

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
2 COMMISSION

3 In Re the Petition of )  
4 CASCADE NATURAL GAS ) DOCKET NO. UG-950326  
CORPORATION ) VOLUME 3  
5 ) Pages 140 - 165  
for an Order Determining the )  
6 Ratemaking Treatment of )  
Certain Special Contracts )  
7 ----- )  
8 WASHINGTON UTILITIES AND ) DOCKET NO. UG-951415  
TRANSPORTATION COMMISSION, )  
9 Complainant, )  
10 )  
11 vs. )  
12 CASCADE NATURAL GAS )  
CORPORATION, )  
13 )  
Respondent. )  
14 ----- )

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COMMISSION

15 A hearing in the above matter was held on  
16 July 16, 1996, at 1:30 p.m. at 1300 South Evergreen  
17 Park Drive Southwest before CHAIRMAN SHARON L. NELSON,  
18 COMMISSIONERS RICHARD HEMSTAD and WILLIAM R. GILLIS and  
19 Administrative Law Judge TERRENCE STAPLETON.

20  
21 The parties were present as follows:

22 CASCADE NATURAL GAS CORPORATION, by JOHN L.  
23 WEST, Attorney at Law, 4400 Two Union Square, 601  
Union Street, Seattle, Washington 98101.

24 Cheryl Macdonald, CSR  
25 Court Reporter

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APPEARANCES (Cont.)

ROBERT CEDARBAUM and ANN RENDAHL, Assistant Attorneys General, 1400 South Evergreen Park Drive Southwest, Olympia, Washington 98504.

FOR THE PUBLIC, ROBERT MANIFOLD, Assistant Attorney General, 900 Fourth Avenue, Suite 2000, Seattle, Washington 98164.

NORTHWEST INDUSTRIAL GAS USERS, by PAULA E. PYRON, Attorney at Law, Suite 1100, One Main Place, 101 Southwest Main Street, Portland, Oregon 97204.

## 1 I N D E X

2

3 EXAMINATION: (Witness Panel)

4 NELSON 157, 161

5 HEMSTAD 151, 159

6 GILLIS 153

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8

9 EXHIBITS: MARKED ADMITTED

10 (No exhibits marked.)

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

1  
2 JUDGE STAPLETON: Good afternoon, everyone.  
3 This hearing will please come to order. The  
4 Washington Utilities and Transportation Commission has  
5 set for this time and place upon due and proper notice  
6 to all parties a hearing in these consolidated  
7 proceedings involving Cascade Natural Gas Corporation.  
8 These proceedings include a petition for an order  
9 determining the ratemaking treatment of certain  
10 special contracts in docket No. UG-950326 and a  
11 general rate increase filing in docket No. UG-951415.

12 This hearing is being conducted before  
13 Chairman Sharon L. Nelson, Commissioner Richard  
14 Hemstad and Commissioner William R. Gillis. My name  
15 is Terrence Stapleton and I will be assisting the  
16 commissioners today. This hearing is being held in  
17 Olympia on July 16, 1996. Let's begin by taking  
18 appearances of the parties beginning with the company.

19 MR. WEST: Your Honor, my name is John  
20 West. I'm attorney for Cascade Natural Gas  
21 Corporation. My address is 4400 Two Union Square,  
22 Seattle, Washington 98101.

23 JUDGE STAPLETON: Thank you. Commission  
24 staff.

25 MR. CEDARBAUM: Robert Cedarbaum and

1 Ann Rendahl, assistant attorneys general. Our  
2 business address is the Heritage Plaza Building, 1400  
3 South Evergreen Park Drive Southwest in Olympia,  
4 98504.

5 JUDGE STAPLETON: Thank you. Public  
6 counsel.

7 MR. MANIFOLD: Robert F. Manifold,  
8 assistant attorney general appearing as public  
9 counsel. Address as stated previously on the record.

10 JUDGE STAPLETON: For intervenors.

11 MS. PYRON: For Northwest Industrial Gas  
12 Users, Paula Pyron with the law firm of Ball Janik  
13 and Novack. The address is previously in the record.

14 JUDGE STAPLETON: Thank you. Let's be off  
15 the record to discuss procedure for a moment.

16 (Discussion off the record.)

17 JUDGE STAPLETON: Let's be back on the  
18 record. While we were off the record we discussed the  
19 handling of two active cases pending before the  
20 Commission in docket Nos. UG-960452 and 960453 related  
21 to purchase gas adjustments filings by Cascade Natural  
22 Gas. It is the consent of the parties that these  
23 matters be consolidated with the special contracts and  
24 pending general rate increase filings and that once  
25 the Commission enters a filing order in this

1 proceeding that those -- that that order be made  
2 available to any person of interest to the PGA filings  
3 who would then have an opportunity within 10 days  
4 after the order is issued to file comments for  
5 reconsideration -- in the vein of reconsideration of  
6 the Commission decision treating those PGAs through  
7 the settlement agreement.

8           With regard to record requisitions made at  
9 the May 7, 1996 hearing the parties agree that those  
10 need not be moved for admission into this record. And  
11 then finally we will -- I will ask each of the parties  
12 in turn beginning with the company to make a brief  
13 statement regarding the settlement agreement that is  
14 before the commissioners today and followed by  
15 Commission staff, public counsel and Northwest  
16 Industrial Gas Users and then we will move to swear in  
17 those witnesses who have not yet been sworn into the  
18 proceeding and proceed with questions for that witness  
19 panel. Mr. West.

20           MR. WEST: Your Honor and commissioners,  
21 the company has no prepared presentation. The facts  
22 and the agreements are set forth in the settlement  
23 agreement and petition. What I would like to do is  
24 express the thanks of the company for all the hard  
25 work that has gone in on this settlement. It's not an

1 easy thing to put together and there were a lot of  
2 telephone calls and meetings over a long period of  
3 time, and I wish to thank all of the parties who  
4 participated for keeping an open mind and for their  
5 willingness to work on this.

6 JUDGE STAPLETON: Thank you. Mr.  
7 Cedarbaum.

8 MR. CEDARBAUM: I also didn't prepare any  
9 kind of a statement in support of the settlement,  
10 although I certainly do support it, and I would echo  
11 Mr. West's comments that the parties worked pretty  
12 hard in negotiating this stipulation and we  
13 appreciate their work doing that.

14 There are four dockets that are involved.  
15 Two of them really are of a general rate case nature.  
16 That was the 951415 and 950326. This settlement does  
17 resolve the issues in that case. As indicated, there  
18 is an agreement for general rates of an increase of  
19 about \$3.8 million but with a moratorium for the  
20 company not to file for three years absent interim  
21 rate relief types of conditions. We've also included  
22 agreements on rate spread and rate design which would  
23 involve the structure of rates over that three-year  
24 period of time both for core and noncore customers.

25 We have not agreed to any cost of service

1 principles, but as the stipulation indicates all of  
2 the studies that were performed support the rate  
3 spread and rate design that we have agreed to, and  
4 those cost of service studies ran broad range of  
5 philosophies and principles and methodologies so --  
6 which would have been contested to some extent had we  
7 litigated. So we're fairly confident that the rates  
8 that this document produces are just, fair reasonable  
9 and sufficient.

10           There are also agreements with regard to  
11 PGA matters from the 960452 and 0453 dockets that are  
12 currently under suspension with temporary rates before  
13 the Commission. Those agreements are included in  
14 items 8, 9 and 13 primarily. That from the staff's  
15 point of view took care of an issue with regard to  
16 excess capacity, which was the main issue that the  
17 staff was interested in in those dockets.

18           And finally there are issues or agreements  
19 with regard to a methodology for analyzing special  
20 contracts. That's in item No. 14, and again that's  
21 the product of a fair amount of work and communication  
22 between the company and staff as to how the company  
23 ought to be looking at its special contracts and  
24 analyzing the propriety of them and the type of  
25 documentation that it should maintain to do a good job



1 in that analysis, and that's to some extent a work in  
2 progress and the staff and company will continue to  
3 work to make it better.

4 So those are the main items, and on balance  
5 the staff is pleased with the results and would  
6 support it completely.

7 JUDGE STAPLETON: Thank you, Mr. Cedarbaum.  
8 Mr. Manifold.

9 MR. MANIFOLD: Yes. Public counsel  
10 supports the settlement that's been agreed to. I  
11 would call the Commission's attention to three  
12 particular provisions. One is the rate design in  
13 section 5 on page 5 which concerns the customer  
14 charge. As you will see, many of the consumers who  
15 wrote were very concerned about the fairly high, in  
16 their characterization, monthly customer charges that  
17 the company had proposed, and I think this settlement  
18 satisfies the concerns that consumers expressed in  
19 those letters.

20 Second thing is on page 7, paragraph No. 6,  
21 meter reading and billing. The company has made some  
22 commitments, and all of us have agreed to participate  
23 in some further informal process in this area. On a  
24 lighter note, I would like to note that while the  
25 company has agreed to reduce their meter reading

1 expenses or increase their income, there has been no  
2 suggestion nor any agreement that the company will  
3 sell itself for some high premium to some other  
4 electric company that's in the nearby territory.

5 And finally on page 8, paragraph 11,  
6 extended business hours. We expressed some concern  
7 that reconnection or other field service activities be  
8 able to take place outside of what our normal business  
9 hours since many people do not have somebody at home  
10 to accommodate those sorts of visits, and this is  
11 something the company is going to take up in its next  
12 collective bargaining agreements.

13 JUDGE STAPLETON: Thank you, Mr. Manifold.  
14 Ms. Pyron.

15 MS. PYRON: Yes, Your Honor, Commissioners.  
16 Northwest Industrial Gas Users supports this  
17 stipulation as the result of -- negotiated result of a  
18 settlement, and I would just want to on behalf of the  
19 association echo two of the concerns already  
20 expressed. One is that while there is no agreement on  
21 cost of service as a part of the stipulation, all  
22 parties' studies indicated support for movement in the  
23 fashion that is taking place; and secondarily, there  
24 is gradualism present in the rate design and in that  
25 movement toward cost of service that's embodied within

1 this settlement.

2 JUDGE STAPLETON: Thank you. Mr. West, you  
3 will be calling in addition to Mr. Stoltz?

4 MR. WEST: I think we will just call Mr.  
5 Stoltz, but if there are questions for Mr. Schwartz he  
6 will be available.

7 JUDGE STAPLETON: Mr. Cedarbaum, will you  
8 call your witnesses please and we will swear them in.

9 MR. CEDARBAUM: I guess the staff panel  
10 members are Mike Parvinen, Henry McIntosh and Frank  
11 Maglietti.

12 Whereupon,

13 MICHAEL PARVINEN, HENRY MCINTOSH, FRANK MAGLIETTI and  
14 JON STOLTZ,  
15 having been first duly sworn, were called as  
16 witnesses herein and were examined and testified as  
17 follows:

18 JUDGE STAPLETON: Counsel, I will leave it  
19 to you if you have any questions of the panel that you  
20 want to explore at this point. Any questions?

21 MR. CEDARBAUM: The panel is here to help  
22 the commissioners understand the agreement, so  
23 whatever questions they have we'll try to answer them.

24 JUDGE STAPLETON: Commissioners.

25

1 EXAMINATION

2 BY COMMISSIONER HEMSTAD:

3 Q. I find the settlement agreement  
4 interesting. I guess I will put the most generic  
5 question out to begin with. The agreement is what has  
6 been characterized in some other settings as a black  
7 box settlement, it seems to me. It doesn't really  
8 spell out in detail or in any way so that the  
9 Commission can discern how -- either what methodology  
10 was used or, I suppose, ultimately the basis upon  
11 which it can be said that the agreement is -- meets  
12 the statutory standard of fair, just, reasonable and  
13 sufficient rates. Would any of you care to comment on  
14 how with this kind of agreement our obligation to meet  
15 that statutory standard has been met?.

16 A. (By Mr. Parvinen) I would say that in  
17 appearance it would look similar to a black box  
18 settlement although there are many areas that are more  
19 explicit. For example, Exhibit 57 detailed all of the  
20 accounting adjustments necessary to come up with the  
21 revenue requirements component with the exception of  
22 one area and that would be the special contracts, an  
23 adjustment for special contracts. So all the  
24 adjustments are spelled out with the exception of one  
25 adjustment through Exhibit 57.

1           It is also mentioned in the settlement that  
2 even though cost of service isn't being presented that  
3 all the parties have done cost of service studies and  
4 different alternative studies as well, so there were  
5 multiple studies by multiple parties, and the results  
6 being very similar that support the steps that were  
7 taken in this settlement. The rate of return is  
8 discussed and spelled out explicitly in Exhibit 57.  
9 There are some requirements that are spelled out  
10 pretty well on special contracts.

11           Q.       With respect to the special contracts, the  
12 agreement is really forward looking. What about the  
13 current special contracts that were at issue?

14           A.       (By Mr. Parvinen) We reviewed those  
15 contracts using the guidelines that were mentioned on  
16 a going forward basis, and the overall revenue  
17 requirements did incorporate an agreed upon level of  
18 adjustment for past special contracts using the going  
19 forward method of evaluating those.

20           Q.       And apparently then it's the conclusion of  
21 the parties that the special contracts would meet or  
22 do in fact meet the standard for a prudence review?.

23           A.       (By Mr. Parvinen) The past contracts?

24           Q.       Yes.

25           A.       (By Mr. McIntosh) Subject to the

1     aforementioned adjustment, yes.

2                   COMMISSIONER HEMSTAD:  Let's see, I will  
3     pass to my colleagues who are present.

4                                   EXAMINATION

5     BY COMMISSIONER GILLIS:

6           Q.     Noting the moratorium for -- three years  
7     before bringing back a rate case, given what appears  
8     to be some major changes going on in the energy  
9     industry at the moment and the NOI process that you're  
10    working on that could result in some different rule  
11    changes, are you satisfied that the criteria for  
12    bringing back adjustments is flexible enough to  
13    accommodate changes we can't yet anticipate?

14           A.     (By Mr. Parvinen) We believe so.

15           Q.     What are the criteria for bringing back --  
16    it's on an emergency basis essentially; is that right?

17           A.     (By Mr. Parvinen) Yes.

18           Q.     So the standard is demonstrated financial  
19    need; is that right?

20           A.     (By Mr. Parvinen) Primarily of financial  
21    need.  However, there is item 19.  I believe it's item  
22    20 that would also address future changes in  
23    Commission direction through orders.  They could  
24    modify this agreement.

25                   MR. CEDARBAUM:  Just so I can interject,

1 maybe it's my -- happy to be having a disagreement  
2 with my witness here. I think item 20 is meant to  
3 encompass a situation whereas to this particular  
4 settlement agreement that we're presenting if the  
5 Commission were to modify a piece of it there's a  
6 process that would allow any other party who disagrees  
7 with that modification to basically set this case for  
8 litigation again. That's what that's relating to. It  
9 doesn't concern future proceedings and future items  
10 that might come up before the Commission.

11 COMMISSIONER GILLIS: I guess the specific  
12 question is -- I don't have any reason to think one  
13 way or another, but under a scenario that of a more  
14 competitive environment there may need to be --  
15 company may need some flexibility in doing some  
16 rebalancing their rates that may or may not be  
17 appropriately reflected in the agreement stated today,  
18 and does this stipulation preclude the company  
19 pursuing that option?

20 MR. CEDARBAUM: As I read the agreement,  
21 and other counsel can jump in, but I think the  
22 agreement is limited to situations that would trigger  
23 the Commission's interim rate relief standards, and to  
24 the extent that some of the items that you are talking  
25 about would do that they would be covered, but not

1 necessarily something that does not give rise to  
2 interim rate relief.

3 COMMISSIONER GILLIS: Not just a change for  
4 competitive reasons.

5 MR. CEDARBAUM: I think that's right.

6 A. (By Mr. Maglietti) If I may, Commissioner  
7 Gillis, on paragraph 12 on page 8 of the stipulation,  
8 the parties did leave open one area and that's  
9 balancing. With the NOI, as you mentioned, staff  
10 thought that perhaps the balancing provisions may  
11 change in the industry and therefore we left that open  
12 that all parties could bring that one back.

13 Q. Okay. On the special contracts, what is  
14 the, I guess, the significant change that the  
15 stipulation contains prior to past practice?

16 A. (By Mr. McIntosh) I would say that the  
17 significant change is that it proposes sort of a  
18 uniform methodology which wasn't always served in the  
19 past on the pre-analysis point of view. Sometimes it  
20 was done after the fact rather than before the  
21 business commitment, and another thing is item 2 in  
22 the list of particulars and item 6 in the list of  
23 particulars. Those highlight the fact that sometimes  
24 an independent engineering review for a contract  
25 involving capital addition is required to make sure



1 that the reliability information is good enough for  
2 the risks that are undertaken, and item 6 refers to  
3 the customer's discount rate rather than -- or  
4 opportunity cost of funds as opposed to a proxy, for  
5 example, Cascade.

6 The other items in the list are just a list  
7 of documentation that we consider -- that have been  
8 supplied occasionally in the past but not uniformly  
9 and we feel that -- and the company agrees that  
10 supplying that as a routine matter is not an onerous  
11 burden to the company.

12 Q. As I recall some of the specific special  
13 contract cases that we just got over the last year or  
14 so, staff has raised an issue that the company was not  
15 necessarily driving a hard enough bargain, I guess, in  
16 generic terms. Do the -- was that discussed as a part  
17 of your negotiations and do the criteria outlined  
18 address that adequately?

19 A. (By Mr. McIntosh) Yes. I think that's  
20 true. The item 6 speaks to that point. In other  
21 words, it's the other fellow's costs that are at  
22 issue, not your own. It is not how cheaply you can  
23 serve but how expensive it is to bypass you that  
24 counts. I think the parties understand this now, and  
25 in discussion it was made clear that we mutually agree

1 that the more competitive attitude has to be made  
2 evident in this work.

3 Q. Well, item 6 is a bullet and that's spelled  
4 out somewhere in detail, or how do we have some  
5 assurance that that understanding is there?

6 A. (By Mr. McIntosh) The phrase for the  
7 customer is what I am getting to.

8 Q. Okay.

9 COMMISSIONER GILLIS: That's all I have.

10 EXAMINATION

11 BY CHAIRMAN NELSON:

12 Q. Can you give me the -- paragraph 7 refers  
13 to a revenue credit for the core customers. Can you  
14 tell me how that amount was derived or is there a  
15 place in the record we can look and see how it was  
16 derived?

17 CHAIRMAN NELSON: Is that 57 too?

18 A. (By Mr. Parvinen) This would be one area  
19 that I would classify as a black box area. This was  
20 an amount that all the parties agreed to would suffice  
21 as an adjustment to alleviate the excess capacity  
22 concern that the parties had, and this is an amount  
23 that would be amortized over the four-year period.

24 Q. Well, then let me ask the question with  
25 respect to paragraph 9. Does this mean that Cascade

1 will not include additional pipeline capacity in PGAs  
2 for three years unless they show that such amounts are  
3 prudent, or does it mean that Cascade currently is not  
4 including all its firm capacity in the PGA filing and  
5 may be allowed to petition for a greater portion of  
6 its currently held capacity and provide proof of  
7 prudence and subsequent circumstance?.

8 A. (By Mr. Parvinen) The company will not  
9 acquire any additional TF capacity unless it can show  
10 that it was prudent to do so. The company does have a  
11 certain amount of TF capacity that is not assigned to  
12 core customers. It is held for the use of the noncore  
13 customers under contracts, varying length contracts.  
14 When those contracts come due the company has the  
15 option to either re-assign that capacity to other  
16 noncore customers or to bring it into the core use  
17 through the PGA at which point the company would have  
18 to show that it is prudent to do that, as it is also  
19 stated in item 13 where it mentions that future PGAs,  
20 all the parties reserve the right to question, among  
21 other things, the amount of gas capacity. So if the  
22 company wished to bring that additional capacity,  
23 assign it to the core they would have to be sure that  
24 it was prudent to do so.

25 Q. Mr. Stoltz, do you have anything else to

1 say about any of that?

2 A. (By Mr. Stoltz) No. I think the  
3 representation has been fairly accurate. I do not  
4 know of anything to add to it. The point in special  
5 contracts, the company is certainly appreciative of  
6 having a checklist that we can now go through as we  
7 negotiate these contracts with a little more assurance  
8 that we're going down the right path. We were  
9 signing special contracts more or less in the dark  
10 only having staff memorandums, et cetera, to go by to  
11 be sure that we were on the right track. Now that we  
12 have this document we know how to proceed.

13

14

EXAMINATION

15 BY COMMISSIONER HEMSTAD:

16 Q. Pursuing the chairman's first question on  
17 paragraph 7. I take it then that this revenue credit,  
18 the rationale for it is that it relates to some  
19 combination of the contested issue of excess capacity.  
20 Is that a fair statement?

21 A. (By Mr. Parvinen) Well, it's an amount that  
22 was incorporated into the overall settlement so I  
23 hesitate to get too much into the detail as to get  
24 into the varying opinions of --

25 Q. But I'm trying to understand. There must

1 be some rationale for the credit. I assume it wasn't  
2 just picked out of the air. It has to represent some  
3 kind of an accommodation of some kind of dispute or  
4 disagreement.?

5 A. (By Mr. Stoltz) The credit was offered to  
6 staff as a settlement item because of the staff's  
7 belief that the company had not done enough to  
8 mitigate its excess capacity situation. It was  
9 offered as a black box settlement because we knew  
10 staff had a differing opinion from the company's on  
11 how much we had done to mitigate the cost. The  
12 company felt that it had prudently exercised the  
13 mitigations that were available, staff had a different  
14 opinion. To settle the issue we did throw in a  
15 million dollars amount.

16 Q. And that was going to be my next question.  
17 The total is approximately a million dollars.

18 A. (By Mr. Stoltz) The initial amount is a  
19 million. It carries interest and that's why it would  
20 accumulate about a million-three over the four-year  
21 period.

22 Q. Then with regard to paragraph 8. What is  
23 again the rationale for the \$13 million in the  
24 remaining deferred account balance of approximately \$7  
25 million to be passed back to the core ratepayers? Can

1 you give me some background on what that is or what it  
2 represents?

3 A. (By Mr. Stoltz) Yes. Currently the company  
4 has about \$18 million of gas cost savings and other  
5 deferred accounts. To be able to stay out of the rate  
6 case for three years we needed some help to recognize  
7 the fact that we had to do some system reinforcements  
8 and refurbishments over that time. Normally we would  
9 have to file a rate case to recover. The parties  
10 agreed in this settlement that we would hold back \$13  
11 million of the \$18 million for the company's use which  
12 gives us some cheaper financing for those facilities,  
13 even though this account is interest bearing.

14 Q. So these dollars will be used for system  
15 improvements not for --

16 A. (By Mr. Stoltz) They would be a source of  
17 financing for the company and in the interim for those  
18 system improvements.

19 COMMISSIONER HEMSTAD: That's all I have.

20 COMMISSIONER GILLIS: No more.

21

22

EXAMINATION

23 BY CHAIRMAN NELSON:

24 Q. With respect to the reconnections after  
25 normal business hours, when is the next labor

1 negotiation for the company?

2 A. (By Mr. Stoltz) We just concluded  
3 negotiations this last April. I'm not sure there's an  
4 opener for next year, although we are in communication  
5 with our union constantly, and we plan to bring this  
6 up at the first opportune time. It was a three-year  
7 contract that we negotiated, and I don't recall if  
8 there were any labor openings or not, but we certainly  
9 will be in contact with them. What we're going to be  
10 asking them is to allow us in those districts that we  
11 have more than one service mechanic to have a swing  
12 shift where -- or staggered shifts, I guess you would  
13 call them, where one of the service mechanics would  
14 start at 10 and get off at 7 or something to that  
15 effect so that the families having both occupants work  
16 would have an opportunity to have a reconnect without  
17 incurring the off-hour charge.

18 Q. I'd just encourage the company in that  
19 direction. We're hearing from other utilities that  
20 time is the most important and scarce resource for a  
21 lot of modern families and so having a utility open  
22 for business more than just banking hours, you know,  
23 banks are open more than just what we used to think of  
24 banking hours. Encourage that kind of process. I  
25 think it will be good for the company and its

1 customers.

2 Then just for everyone, or the lawyers, you  
3 engaged in mutual gains with this rate case  
4 settlement, mutual gains negotiation style. Is there  
5 any report card on how that worked?

6 MR. CEDARBAUM: Do we have to say now?

7 CHAIRMAN NELSON: Or could you suggest  
8 improvement in how the Commission tries to encourage  
9 mutual gains negotiations? Anybody have a reaction at  
10 this point? You can wait until a few weeks are over.  
11 I suspect we always like to hear about how these  
12 processes work.

13 MR. MANIFOLD: I was going to suggest that  
14 the parties sit down or teleconference at some point  
15 after this is concluded and exchange some thoughts  
16 about that, perhaps with the Commission representative  
17 present to take that information back.

18 MR. CEDARBAUM: I think that's a good idea  
19 if the Commission is interested in that kind of  
20 information because I think there are differing  
21 opinions on how that structure worked.

22 MR. MANIFOLD: We didn't come to a  
23 settlement on the subject of whether or not  
24 settlements in this matter were the best thing to do.

25 CHAIRMAN NELSON: Well, with that ambiguous



1 response, we would like to know, I think. And we do  
2 try to encourage informal dispute resolution rather  
3 than litigation, and I know it's taken a while, taken  
4 a long time, maybe just as long as litigation would  
5 have taken, but perhaps upon reflection we can all  
6 just talk about that in the not too distant future.

7 MR. CEDARBAUM: If there are no more  
8 questions, one clarification to I think a question  
9 from Commissioner Hemstad about paragraph 8. Just so  
10 there's no misunderstanding that \$13 million is going  
11 to be amortized back to ratepayers with interest at  
12 short-term rates after four years. That money will  
13 not go to the company never to be returned to  
14 customers. I didn't know if that was what your  
15 impression was or not.

16 COMMISSIONER HEMSTAD: I understood from  
17 the answer that those dollars would be used for system  
18 improvements. Is that --

19 MR. CEDARBAUM: Mr. Stoltz can indicate the  
20 mechanics of how it works.

21 MR. STOLTZ: It would only be used in  
22 short-term financing. After four years we would begin  
23 to amortize that 13 million plus the interest that it  
24 earned in that four years back to the customers. So  
25 it's only a source of funds for that four-year period.

1 COMMISSIONER HEMSTAD: I see.

2 MR. MANIFOLD: So would it be accurate to  
3 say that that's a loan from customers to the company  
4 for four years and it will be repaid starting in four  
5 years with interest?

6 MR. STOLTZ: Yes.

7 COMMISSIONER HEMSTAD: Thank you.

8 JUDGE STAPLETON: Commissioners, thank  
9 you. Did any of the counsel wish to address any  
10 questions to the witness panel by way of follow-up or  
11 conclusion?

12 All right. Thank you all very much. The  
13 Commission will take this settlement under advisement  
14 and issue a written order.

15 (Hearing adjourned at 2:15 p.m.)

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As Court Reporter, I hereby certify that  
the foregoing transcript is true and  
accurate and contains all the facts, matters,  
and proceedings of the hearing held  
on: *July 16, '96*

*Cheryl Macdonald*  
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