes.

2 Q. Do you have Mr. Duvall's testimony and exhibits with
3 you?

4 A. No, I don't.

5 Q. Are you familiar with his net power cost study or
6 report?

7 A. The exhibit at the back of his testimony?

8 Q. That's correct.

9 A. Somewhat.

10 Q. So I've just handed you Mr. Duvall's Exhibit GND 1
11 R, which is the net power cost report that we were just
12 discussing. Is this -- are you familiar with this document?

13 A. Yes.

14 Q. So can I direct your attention to page 13, please.
15 And do you see the bottom portion of that power cost report
16 where it indicates additional fixed cost? Do you see that?

17 A. Yes, I do.

18 Q. And there it lists additional O&M and startup fuel
19 costs for the Chehalis plant, the Currant Creek, and the Lake
20 Side plants. Do you see that?

21 A. Yes, I do.

22 Q. And it doesn't include any additional O&M or startup
23 fuel costs associated with the Hermiston plant, does it?

24 A. No. But I believe those are purchased plants so
25 that those would have -- those startup fuel costs would occur

1 someplace else. I have -- I have looked into GRID and looked at
2 the GRID data, and there is startup fuel within the GRID data.

3 Q. But doesn't this net power cost report prove that
4 there is no startup fuel cost in GRID for Hermiston?

5 A. No, I don't believe it does, necessarily.

6 Q. Have you reviewed Mr. Falkenberg's rebuttal on this
7 point?

8 A. I have read his rebuttal testimony.

9 Q. And do you recall that he states at page 3 of his
10 testimony: However, no startup fuel costs for Hermiston are
11 reflected in the GRID MPC output report. While GRID does have
12 such inputs, they are used in the commitment logic only, not in
13 costing. Are you familiar with that testimony?

14 A. No. But if that's the case, then we would need to
15 reduce our adjustment.

16 Q. So your adjustment is set forth as -- it's your
17 exhibit -- I believe it's your confidential Exhibit 6.8,
18 correct?

19 A. Yes.

20 Q. So the amount you have reflected in your adjustment
21 for Hermiston is the total of two thousand -- two hundred
22 thousand two dollars -- excuse me, 202,293, plus 156,156. Do
23 you see that?

24 A. Yes, I do.

25 Q. Would you accept, subject to check, that that totals

1 to \$358,449?

2 A. Close enough.

3 Q. And so you'd agree, wouldn't you, that that amount
4 of startup energy ought to be excluded from your adjustment in
5 any of them?

6 A. If indeed it's true that the Hermiston startup fuel
7 was not passed through to the NPC counter costs on this exhibit,
8 yes.

9 Q. Mr. Evans, can you turn to Exhibit 6.3 SR to your
10 surrebuttal testimony.

11 A. Yes.

12 Q. So now that exhibit lists the adjustments proposed
13 in the Company's rebuttal to correct and update net power costs?

14 A. Yeah. I walked through Mr. Duvall's rebuttal
15 testimony and pulled out these numbers to -- you know, to show
16 that we could go from the nine ninety-nine he proposed
17 originally to this 1,000,000,018, which was the total of his
18 rebuttal.

19 Q. Now, on page 11 of your surrebuttal you discuss
20 these adjustments in greater detail, correct?

21 A. Okay, yeah.

22 Q. And there you acknowledge on lines 218 to 219 that
23 most of these adjustments were recommended by the DPU, OCS, or
24 UAE, correct?

25 A. Yes.

1 Q. And you accept all of the adjustments proposed by
2 the DPU, OCS, or UAE, correct?

3 A. That's correct.

4 Q. And the only revisions or adjustments that you
5 object to are the -- are the two categories proposed by the
6 Company, correct?

7 A. The only ones that I object to are the two that
8 Mr. Duvall revealed in his rebuttal testimony at the very last
9 minute in this case.

10 Q. So that's the BPA peaking and grant purchase
11 contract and then the Idaho Power and BPA wheeling contracts we
12 discussed earlier today, correct?

13 A. Yeah.

14 Q. Now, there's one update that is omitted from this
15 chart, isn't it, and that's your \$2.6 million MPC decrease based
16 on your proposed update to coal costs, correct?

17 A. Right. Mr. Duvall did not mention that in his
18 rebuttal testimony.

19 Q. And -- and that's because that adjustment was
20 proposed just shortly before Mr. Duvall filed his rebuttal
21 testimony, correct, on October 31st, 2009?

22 A. I don't remember the date. October 29th, I think.
23 No, excuse me.

24 Q. So that would be your -- your prefiled
25 supplemental... let's see. Your prefiled supplemental direct,

1 October 29th, 2009. You're correct.

2 A. Okay.

3 Q. So you -- you proposed your coal adjustment in this
4 supplemental direct testimony, correct?

5 A. Yes, I did.

6 Q. Now, your surrebuttal testimony, you object to the
7 Company's adjustments to include these in the contract
8 because -- the adjustment in the contract prices because the
9 adjustments were made too late in the case; is that correct?

10 A. Well, Mr. Duvall's come along at the very end of the
11 case and said that he now wants to include them. I don't see
12 how there is time for any of the parties to evaluate their
13 inclusion, to do discovery on it, and to analyze whether or not
14 they agree that they should be included.

15 Q. Now, back to your supplemental direct testimony on
16 coal costs. This testimony was filed how many days in advance
17 of Mr. Duvall's rebuttal testimony proposing revisions to these
18 contracts, which is -- subject to check, it was 14 days prior?

19 A. Sounds right, yeah. Yeah, the reason it was filed
20 at that date was that we had asked the Company... Actually, I
21 think it was a master data request, but we had asked a data
22 request in which we asked for the backup for the coal prices
23 that the Company had developed, and we expected to receive the
24 electronic spreadsheets that the Company had used to develop
25 those coal prices. Instead, we got a printout that was, I don't

1 know, about yea thick, which was a printout from all the
2 different spreadsheets that had been used. We had a meeting at
3 the Company's offices --

4 Q. So I -- I think you answered my question, which is
5 that your testimony was filed approximately two weeks before
6 Mr. Duvall's testimony, correct?

7 MR. GINSBERG: I think he -- I think that's obvious
8 from the dates. But I think he should be able to be free to
9 provide the explanation that he wants to provide.

10 CHAIRMAN BOYER: Well, but on redirect you can
11 give -- you can ask him why did you file --

12 MR. GINSBERG: Right.

13 CHAIRMAN BOYER: -- days prior. I think I'll
14 just --

15 MR. GINSBERG: Why not just let him answer?

16 CHAIRMAN BOYER: -- quicker if you'll let him
17 respond to Ms. McDowell's question.

18 THE WITNESS: Yes, sir.

19 Q. (By Ms. McDowell) Now, on page 12 of your
20 surrebuttal testimony, lines 231 through 234, you object to the
21 Company including these new prices for its contracts on the
22 basis that the parties are unable to analyze and evaluate the
23 proposed contract changes, correct?

24 A. Yes.

25 Q. Now, it's true, isn't it, that the Company's

1 revisions involve either pre-existing contracts or replacement
2 contracts to pre-existing contracts?

3 A. I know they involve contracts.

4 Q. So the auditing process presumably would be to get
5 those contracts and verify the price changes in the contracts?

6 A. Well, the auditing process would be to get those
7 contracts, read and analyze those contracts, then compare what
8 is in the contracts to what the Company has done, any
9 discrepancies you see, ask questions about, so forth, so on. I
10 don't see it as a very simple process myself.

11 Q. Now, did you conduct any discovery on those
12 contracts in November?

13 A. In November? The Division did file data requests.

14 Q. And did you address those contracts in your
15 surrebuttal?

16 A. No.

17 Q. So I wanted to hand you what -- another cross
18 exhibit. This would be Cross Exhibit 11.

19 CHAIRMAN BOYER: I believe this will be RPM Cross
20 Exhibit 11.

21 MS. McDOWELL: That sounds right.

22 Q. Now, before I ask you about this data request, I
23 just want to ask you whether you're aware of any party, in their
24 surrebuttal testimony, questioning the accuracy of the Company's
25 new prices for either the BPA peaking contract or the wheeling

1 contracts.

2 A. No, I'm not.

3 Q. And in fact, with respect to the BPA peaking and
4 grant purchase -- county purchase contract, the UAE has stated
5 that RMP's correction is accurate and probably should be
6 accepted. Are you familiar with that testimony of Mr. Higgins?

7 A. No, I wasn't.

8 Q. It's at page 11 of his rebuttal. So I wanted to ask
9 you about your whole adjustment. You had indicated that it was
10 based on updates provided in response to DPU 50.1. Is that
11 correct?

12 A. Yes.

13 Q. So I've handed you the request, the data request
14 50.1. I have not provided the confidential attachments. But I
15 wanted to ask you about the scope of your adjustment. Your data
16 request asks for updated plant coal costs reflecting current
17 NYMEX future prices for crude oil, natural gas, diesel fuel, and
18 other petroleum products, along with current estimates of
19 inflation and escalation. Do you see that?

20 A. Yes, I do.

21 Q. So it's fair to describe your adjustment as one
22 involving forecast prices and not contract revisions, correct?

23 A. Yes, it is.

24 Q. And it's also fair to say, isn't it, that this coal
25 price adjustment is the most comprehensive update proposed to

1 any particular cost category in this case, isn't it?

2 A. I don't know about that.

3 Q. Well, you have updated every aspect of the Company's
4 coal costs, correct?

5 A. I have not. The Company has.

6 Q. Your adjustment proposes to update all aspects of
7 the Company's coal cost, correct?

8 A. Yes.

9 Q. Now, I assume that the goal in proposing your coal
10 cost adjustment was to ensure that the Commission has the most
11 accurate and up-to-date information available to it in setting
12 rates?

13 A. Yes.

14 Q. And doesn't that same goal support the Company being
15 allowed to revise its BPA and wheeling contracts, especially
16 when these changes are known and measurable in the test period,
17 and much less comprehensive than those proposed by the Division
18 in this case?

19 MR. GINSBERG: I think I object to the
20 characterization "known and measurable" as calling for a
21 conclusion.

22 CHAIRMAN BOYER: Could you rephrase the question,
23 Ms. McDowell?

24 MS. McDOWELL: Certainly.

25 Q. Doesn't this same goal support allowing the Company

1 to revise the BPA and wheeling contracts, especially when those
2 changes are set forth in contracts and are much less
3 comprehensive than those proposed by the Division?

4 A. Well, the goal is the same. The timing is the
5 problem. When those adjustments are brought in at the very last
6 moment, I just don't believe it's fair to the other parties.

7 Q. So your adjustment came in the end of October, the
8 Company's adjustment came in on November 12th in response to the
9 other party's adjustments, and that's -- yours is timely but the
10 Company's is too late; is that correct?

11 A. Yeah. I've tried to explain why that's the case,
12 but you wouldn't let me finish the answer. Yes, that is the
13 case.

14 MS. McDOWELL: That's all I have.

15 CHAIRMAN BOYER: Thank you. Ms. McDowell. I'm
16 assuming Mr. Dodge, Mr. Reeder, or Mr. Proctor will have some
17 cross-examination of this witness?

18 MR. PROCTOR: I have none.

19 MR. DODGE: I have no questions.

20 MR. REEDER: I have no questions.

21 CHAIRMAN BOYER: Well, we'll turn it to the
22 commissioners and -- do you have more?

23 MS. McDOWELL: The only --

24 CHAIRMAN BOYER: Oh, you have to --

25 MS. McDOWELL: I didn't offer Cross Exhibit 11, so

1 I'd like do that now.

2 CHAIRMAN BOYER: Is there any objection to the
3 admission of RMP Cross Exhibit 11?

4 MR. GINSBERG: Did I move for the admission of his
5 testimony initially?

6 CHAIRMAN BOYER: You did not.

7 MR. GINSBERG: Someone pointed that out to me. So I
8 thought I did, but if I did not, if I could have those -- the
9 testimony as identified admitted.

10 CHAIRMAN BOYER: Oh, you know, you did,
11 Mr. Ginsberg. Thank you. You already did it, and I've marked
12 it as such.

13 Okay, seeing no objection to the admission of RMP
14 Cross Exhibit 11, it is admitted into evidence. We'll turn to
15 Commissioner Allen.

16 COMMISSIONER ALLEN: Thank you again, Mr. Chairman.
17 I was caught a little off guard by the swiftness of counsel in
18 the room there. So this is your first trip to Utah, is it not,
19 Mr. Evans, as far as testifying in this Commission?

20 A. Yes, it is.

21 COMMISSIONER ALLEN: Welcome.

22 A. Thank you.

23 COMMISSIONER ALLEN: I'm just curious, from a global
24 standpoint, it seems to me that when we talk about these startup
25 energy costs, that we're probably getting a lot more experience

1 nationwide in how these operate and how they work. My question
2 is, are we starting to get a standard -- those who have done
3 this before, are we starting to get a handle on how they should
4 be handled from state to state, or is there a uniform set of
5 guidelines being developed? Are you still seeing this as a
6 case-by-case, region-by-region issue?

7 A. For startup?

8 COMMISSIONER ALLEN: For startup energy costs, yeah.

9 A. I believe there is a standard out there, and the
10 standard is to include the startup energy in the production cost
11 model.

12 COMMISSIONER ALLEN: You've found that in other
13 states? You've been in what, a dozen other states?

14 A. Yes.

15 COMMISSIONER ALLEN: Okay. Great. That was my
16 question. Thank you.

17 CHAIRMAN BOYER: Commissioner Campbell has no
18 questions, nor do I. Let's take an hour and a half recess for
19 lunch. Oh, redirect, redirect, if you have --

20 MR. GINSBERG: Could we do it after lunch?

21 CHAIRMAN BOYER: You'd like to do it after lunch?

22 MR. GINSBERG: Yes.

23 CHAIRMAN BOYER: Would you like to do that then?
24 Let's do that. This is a breaking point. We'll do that after
25 lunch. Thank you, Mr. Evans.

1 (A recess was taken, 12:10 p.m. to 1:05 p.m.)

2 CHAIRMAN BOYER: Okay, we were about to begin
3 redirect. But before we do, my colleagues at the Commission
4 have asked me to just mention, just to give you folks a heads-
5 up, in the '07 case, the litigated -- last litigated case we
6 had, we issued a short data request asking for some information
7 on the net power cost adjustments in certain fields and files
8 and that sort of thing, and so just sort of a heads-up, you'll
9 probably be receiving that. Don't be alarmed; it helps us in
10 our deliberations. And then our staff likes to do -- to
11 replicate representations that were made. Even though we're
12 just government employees, we still do a little due diligence.

13 Okay, with that announcement, Mr. Ginsberg.

14 MR. GINSBERG: Yeah, I have a few questions.

15 REDIRECT EXAMINATION

16 BY MR. GINSBERG:

17 Q. Mr. Evans, first, can you tell us where you found
18 this information dealing with the Hermiston startup costs and
19 the context of the data that you received?

20 A. In the GRID database itself.

21 Q. So within the GRID database there is startup energy
22 there, startup fuel for Hermiston?

23 A. There's startup fuel for Hermiston 1 and 2, yes.

24 Q. And that's why you placed Hermiston in your startup
25 energy calculation?

1 A. That's correct.

2 Q. Second, you were asked some questions about your
3 supplemental direct testimony that dealt with the coal updated
4 prices. Do you recall that?

5 A. Yes, I do.

6 Q. And you included in your direct testimony, did you
7 not, an explanation of this possible adjustment?

8 A. Right. In my direct testimony I did include a
9 section of discussing that we had attempted to do a coal price
10 adjustment, but were unable to because the Company had not
11 supplied the spreadsheets that they used to compute the coal
12 costs. So we would potentially be producing testimony on that
13 issue.

14 Q. Do you happen to know whether the Company objected
15 to you filing the supplemental testimony?

16 A. I don't believe they did.

17 Q. And the updated coal prices were provided to you by
18 the Company?

19 A. That's correct.

20 Q. In time for you to file your direct testimony?

21 A. No.

22 Q. The next thing I'd like to ask you about is this
23 issue surrounding unplanned outages.

24 A. Okay.

25 Q. I think you indicated that in reality, or in the

1 real world, planned outages, overlapping plants doesn't occur.
2 Is that right?

3 A. Overlapping outages within a plant at different
4 units is avoided so that you can keep a crew at the plant
5 working first on one outage on one unit, on the next unit's
6 outage, and so forth and so on.

7 Q. Okay.

8 A. When you are doing a real outage schedule, not this
9 normalized type of thing that we do in a rate case. In a rate
10 case there is no crew to worry about.

11 Q. So explain the difference between doing it in -- on
12 a real-time basis and the adjustment that you've made in the
13 rate case.

14 A. Right. If you're doing a real annual maintenance
15 schedule, you want to avoid having outages within a plant
16 overlap; you want to do, you know, unit one, and then unit two,
17 three, four and so forth, one right after the other so that you
18 can keep that same crew at the plant to work on those outages
19 one after the other. But in GRID we're looking at an outage at
20 every unit at every plant in the system, and these are -- these
21 are not real outages, these are normalized outages, which are
22 basically one-fourth of the historical outages over the previous
23 three or four years. So, you know, we're not worried about
24 scheduling crews. What we want to do is make sure the outages
25 occur in the same periods that they historically appeared in.

1 And that's the difference between my method and the Company's
2 method.

3 Q. Did you have an opportunity to review Mr. Dalton's
4 March 9, 2008 testimony also in that docket that they referred
5 to, his prefiled rebuttal testimony?

6 A. Yes, I did.

7 MR. GINSBERG: And I guess I'd ask the Commission to
8 take administrative notice so that the record is complete to
9 having his -- all of his testimony available that -- for the
10 Commission's review.

11 CHAIRMAN BOYER: We will take administrative notice
12 of that.

13 Q. (By Mr. Ginsberg) Do you happen to know whether you
14 adopted Mr. Falkenberg's adjustment on planned outages?

15 A. Yes, we did.

16 MR. GINSBERG: Thank you. That's all I have.

17 CHAIRMAN BOYER: All right. Thank you,
18 Mr. Ginsberg. And Mr. Evans, you may be excused. Thank you.

19 THE WITNESS: Thank you.

20 MR. GINSBERG: Next witness is Artie Powell.

21 CHAIRMAN BOYER: Dr. Powell, you haven't been sworn
22 in yet?

23 THE WITNESS: I don't believe so.

24 //

25 //

1

ARTIE POWELL,

2 being first duly sworn, was examined and testified as follows:

3

CHAIRMAN BOYER: Thank you. Please be seated.

4

DIRECT EXAMINATION

5 BY MR. GINSBERG:

6

Q. Would you state your name for the record.

7

A. Okay. My name is Artie Powell, A-r-t-i-e,

8

P-o-w-e-l-l.

9

Q. And you filed direct testimony which has been marked

10 DPU Exhibit 11, is that correct, with a couple exhibits which

11 have been identified on our exhibit list?

12

A. Yes. I think there was one exhibit.

13

Q. One exhibit?

14

A. Yes, 11.1.

15

Q. And you filed -- prefiled surrebuttal testimony,

16 Exhibit 11 SR, with one exhibit, 11.1 SR?

17

A. That's correct.

18

Q. Do you have any corrections to make to any of that?

19

A. No.

20

Q. And that would be the testimony you'd like to

21 present to the Commission today?

22

A. Yes, it is.

23

MR. GINSBERG: Okay. With that, I'd ask to have it

24

admitted as identified.

25

CHAIRMAN BOYER: Are there any objections to the

1 admission of Dr. Powell's direct and surrebuttal testimony?
2 Seeing none, they are admitted into evidence.

3 Q. (By Mr. Ginsberg) Can you provide a summary of your
4 testimony?

5 A. Yes, I will. Good afternoon. In direct testimony I
6 made or contributed to two adjustments in net power costs. The
7 first adjustment added three qualifying facility contracts into
8 the GRID model. Since the current contracts expire at the end
9 of this year, the Company included them for the first half of
10 the test year only. The Division's adjustment includes the
11 contracts for the last half of the test year. I believe that
12 this adjustment has been adopted by the Company, and I don't --
13 so I don't think there's any disputes left around this
14 particular adjustment.

15 The second adjustment dealt with intra-hour wind
16 integration costs. Along with Division witness Mr. George
17 Evans, whom we just heard from, I recommended that the
18 intra-hour costs be disallowed. However, in surrebuttal
19 testimony I again dealt with this, trying to clarify our
20 position. While the Division recognizes that intra-hour cost
21 may exist, the Company, in the Division's opinion, has not
22 provided convincing evidence to support its position on the
23 intra-hour wind integration costs. Therefore, in direct
24 testimony, as I mentioned, the Division recommended that it be
25 disallowed.

1 Q. So by way of background, the Company proposed in its
2 2009 expenses for both Currant Creek and Chehalis to use a four-
3 year historical average for the generation overhaul expense,
4 correct?

5 A. That's not exactly the way I would characterize it,
6 but --

7 Q. Why don't you --

8 A. -- essentially they --

9 Q. Why don't you describe the adjustment --

10 A. They used four years of historical data that they
11 had escalated to the test year using an inflation rate, and then
12 took the average of those escalated values. So I think we're
13 talking about the same thing, but just a little clarification.

14 Q. And I take it that the purpose of the four-year
15 average is to smooth annual fluctuations in the overhaul
16 expense. Is that right?

17 A. That's the way I would characterize it, yes.

18 Q. And does the use of an escalation factor have any
19 bearing on that smoothing function, in your opinion?

20 A. Could you kind of -- maybe restate that?

21 Q. If the purpose of the use of the four-year average
22 is to smooth fluctuations in the expenses, does the use of an
23 escalation factor in calculating that average interfere with
24 that objective, that objective of smoothing the expenses?

25 A. I wouldn't say that it interferes.

1 Q. Well, maybe inconsistent with?

2 A. I -- I just don't think I'm understanding exactly
3 what you're trying to ask, is the problem.

4 Q. Okay. Well, let me back up. You initially
5 testified against the use of an escalation factor, but then in
6 your surrebuttal, as you've explained, you have agreed that the
7 use of an escalation factor does produce the most accurate
8 result. Is that correct?

9 A. Another witness in the case, Miss Brenda Salter,
10 testified originally that -- against the Company's method,
11 that's correct. And then on surrebuttal testimony, yes, using
12 the Company's method is superior to the -- just simply taking
13 the average of the four historical years and then escalating
14 that average value.

15 Q. And is it superior because it produces a more
16 accurate --

17 A. Yes.

18 Q. -- number?

19 A. Yes, that's the way I would characterize it.

20 Q. All right. So I wanted to ask you then about your
21 surrebuttal on the wind -- the Company's wind integration
22 charge. And also in your summary you talked about the
23 Division's proposal presented in your surrebuttal testimony to
24 average certain of the values presented in the case?

25 A. That's correct.

1 Q. So can you turn to page 7 of your rebuttal, the page
2 preceding the page we were just talking about, and there you
3 present a table that illustrates the point I think you were
4 trying to make about combining different values and averaging
5 them. Is that correct?

6 A. Well, the averages aren't contained in this
7 particular table, but they're derived from this table, yes.

8 Q. Okay. So to derive your recommendation, you
9 basically averaged, as I understand it, the Company's proposal
10 of four eighty-three, the current approved wind integration
11 charge of \$1.16, and then UAE's proposed intra-hour charge of
12 \$3.02. Is that right?

13 A. That was one of those averages. That produced --
14 just below there on line 129, that's the \$3 value.

15 Q. And that's the ultimate value you recommended,
16 correct?

17 A. 3.02, yes.

18 Q. So now, there is an additional intra-hour cost value
19 on the record in this case, isn't there, the BPA intra-hour wind
20 integration charge?

21 A. I believe it is.

22 Q. So that number, we've had testimony on that already
23 today, that number updated is five eighty-nine a megawatt-hour.
24 Does that sound correct to you?

25 A. I believe I heard that earlier today.

1 Q. And to your knowledge, no party has objected to the
2 Company including this BPA charge in its rates as a part of its
3 wind integration charges for wind facilities in BPA's control
4 area, correct?

5 MR. GINSBERG: If you know.

6 A. I'm not sure.

7 Q. (By Ms. McDowell) Okay. To your knowledge, no one
8 has objected?

9 A. I don't remember anybody particularly objecting, but
10 I could be wrong.

11 Q. And the Division has not objected to that?

12 A. I don't believe we did.

13 Q. Now, would you accept, subject to check, that if you
14 add that BPA value of five eighty-nine into your average of the
15 non-zero recommendations, recommendations that would produce an
16 intra-hour average of \$3.73 as opposed to your \$3.02 number?

17 A. Say it again. What was -- what was the average
18 again? Three --

19 Q. So if you're averaging, you simply add the BPA
20 number of five eighty-nine to the numbers that you averaged to
21 get your 3.02 number?

22 A. Okay.

23 Q. The RMP number of four eighty-three, the existing
24 charge of one sixteen, and the UAE recommendation of 3.02, if
25 you add a fourth number and calculated the average, it would

1 produce an average cost of \$3.73 for intra-hour cost?

2 A. That's probably about correct.

3 Q. And then if you added the inter-hour cost to that,
4 it would produce a total wind integration charge of \$5.52?

5 A. Yes, I believe that's right.

6 Q. And that would be in comparison to the value of four
7 eighty-one, which is option 3 on your chart?

8 A. Comparable in what sense?

9 Q. Just that the total -- that four eighty-one
10 represents the total of inter-hour plus an average intra-hour
11 number.

12 A. Yes, that's correct.

13 Q. Okay.

14 A. However, I wouldn't accept the five eighty-nine. I
15 haven't done any analysis or review of BPA studies, so I don't
16 know where that number comes from or what it consists of.

17 Q. So let me ask you a question about your direct
18 testimony, page 13. Again, this is on the wind integration
19 issue.

20 A. Okay. Page 13, did you say?

21 Q. That's correct. Now, there you -- at the bottom of
22 page 13 and the top of page 14 you quote a wind integration --
23 or you quote some industry experts commenting on the issue of
24 considering load variability in determining wind integration
25 charge. Do you see that?

1 A. Yes, I do.

2 Q. Now, on the next page you have a footnote 6 that
3 attributes that quote to the publication that's listed in that
4 footnote. Do you see that?

5 A. Yes.

6 Q. So I just wanted to hand you a copy of that report.

7 A. Okay.

8 MS. McDOWELL: So this will be Cross Exhibit 12.

9 Q. So Mr. Powell -- or excuse me, Dr. Powell -- I've
10 handed you what I've marked as Cross Exhibit 12, RMP Cross
11 Exhibit 12. And can you verify that this is the report to which
12 you have cited in your testimony?

13 A. I believe it is.

14 Q. So I note in footnote 6 that you attribute the date
15 of the report as 2009, but there's a question mark there.

16 A. Yes.

17 Q. And can you turn to the first page of the exhibit.

18 A. The cover?

19 Q. That's correct.

20 A. Okay.

21 Q. And do you see it says Global Wind Power, 2004?

22 A. No, I -- well, I see it now. I did not see that
23 when I looked at this before.

24 Q. So does that...

25 A. That --

1 Q. Suggest that this report is vintage 2004 and not --

2 A. Yes.

3 Q. -- 2009?

4 A. It probably does.

5 Q. Okay. So Dr. Powell, did you read this entire
6 report?

7 A. I did, but it's been several months ago.

8 Q. Okay. So I'm sure then you notice that the report
9 includes PacifiCorp's then-current wind integration study as a
10 case study within the report?

11 A. If you could point that out.

12 Q. It's on page 5.

13 A. Yes, okay.

14 Q. And the report cites PacifiCorp's then-current wind
15 integration charge of \$5.50 a megawatt-hour from its IRP. Do
16 you see that on the second paragraph under the PacifiCorp
17 section?

18 A. Yes.

19 Q. And do you see also that that \$5.50 number does not
20 include the cost of additional regulating reserves?

21 A. By regulating reserves, you regulate up and regulate
22 down. Is that what you're referring to?

23 Q. I'm just indicating that that -- that in the report,
24 in talking about the breakdown of the \$5.50 charge, it indicates
25 that it consists of a reserve component and an imbalance cost,

1 but does not include a regulating reserve. Do you see that?

2 A. I see that it doesn't say anything about the
3 regulating reserves, but on the other hand, I'm not -- I don't
4 know what these two components consist of either.

5 Q. It suggests it's less comprehensive than the charge
6 in this case, doesn't it?

7 A. I can't draw that conclusion myself.

8 Q. So there's no criticism or concerns expressed about
9 the PacifiCorp wind integration study in this report you cite,
10 are there?

11 A. I don't recall any.

12 Q. And it's interesting, isn't it, that the \$5.50
13 number is the number that we just discussed that would be
14 produced by that alternative averaging proposal that I talked
15 with you about, partially the same number, isn't it?

16 A. Yes, it is.

17 Q. But this number is an estimate that dates back five
18 years, isn't it?

19 A. That's correct.

20 Q. So Dr. Powell, doesn't that provide additional
21 validation for the wind integration charges proposed by
22 PacifiCorp in this case?

23 A. I don't believe it overcomes the shortfalls in the
24 Company's study that was presented in this case, no.

25 Q. But this is a report you've cited in your testimony,

1 isn't it?

2 A. Yes, it is.

3 MS. McDOWELL: That's all I have.

4 CHAIRMAN BOYER: Thank you, Ms. McDowell.

5 Mr. Proctor, questions for Dr. Powell?

6 MR. PROCTOR: Yes. Thank you, Mr. Chairman.

7 CROSS-EXAMINATION

8 BY MR. PROCTOR:

9 Q. Dr. Powell, my questions relate to the generation
10 overhaul expense and your testimony on that matter which, as I
11 recall -- and correct me if I'm wrong -- appeared for the first
12 time in surrebuttal. Is that correct?

13 A. That's correct.

14 Q. Now, with the direct testimony filed by Ms. Salter,
15 the Division accepted, or it applied to this general rate case
16 the Commission's August 2008 order in the 2007 general rate
17 case, correct?

18 A. Would you run through that one more time?

19 Q. Yeah, that was confusing, wasn't it? In
20 its direct -- in direct testimony the Division's witness, Miss
21 Salter.

22 A. In this case?

23 Q. In this case?

24 A. In this case.

25 Q. I'm sorry. Applied the Commission's calculation, if

1 you would, of generation overhaul expenses that it had adopted
2 in the 2007 general rate case order.

3 A. That's correct. Thank you for the clarification.

4 Q. Sorry it was so labored in the first place. And
5 then Ms. Salter in her testimony, surrebuttal testimony,
6 referred to you and made some policy statements. We won't get
7 into those.

8 So is it fair to state then that your testimony is
9 the one that actually at this point adopts -- adopts the
10 Company's method of calculating the generation overhaul expense?
11 I'm sorry.

12 A. It's my fault. I can't testify and drink at the
13 same time. I'm sorry.

14 Q. No, that's okay.

15 A. My -- I think the way I would characterize it, in
16 answer to your question, is that my testimony is the basis for
17 the adoption of the Company's position that Ms. Salter talked
18 about in her testimony.

19 Q. Was there any particular event or data response that
20 prompted you to address this issue for the first time in
21 surrebuttal?

22 A. Yes, I believe there is.

23 Q. What was it?

24 A. As you mentioned in your question, this issue was --
25 or implied in your question, this issue was in the '07 rate case

1 as well. There the Commission, if you will, rejected the
2 Company's methodology. When they filed this particular rate
3 case, Miss Salter came to me and said, the Company did it again,
4 and explained what she meant by that. And so I recommended that
5 we make the same adjustment consistent with the Commission's
6 order. And that's what we filed in direct testimony.

7 I believed at that time that that would be the end.
8 And maybe I was being somewhat naive, but I assumed that on
9 rebuttal testimony the Company would say, oh, we forgot, or
10 something to that effect, and would make the appropriate or the
11 consistent adjustment with that. However, when Mr. McDougal
12 filed his rebuttal testimony he was still adamant that -- about
13 the way they were doing that particular adjustment. So that's
14 when I decided to take a look in more detail at what the Company
15 was doing.

16 Q. You were present when Ms. Salter testified?

17 A. I was.

18 Q. And do you recall that Miss Salter testified that
19 the -- that Mr. McDougal's direct testimony and Mr. McDougal's
20 rebuttal testimony, insofar as this issue was concerned, were
21 precisely the same?

22 A. Yes.

23 Q. The tables upon which he was relying for his
24 calculations were the same tables in both sets of testimony;
25 were they not?

1 A. Yes.

2 Q. Now, I want to -- because this issue is -- at least
3 I've been confused by it, I want to make very clear that what
4 we're talking about is the two opposing methods. And on page 8
5 of your testimony, in response to the first question you were
6 asked in surrebuttal about the generation overhaul, you
7 described the difference between two forecasting methods. The
8 first approach -- and I'm reading here -- uses the average of
9 four historical years to forecast the amount contained in the
10 fifth year. Is that method one where you take four actual
11 years' generation overhaul expense, average those four years,
12 and then escalate the average in order to project for the fifth
13 year?

14 A. That's my understanding, yes.

15 Q. The second approach -- and this would be the one
16 that the Company utilized in 2007 and then utilized again
17 here -- was to escalate each of the actual expense for a year,
18 and then use the escalated average -- or excuse me, the
19 escalated average -- escalated average in order to calculate the
20 fifth year? Now, that was poorly put, but...

21 A. Well, the way -- the way I've said it here is the
22 second approach, example 2, first escalates the historical years
23 to arrive at a fifth year dollar equivalent. The average of
24 these escalated four years is used as the forecast for the
25 amount in the fifth year.

1 Q. Now, in that second method, in between escalating
2 each of the historical years and calculating the fifth year, is
3 there another escalation factor that's applied?

4 A. No, not in the -- there -- there are -- maybe I
5 could just elaborate --

6 Q. Please do.

7 A. -- just a little bit. There are two different ways
8 that you could do the Company's method. You could escalate the
9 four -- or excuse me. If you have four historical years and
10 you're trying to forecast what the fifth year value is, which
11 you don't know, you could do it the way I've described here in
12 my testimony, which is the way Mr. McDougal's example in his
13 direct and his rebuttal testimony does it. A mathematically
14 equivalent way would be to take the three years, escalate those
15 to the fourth year, and then escalate the whole thing to the
16 fifth year. But like I said, algebraically they're -- they're
17 equivalent methods. So I'm -- so in the way that I did it here,
18 there is no second application of the escalation; it's all taken
19 into account by escalating the four historical years.

20 Q. In the method that the Division first requested --
21 well, actually that came out of the '07 case that Miss Salter in
22 her direct contended should be used, what is the escalation
23 factor used then on that four-year average? Is it an inflation
24 rate?

25 A. It's an inflation rate.

1 Q. Do you know what inflation rate the Division used in
2 its direct examination?

3 A. I do not.

4 Q. Do you know what inflation rate Mr. McDougal used in
5 his method, the second method we talked about?

6 A. No, I do not. You're -- you're talking about in his
7 actual adjustment?

8 Q. Yes.

9 A. As opposed to the example that he has in the
10 testimony of the box?

11 Q. Yes. I want to talk about actuals, yes.

12 A. Yes.

13 Q. You --

14 A. I don't know. But I would add that it's irrelevant
15 to the experiment that I did.

16 Q. Well, because in your experiment you added, I
17 believe, two additional factors to the calculation that the
18 Company was propose -- is proposing; is that right?

19 A. I added two factors to the example that Mr. McDougal
20 had in his rebuttal testimony, because I did not believe that
21 his example was, if you will, realistic enough.

22 Q. And what were those two factors?

23 A. One is I changed the -- on example one or method one
24 I changed the application of the inflation rate itself.

25 Mr. McDougal's example simply averages the four historical years

1 and calls that the forecast for the fifth year. As I've
2 explained here, what I did was I averaged the four years and
3 then used the inflation rate to escalate that to a fifth year
4 forecast. The second component that I added was random
5 variation to the historical values or the historical base
6 values.

7 Q. And that would be random. And this is in the second
8 method, or the method the Company proposes, you added random
9 variation to each escalated historical year?

10 A. Yes, but I did it on both methods. So in other
11 words, the base -- there's a base value that you start with,
12 which maybe it would be easier if we turned to my exhibit, if I
13 could.

14 Q. Well, I think we'll get to this in a minute. But
15 I -- if you could describe -- finish your answer, if you would.
16 If it wouldn't make sense, then we'll go on, Mr. Powell --
17 Dr. Powell. Pardon me.

18 A. Well, if you look at the exhibit, page 2 of 3, up in
19 the left-hand corner there I have the base and the years one
20 through five. And what I'm saying is that the first year's
21 value is a hundred, then you go to 102.5, et cetera. That's
22 what I'm referring to as the base values for each year. And
23 those are escalated using the inflation rate. So the second
24 year is inflated from the first year, the third from the second,
25 and so forth. And then for each of the methods I've added

1 random variation for each of these base values.

2 Q. How did you calculate the random variation?

3 A. I chose them using Excel from a uniform distribution
4 from minus five to five.

5 Q. And was that applet applied to the base value or to
6 the escalated base value?

7 A. Well, we're talking about the same thing. What I'm
8 calling the base values in my testimony are these five yearly
9 values that are escalated year from year using the inflation
10 rate. So that is the base values. And then yes, I added random
11 variation to each one of those values, and then conducted the
12 calculations that we've been talking about.

13 Q. Using method one?

14 A. Or method two.

15 Q. Or method two. Now, on Table 2, it's page 10 of
16 your surrebuttal, it's row C, random variate, your random -- you
17 made no variation to year one, and then there were variations
18 that increased in the next three years. Is that correct?

19 A. Hang on one second.

20 Q. Sure.

21 A. On my copy it's page 11, so we're on the same page.
22 It is Table 2.

23 Q. So column -- or row C, row C?

24 A. So ask your question again. The random variate?

25 Q. You applied no random variate to year one, but you

1 then -- you did to two, a larger one to year three, and a larger
2 one to year four?

3 A. That's correct.

4 Q. Why would the variate -- the random variation occur
5 in an ever-increasing amount when you're looking at historical
6 values?

7 A. That's just the mystery of a random number
8 generator.

9 Q. Is that --

10 A. This is only one particular example.

11 Q. Is -- and this is where you actually applied your
12 methods to Mr. McDougal's direct and rebuttal table; is that
13 correct?

14 A. That's correct. And again, if I could refer you to
15 the exhibit on page 2, the Table 2 and my -- the body of the
16 testimony is actually example number 17, or the iteration number
17 17. So you can see what the random variates are doing there.
18 If you just simply look at, say, the first couple, you'll notice
19 that one's negative, one's positive, and the next one's
20 negative, so --

21 Q. Well, I'm sorry, but --

22 A. It was just a coincidence on that particular...

23 Q. That's one of the 10,000 iterations that you -- you
24 performed?

25 A. Exactly.

1 Q. I'm looking at Table 2 on page 10 of your testimony.

2 A. And --

3 Q. That's what I'm looking at.

4 A. And I'm saying that if you look on the exhibit, row
5 17, Table 2 is row 17 from this exhibit.

6 Q. So this is -- is or is not your methods -- or your
7 changes to method one and method two applied to Mr. McDougal's
8 direct and surrebuttal tables?

9 A. That's correct.

10 Q. Were his based upon the actual historicals that the
11 Company used to support its request in this rate case for
12 generation overhaul expense escalations?

13 A. Yes, that's my understanding.

14 Q. So the one that we see on Table 2, in essence, is
15 your calculation method, your experiment, if you will, applied
16 to the Company's request in this rate case?

17 A. I would say it just slightly different. It's
18 applied to the example that Mr. McDougal provided in his
19 testimony in rebutting the Division's direct testimony.

20 Q. And you conclude on page 9 -- now, this would be
21 line 182, so I don't know -- on my copy. I presume that -- it's
22 the paragraph -- two paragraphs just above your Table 2.

23 A. I believe I see where you're talking about.

24 Q. Line 182, at least that I have, says -- concludes:

25 Thus, in this example, method one's forecast is better than

1 method two's.

2 A. That's correct.

3 Q. And that would be, again, based on Mr. McDougal's
4 example in his direct and rebuttal testimony?

5 A. As modified by what I've been doing here in Table 2.

6 Q. And so at this point in your testimony, in fact, the
7 method that the Commission adopted in the 2007 general rate
8 case, with your adjustments, in fact provides a better forecast
9 than the Company's method utilizing your adjustments?

10 A. For this one particular random draw, yes, that's
11 true.

12 MR. PROCTOR: Thank you, Mr. Powell. Nothing
13 further. Dr. Powell, nothing further.

14 CHAIRMAN BOYER: Thank you, Mr. Proctor. Mr. Dodge,
15 questions for Dr. Powell?

16 MR. DODGE: No questions.

17 CHAIRMAN BOYER: Mr. Reeder?

18 CROSS-EXAMINATION

19 BY MR. REEDER:

20 Q. Dr. Powell, you recommended some adjustments on net
21 power costs on occasion, or because of updates, I think you
22 testified.

23 A. Will you repeat that, please?

24 Q. Did you recommend adjustments to the net power costs
25 because of some updates or changes?

1 A. I wouldn't characterize them as updates. I made an
2 adjustment to net power costs based on information that the
3 Division had in its possession.

4 Q. What kind of information was that?

5 A. On the QF contracts. We had two QF contracts,
6 although they were expiring at the end of the year, had been
7 filed with the Commission. And I believe on the Tesoro contract
8 we used avoided cost from the most recent avoided cost filing
9 that the Company had made.

10 Q. So where contracts to be in effect during the test
11 period come to your attention, do you believe they're
12 appropriate to update for them?

13 A. I believe it's appropriate to adjust for them, yes.

14 Q. What's the Division's policy with respect to those
15 adjustments?

16 A. That those known contracts should be included as
17 part of that power cost.

18 Q. Would you make a recommended adjustment if they had
19 a power contract?

20 A. I'm not familiar with the Nevada Power contract, so
21 I can't say.

22 Q. Do you have a copy of it?

23 A. I don't.

24 Q. Does the Division have a copy of it?

25 A. There may be a copy in the Division. I'm not sure.

1 Q. Were you present in the hearing this morning?

2 MR. GINSBERG: He's indicated he's not familiar with
3 it, so I don't know where this line of questioning can go.

4 Q. (By Mr. Reeder) Were you present in the hearing
5 room this morning?

6 MR. GINSBERG: I have an objection.

7 CHAIRMAN BOYER: I'm going to let him answer whether
8 or not he was in the hearing room this morning.

9 MR. GINSBERG: Okay, fair enough.

10 A. Yes, I was in the hearing room this morning.

11 Q. (By Mr. Reeder) Did you hear the cross-examination
12 of Mr. Duvall?

13 A. I did.

14 Q. Do you recall that cross-examination concerning the
15 Nevada Power contract?

16 A. I did not -- or at least I don't recall --

17 Q. Okay to snooze if you want to, Dr. Powell.

18 A. What's that?

19 Q. It's okay to snooze if you want to. Just tell me
20 you weren't paying attention.

21 A. I was preoccupied with other Division business.

22 MR. REEDER: No further questions.

23 CHAIRMAN BOYER: Thank you, Mr. Reeder.

24 Commissioner Allen? Commissioner Campbell?

25 COMMISSIONER CAMPBELL: So, Dr. Powell, does your --

1 does your experiment have any implications for other adjustments
2 that we commonly average?

3 A. It actually may. Before surrebuttal testimony was
4 filed and after I had conducted this experiment, I contacted the
5 Company and spoke with them. I think last week Ms. Salter spoke
6 on this topic for just a few minutes. And there may be one or
7 two other areas where we make this type of averaging to use as a
8 forecast that it may be applicable.

9 COMMISSIONER CAMPBELL: When would you and when
10 would you not use it?

11 A. I think based on the experiment that I've conducted,
12 this would be my preferred method out of these two. But I think
13 I indicated -- or I did indicate in my surrebuttal testimony
14 that there may be other methods that I did not explore. But
15 between these two methods that were before the Commission, the
16 Company's method appears to be the superior method. So I
17 would -- I would go with that method over the other one.

18 COMMISSIONER CAMPBELL: Let me -- I'm going to ask
19 you a policy question. I know you're not formally a policy
20 witness, but you are the manager of the energy section, aren't
21 you?

22 A. Yes, I am.

23 COMMISSIONER CAMPBELL: And you're familiar with the
24 report the Commission receives as it relates to the Company's
25 earning levels?

1 A. Yes, I am familiar with that report.

2 COMMISSIONER CAMPBELL: Is it -- is it your belief
3 that the Company's been under-earning over the last four or
4 five years, based on that report?

5 A. I think it's very likely that they have been, yes.

6 COMMISSIONER CAMPBELL: And we also regulate Questar
7 Gas, and we go through the same hearing process. And I guess
8 when we look at their earnings, it appears that they -- they
9 don't under-earn. And do you have -- do you have, as kind of a
10 Division -- as the Division manager that follows this and has to
11 decide whether to call in a utility for a rate case, do you have
12 an opinion as to why one company seems to be able to hit their
13 authorized return year after year, and then another company
14 seemed to routinely under-earn? I mean, we do the same methods
15 here in this hearing room, right?

16 A. I wouldn't say I have an extensive opinion or
17 position, but I do think that probably one complicating factor
18 that PacifiCorp faces that Questar doesn't is the fact that they
19 operate in multiple jurisdictions. And that probably
20 contributes to not only the complexity of the company, but I
21 think the complexity of trying to control their costs. I know
22 Questar operates in Wyoming also, but it's fairly small relative
23 to the Utah division.

24 COMMISSIONER CAMPBELL: I guess my final question
25 would be, there were some criticisms, or at least some -- some

1 questions concerning that report, that that report is normalized
2 according to the way the Company normalizes. I think the
3 implication was that the Commission never sees an earnings
4 report based on the way we calculate earnings. Is the Division
5 looking at ways or -- alternate ways to calculate whether the
6 Company's over-earning or under-earning, or where we can have a
7 little more certainty around that question?

8 A. Yes. I think the last report that we submitted to
9 the Commission was for some month back in the spring, May I
10 think was the date that the report actually goes up through.
11 One of the reasons that we haven't filed a more recent report is
12 we're trying to look at ways of altering or updating that
13 report, modifying it so that it gives us a clearer picture of
14 what the Company's earnings actually are.

15 CHAIRMAN BOYER: Okay. Thank you, Dr. Powell. I
16 have no questions. But before we go to redirect, Ms. McDowell,
17 did you wish to offer Exhibit RMP Cross Exhibit 12 into
18 evidence?

19 MS. McDOWELL: I do. Thank you, Chairman.

20 CHAIRMAN BOYER: Are there any objections to the
21 admission of RMP Cross Exhibit 12? Seeing none, it is admitted.

22 MS. McDOWELL: Thank you.

23 CHAIRMAN BOYER: Redirect, Mr. Ginsberg?

24 MR. GINSBERG: Just a couple questions.

25 //

1

REDIRECT EXAMINATION

2 BY MR. GINSBERG:

3 Q. In answers to some questions from Mr. Proctor, you
4 indicated that the inflation rate that was used by the Company
5 wouldn't actually make a difference in your analysis. And I
6 think you were trying to give an answer as to why that wouldn't
7 occur. Can you provide that?

8 A. Again, if we look at Exhibit 11.1 SR, it's not
9 perfectly clear from this particular exhibit, but if you worked
10 the algebra out you'd notice that the forecast using method two,
11 or the Company's method, actually cancels out, if you will, and
12 so the inflation rate itself does not affect the forecast.
13 That's not necessarily true on method one. In fact, like I say,
14 it's difficult to see from here, but the solution of method one
15 getting to the forecast of the fifth year is proportional to the
16 one over one plus the inflation rate. So if the inflation rate
17 is actually larger, which I think with some of the criticisms
18 that were leveled against my study last week by the office's
19 witness, Miss Ramas, that would actually make method one's
20 forecast worse relative to method two.

21 Q. Is that --

22 A. You're looking like that was a dumb answer.

23 Q. Don't use me as your source.

24 A. The point I'm trying to make is that the inflation
25 rate, the level of the inflation rate is not relative to the

1 outcome of this experiment.

2 Q. Okay.

3 A. A criticism of the inflation rate is a criticism of
4 the inflation rate that the Company used in their actual
5 adjustment. But it has nothing to do with this Monte Carlo
6 study. It's not a valid criticism.

7 Q. One final question. The reference that you made to
8 not including loads in the wind integration study, was that why
9 you quoted that article?

10 A. Yes, it is.

11 Q. And can you explain what you mean by including loads
12 in a wind integration study?

13 A. The -- as the wind varies within the hour, the
14 amount of reserves necessary to, if you will, back up that wind
15 will be related to the loads that the Company has to serve.
16 According to this particular article, other studies on wind
17 integration costs have found that inclusion of those loads, the
18 correlation between the generation for the wind resources and
19 those loads significantly reduces the need for those reserves.
20 So that's the reason why I was quoting from that paper. It was
21 a criticism that has been brought up in the IRP process, for
22 example, of the Company's wind integration studies.

23 Q. So the Company's wind integration studies doesn't
24 include loads going up and down within that hour also?

25 A. That's correct, they do not include those.

1 MR. GINSBERG: That's all I have. Thank you.

2 CHAIRMAN BOYER: Okay. Thank you, Dr. Powell. You
3 may be excused. Those were the witnesses scheduled for today.
4 I notice Ms. Murray is in the audience today. We could -- if
5 she were prepared and you wanted, we could take her testimony
6 today. I fully expect that we'll be taking most of the day
7 tomorrow on Messrs. Hayet and Falkenberg, but we're here to
8 serve. Do you have a preference, Mr. Proctor?

9 MR. PROCTOR: Chairman, yes, we've discussed the
10 matter, and Ms. Murray, now would be a good time for her to
11 testify. While Mr. Falkenberg is here, the parties felt more
12 comfortable if they had a continuous period of time tomorrow
13 morning. So unless the Company has some other person readily
14 available, Ms. Murray would be the last witness for today.

15 CHAIRMAN BOYER: Anybody have any objection to
16 hearing Ms. Murray's testimony now?

17 MS. McDOWELL: No. That sounds like a fine way to
18 proceed, from our perspective.

19 CHAIRMAN BOYER: Very well, let's do that. Thank
20 you.

21 Ms. Murray, thank you for accommodating our
22 schedule.

23 THE WITNESS: You're welcome.

24 CHERYL MURRAY,
25 being first duly sworn, was examined and testified as follows:

1 CHAIRMAN BOYER: Thank you. Please be seated.

2 DIRECT EXAMINATION

3 BY MR. PROCTOR:

4 Q. Would you state your name and by whom you're
5 employed.

6 A. Cheryl Murray. I'm employed by the Office of
7 Consumer Services.

8 Q. Ms. Murray, you filed surrebuttal testimony in this
9 matter consisting of six pages and marked as OCS 7 S Murray,
10 filed November 30th, 2009; is that correct?

11 A. Yes.

12 Q. Do you have any changes or additions that you
13 believe are necessary to that testimony?

14 A. No, I do not.

15 Q. If I were to ask you the same questions today as
16 were asked of you in the prefiled written testimony, would your
17 answers remain the same?

18 A. Yes, they would.

19 MR. PROCTOR: I would move to admit -- or actually
20 offer surrebuttal testimony of Cheryl Murray as identified.

21 CHAIRMAN BOYER: Any objection to the admission of
22 Ms. Murray's surrebuttal testimony?

23 MR. REEDER: No objection.

24 CHAIRMAN BOYER: Seeing that, it is admitted.

25 Q. (By Mr. Proctor) Ms. Murray, do you have a summary

1 of your testimony?

2 A. Yes, I do.

3 Q. Could you provide that, please.

4 A. It is the Office's position that net power cost
5 updates made on an ad hoc basis are not likely to have
6 symmetrical benefit for both the Company and the consumers, and
7 will not result in just and reasonable rates. Therefore, the
8 Office recommends that net power cost updates not be allowed in
9 this case. If the Commission believes that some level of
10 updates to the Company's originally filed case may be
11 appropriate in future rate cases, the Office recommends that the
12 matter be decided through rule making.

13 That concludes my summary.

14 MR. PROCTOR: Ms. Murray is available for cross-
15 examination.

16 CHAIRMAN BOYER: Thank you. Ms. McDowell?

17 CROSS-EXAMINATION

18 BY MS. McDOWELL:

19 Q. Thank you. Good afternoon, Ms. Murray.

20 A. Good afternoon, Ms. McDowell.

21 Could I take just one second? I want my feet to
22 touch the... Okay, never mind.

23 CHAIRMAN BOYER: Yes, make yourself comfortable.

24 THE WITNESS: I'll just swing them.

25 Q. (By Ms. McDowell) So I wanted to ask you about some

1 comments along page 1 of your testimony. So lines 7 through 9,
2 there you state that your -- the policy position of the Office
3 regarding updates to this -- the purpose of your testimony is to
4 present the Office's position regarding updates in this and
5 future cases. Is that -- is that fair?

6 A. That's fair.

7 Q. And then you go on to state the position, which is
8 what you said in your summary, you're opposed to such updates.
9 And then you explain on lines 19 and 21 that all elements of the
10 rate case have to be considered as to how they function with and
11 impact other elements such as expenses and revenues. Do you see
12 that?

13 A. I do, yes.

14 Q. So is that a reference to the matching principle?

15 A. Yes, it is.

16 Q. Okay. Well, I want to ask you to consider some
17 other elements of this case for a moment, as you suggest. It's
18 true, isn't it, that the Office has proposed several updates to
19 the Company's general revenue requirements in this case?

20 A. I would disagree with that.

21 Q. Well, for example, the Office proposed to reduce
22 capital additions in this case based upon actual -- I think they
23 referred to them as year-to-date balances taken from
24 August 2009. Isn't that correct?

25 A. That is correct that we have made that adjustment,

1 recommended that adjustment. And I think that there needs to be
2 a clear distinction between adjustments and updates.

3 Q. So even though your adjustment was based on
4 information through August 2009, updated information, you're
5 referring to that as an adjustment and not an update; is that
6 right?

7 A. I think in that particular case that we looked at
8 what the Company projected in their adjustment in the rate case.
9 And looking at the projection, we didn't think that it was
10 reasonable, and therefore looked to more current information in
11 making our adjustment.

12 Q. And that information, just to be clear, was
13 information that was -- became available several months after
14 the Company filed its case?

15 A. I believe that is the case.

16 Q. So certainly some people would refer to that as an
17 update, wouldn't they?

18 A. That is possible.

19 Q. Now, the Office also proposed to decrease pension
20 expense based upon a report dealing with 2009 actual
21 information, correct?

22 A. Yes.

23 Q. And then the Company also -- and that -- let me just
24 say that decreased the revenue requirement in this case by
25 approximately 1.3 million. Does that sound right?

1 A. That -- that sounds about right, yes.

2 Q. And then when the Company proposed to use that
3 update to also update its 2010 forecast, the Office disagreed
4 with that part of the update and only agreed to use of the 2009
5 report, but not the projected 2010 numbers, correct?

6 A. I think you're getting a little beyond where I'm
7 comfortable going with this testimony. I wasn't the witness in
8 that case -- or on those issues, excuse me.

9 Q. All right. Well, I was just trying to follow up on
10 your position that you needed to take all elements of the rate
11 case, take into consideration all of them and how they function
12 together. And wouldn't you agree that it's a mismatch to
13 decrease the Company's general revenue requirement for updates,
14 but not allow increases to net power costs for those same kind
15 of updates?

16 A. Could you repeat that?

17 Q. Wouldn't you agree that it's a mismatch to allow
18 updates that decrease the Company's general revenue requirement,
19 but then disallow such updates in the net power cost area that
20 might increase the revenue requirement?

21 A. I -- I wouldn't agree to that. I -- I would have to
22 know more about the specifics and I'd have to have a -- be able
23 to make some comparison as to the items you're talking about.
24 Here today I -- I could not say that.

25 Q. Well, wouldn't you agree, in concept, that if you're

1 concerned about the matching principle, then you can't just draw
2 a line around net power cost and say this can't be updated, but
3 all other parts of the case can be?

4 A. Well, I think that if we were going down the road of
5 updates, a rulemaking might be the more appropriate place to
6 discuss what could and could not be updated. And that's why we
7 have suggested it.

8 Q. And I take it that would be a comprehensive
9 rulemaking, looking at both?

10 A. Actually, my testimony was intended to go only
11 toward net power costs. The Commission certainly has the option
12 of going wherever they want with the rulemaking.

13 Q. Now, you'd agree, Ms. Murray, wouldn't you, that if
14 the Commission adopted the Company's proposed ECAM, that would
15 largely eliminate this issue with respect to net power costs,
16 wouldn't it?

17 MR. PROCTOR: Objection. It's irrelevant to her
18 testimony, number one, so it's beyond the scope of her direct.

19 CHAIRMAN BOYER: Yeah, I'm going to sustain that.

20 Q. (By Ms. McDowell) Ms. Murray, have you reviewed
21 Mr. Duvall's rebuttal testimony, the pages where he has actually
22 outlined the updates and adjustments that he proposes to include
23 in the rebuttal?

24 A. I have.

25 Q. And does -- is it the Office's position that every

1 one of those adjustments should be rejected?

2 A. If it's an update, yes. But not just the Company's
3 updates. We're saying every update in the net power cost should
4 be rejected in this case.

5 Q. So basically everything listed on pages 6 and 7 of
6 Mr. Duvall's testimony you would say should not be incorporated?

7 A. I would have to specifically look at --

8 Q. Do you have that testimony before you?

9 A. -- those items?

10 Q. It begins on line 6 -- or excuse me, line 124 on
11 page 6.

12 A. I guess I don't know specifically about every one of
13 them, so I would not want to answer on every single one of
14 those.

15 Q. Well, can you tell me the ones you do know about?

16 A. Well, I would say that --

17 Q. Should we just go one by one? The first one is
18 proposed adjustments updating the in-service dates of High
19 Plains and McFadden Ridge.

20 A. And that one I'm not certain.

21 Q. Okay. The second one is the adjustment that Mr. --
22 or excuse me -- Dr. Powell just discussed.

23 A. And on that I would say that ad hoc adjustments are
24 not going to result and be symmetrical, and they are not going
25 to give the best result. On any of these that are updates, that

1 we can't be certain that all the parts have been considered,
2 that parties have had time to look into -- to the various
3 adjustments and -- or updates, and any other part that might
4 mesh with them or should be considered along the same lines, I
5 think we're not going to end up with a good result.

6 Q. So it sounds like you are opposed to those, the
7 second proposal there on the QF contracts?

8 A. I would say that that's an adjustment -- I mean an
9 update. Excuse me.

10 Q. And that -- just to be clear, the Office proposed
11 really an almost identical adjustment in the 2007 case, didn't
12 it?

13 A. We did.

14 Q. And the Commission accepted that?

15 A. Uh-huh.

16 Q. Uh-huh.

17 A. Yes.

18 Q. All right. So then going to the third bullet, the
19 wind integration charge, that one, your -- your position is
20 clear, you have withdrawn --

21 A. We have withdrawn that, yes, because --

22 Q. The proposal to update the wind integration charge?

23 A. Yes.

24 Q. Okay. And then I take it that's also your position
25 on the BPA peaking, and grant purchase contract?

1 A. Yes.

2 Q. Is that -- that is an update that should be
3 disallowed?

4 A. In this case.

5 Q. In this case, so not necessarily in a subsequent
6 filing?

7 A. It would depend on if the Commission decided that
8 there should be some updates, if there were rulemaking, if
9 parties knew what and when they could expect certain updates,
10 and if the Commission determined they should be allowed prior to
11 the case, then that would be -- that would make a difference to
12 us.

13 Q. So then the fifth item discussed by Mr. Duvall is
14 the -- a proposal to reflect the most recent Mag Corp and
15 Kennecott contracts as a part of the adjustment proposed by the
16 Division to update the revenues associated with that, that
17 contract. Do you see that?

18 A. I do.

19 Q. And do you oppose that?

20 A. I would say that, again, these are adjustments that
21 there may be other adjustments that should have also been
22 included, and we don't know the full scope of everything that
23 might fall within the range of either the dates or the type of
24 adjustments, and so yes.

25 Q. But, you know, not allowing that revision, wouldn't

1 that result in potentially the case being updated for revenues
2 but not being updated for additional costs? I mean, isn't the
3 proposal here to match the update proposed for revenues with an
4 update for costs?

5 A. Well, but that's still an ad hoc adjustment. I
6 mean, you're taking only one particular item, you're taking
7 these matching -- you're matching the contract with the
8 revenues. Is that what you're saying?

9 Q. Well, wait. The Division proposed to update the
10 revenue credit --

11 A. Right.

12 Q. -- associated with this contract?

13 A. Right.

14 Q. And the Company accepted that --

15 A. Right.

16 Q. -- proposal by the DPU, but then added the updated
17 cost into the power cost to match the update. And I'm asking
18 you if you oppose that, and if --

19 A. Yes.

20 Q. -- you do -- you do. And then do you also oppose
21 the update to the revenues that was -- that were proposed by the
22 Division with respect to the Mag Corp service agreement?

23 A. If it's an update, we're opposing it as issue -- as
24 a policy issue. Just because, again, we think that these ad hoc
25 type of adjustments aren't going to give the best results.

1 Q. So the sixth adjustment is the wheeling contracts.
2 And I take it your position is to be opposed to that?

3 A. (Nods head.)

4 Q. And then the final adjustment listed here, you see
5 updates to the forward price curve proposed by UAE. And the
6 Office opposes that?

7 A. Yes.

8 Q. I wanted to ask you about one update that's not here
9 that came in the supplemental testimony, and that is the coal
10 cost update proposed by the Division. Does the Office oppose
11 that update?

12 A. I'm not sure that that's an update, based on the
13 description I heard. I'm not sure how I would -- that that
14 would be characterized as an update.

15 Q. If it were based on information that was -- became
16 available only after the date of the filing, would that -- would
17 you view that then as an update?

18 A. Not necessarily, because I don't know the
19 circumstances of -- if the information should have been
20 included, how it should have been explained, when it should have
21 been explained. It seemed Mr. Evans was talking about not
22 getting the spreadsheets with the formulas intact. So I think
23 that I -- I would not have a position on whether that was an
24 update or not. I would just go back to our policy position that
25 updates in this case should not be allowed. That would...

1 Q. So does it provide any clarification to that
2 particular adjustment when you look at the data requests that
3 underlie the adjustments, saying please provide updated plant
4 coal costs reflecting current NIMEX future prices for oil, gas,
5 fuel, and petroleum products, along with current estimates for
6 inflation and escalation? So that sure sounds like the kind of
7 update that you are arguing should not be accepted in this case.

8 A. Well, I would say that not necessarily, because
9 sometimes we use the word "update" in a less precise manner,
10 perhaps. Also, if it's -- if he was getting at the Company
11 making a projection -- an adjustment in the case based on their
12 projection, and he felt that it was unreasonable or incorrect,
13 and he was trying to get to a more precise number, then perhaps
14 it wouldn't fall in that category. I don't know for sure.

15 MS. McDOWELL: That's all I have. Thank you, Ms.
16 Murray.

17 CHAIRMAN BOYER: Okay. Mr. Ginsberg, any questions
18 of Ms. Murray?

19 MR. GINSBERG: Just one.

20 CROSS-EXAMINATION

21 BY MR. GINSBERG:

22 Q. I take it in your answers you're trying to make a
23 distinction between net power cost and the rest of the revenue
24 requirement phase of the case?

25 A. In this particular testimony, I was.

1 Q. So if there are updates, and she went through some,
2 and there are others, in that phase of the case those are okay,
3 or did you just not address it?

4 A. I just didn't address them, really.

5 Q. How is it -- how is it -- how is it consistent with
6 your statement then that the problem with updates is to make
7 this matching if you don't address updates throughout the entire
8 case, entire phase, net power cost? For example, the wind plant
9 that you referred to, I think it was one you said you weren't
10 sure of, you're aware that the capital costs have been updated
11 to what the actual costs are?

12 A. Yes, I think I have heard that, yes.

13 Q. Is that an update?

14 A. I'd say that's a correction. The projection was
15 incorrect. I mean, it could be a projection.

16 Q. Okay.

17 A. A correction of an incorrect projection.

18 MR. GINSBERG: Thank you.

19 CHAIRMAN BOYER: Mr. Dodge, any questions?

20 MR. DODGE: No questions.

21 CHAIRMAN BOYER: Mr. Reeder?

22 CROSS-EXAMINATION

23 BY MR. REEDER:

24 Q. Were you present in the hearing room when Mr. Duvall
25 testified this morning?

1 A. I was.

2 Q. Did you hear discussion about the contract with
3 Nevada Energy dated October 2009?

4 A. I did.

5 Q. How would you apply the Office's policy to that
6 potential revenue source?

7 A. Well, I would say that that's an update.

8 Q. You would exclude it?

9 A. I would.

10 MR. REEDER: Thank you. Nothing further.

11 CHAIRMAN BOYER: Commissioner Allen? Commissioner
12 Campbell? I have no questions. Redirect, Mr. Proctor?

13 MR. PROCTOR: Yes, thank you, Mr. Chairman.

14 REDIRECT EXAMINATION

15 BY MR. PROCTOR:

16 Q. Ms. Murray, on the issue of the Nevada Power
17 contract, is that one of the contracts that Mr. Duvall listed in
18 his rebuttal testimony --

19 A. My --

20 Q. -- as an update?

21 A. Sorry. My understanding is no, it is not. And that
22 kind of points to the problems with these ad hoc updates.

23 Q. Those problems being what?

24 A. That the Company -- the Company has the best
25 foundation of knowledge of what's occurring in its case, they

1 know the parts that are changing. We don't always know, as
2 intervenors and regulatory agencies, don't always know what all
3 of those elements are. And so without -- without that same
4 degree of knowledge, it becomes very difficult to make sure that
5 the adjustments or the updates are symmetrical. And that's our
6 concern with having these ad hoc adjustments, is that it is very
7 difficult to get to a symmetrical level of updates.

8 Q. Ms. McDowell asked you a question about each of the
9 updates that Mr. Duvall was proposing. One of them was also the
10 wheeling contract, and I believe it's referred to as with
11 BPA/Idaho Power in Mr. Duvall's testimony. Do you remember
12 that?

13 A. I do.

14 Q. Within Mr. Duvall's testimony, was there any
15 explanation that you recall about the nature of that increase,
16 its source, and the Company's position on that?

17 A. I don't recall.

18 Q. Did the Company supply the -- or did the Office
19 supply the Company with some data requests pertaining to that
20 Idaho Power contract?

21 A. Yes, they did.

22 Q. And the rate increase that Idaho Power was
23 proposing?

24 A. Yes.

25 Q. Did the Company respond?

1 A. They did.

2 Q. Did it provide any additional explanation about the
3 origins of the contract increase, price increase, and the
4 Company's response?

5 A. I know they did.

6 Q. Well, perhaps this would help, Ms. Murray.

7 And I don't know how you'd want to redirect.

8 MS. McDOWELL: Yeah, I was about ready to say, this
9 is -- seems unusual on redirect for Mr. Proctor to be handing
10 out an exhibit.

11 MR. PROCTOR: Ms. McDowell raised the issue,
12 Commissioners.

13 MS. McDOWELL: But nevertheless, one normally
14 doesn't even hand out exhibits on direct, let alone redirect.
15 Those were all to be prefiled.

16 MR. PROCTOR: I think it's certainly appropriate to
17 provide additional elaboration and further examination about a
18 matter that was raised on cross.

19 CHAIRMAN BOYER: We'll let -- we'll let her use this
20 to refresh her recollection.

21 Q. (By Mr. Proctor) Ms. Murray, I've handed you the
22 Company's data responses to OCS 26 data requests. Do you see
23 that before you?

24 A. I do.

25 Q. And are you the person for the Office who is

1 generally responsible to both send out and receive and manage
2 data requests and data responses?

3 A. In portions of the case, yes.

4 Q. Would net power cost be one of those portions?

5 A. Yes, it would.

6 Q. And so the letter in fact dated December 8 was
7 addressed to you; is that correct?

8 A. Correct.

9 Q. Now, having seen this data response from the
10 Company, does that refresh your recollection with respect to the
11 information that the Office inquired about concerning the Idaho
12 Power transmission cost increase or contract increase?

13 A. It does.

14 Q. Does this provide an explanation then that was --
15 that the Office utilized in considering whether or not
16 Mr. Duvall's testimony provided a complete explanation?

17 A. Yes. His testimony left out the part that the --
18 PacifiCorp Energy was opposing or protesting the proposed
19 increase, or requested increase.

20 Q. Was there a refund possibility also that was
21 disclosed in these documents?

22 A. Yes, there was, in the amount, I believe it was...
23 I'm going to get this wrong now. I'm not sure if it's this 3.7.
24 It was a refund, yes, it --

25 Q. Or at least a potential --

1 A. A potential refund, yes.

2 Q. Okay.

3 A. That's more accurate.

4 Q. Finally, Ms. Murray, there were questions asked
5 pertaining to the pension adjustment that the Office had
6 recommended based on an additional Hewitt report. Do you recall
7 those questions?

8 A. I do.

9 Q. Did the -- in response to that, did the Company
10 provide a new projection for 2010 when it had received the
11 Hewitt report?

12 A. There were two -- there was two Hewitt reports in
13 here, so in the last -- if you're talking about the last one
14 they did, yes. But it wasn't -- my understanding is it was not
15 a final, there was still some work that had to be done to get to
16 a final answer in that Hewitt report.

17 Q. Were you present during Ms. Ramas's testimony?

18 A. I was.

19 Q. And do you recall her testimony pertaining to a
20 table that Mr. Hickey had provided to her as an exhibit?

21 A. Sort of.

22 Q. Well, with --

23 A. With no precision.

24 MR. PROCTOR: Okay. Thank you. That's all I have.

25 Thank you very much, Ms. Murray.

1 CHAIRMAN BOYER: Okay. Thank you.

2 THE WITNESS: Thank you.

3 CHAIRMAN BOYER: Ms. Murray, you may be excused.

4 Okay, that I think will conclude today's hearing.

5 We'll be in recess until 9:00 tomorrow morning, at which time

6 we'll hear more testimony from Messrs. Hayet and Falkenberg.

7 Thank you all.

8 * * *

9 (Proceedings in recess, 3:05 p.m.)

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C E R T I F I C A T E

I, Lisa Collman, Certified Shorthand Reporter within and for the State of Utah, do hereby certify:

That the foregoing proceedings were taken before me at the time and place herein set forth, and were taken down by me in shorthand and thereafter transcribed into typewriting under my direction and supervision.

That the foregoing 167 pages contain a true and correct transcription of my shorthand notes so taken.

In witness thereof, I have hereunto transcribed my name this 21st day of December, 2009.

Lisa Collman, CSR
Utah License No. 10783607801

