

1 BEFORE THE WASHINGTON UTILITIES AND
2 TRANSPORTATION COMMISSION

3 WASHINGTON UTILITIES AND)
4 TRANSPORTATION COMMISSION,)
5 Complainant,) Docket Nos. UE-011570
6) and UG-011571
7 v.) (consolidated)
8 PUGET SOUND ENERGY, INC.,)
9) Volume XIX
10 Respondent.) Pages 2244 to 2282
11 _____)

12 A Public Hearing in the above matter was held
13 on August 27, 2002, from 6:00 p.m. to 6:50 p.m. at 1300
14 South Evergreen Park Drive Southwest, Room 206, Olympia,
15 Washington, before Administrative Law Judge THEODORA
16 MACE and Chairwoman MARILYN SHOWALTER and Commissioner
17 RICHARD HEMSTAD and Commissioner PATRICK J. OSHIE.

18 The parties were present as follows:
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2246

1

2

3

INDEX OF EXAMINATION

4

5

WITNESS :

PAGE :

6

(PANEL)

2253

7

JIM LAZAR

8

KARL KARZMAR

9

RONALD AMEN

10

MERTON LOTT

11

MICHAEL PARVINEN

12

DONALD SCHOENBECK

13

14

15

PUBLIC HEARING

16

DOUGLAS DEFOREST

2271

17

18

19

20

21

22

23

24

25

2247

1 -----
2 INDEX OF EXHIBITS
3 -----

4

5	EXHIBIT:	MARKED:	ADMITTED:
6	603-T		2254
7	604		2254
8	605-T		2254
9	606		2252
10	607		2254
11	608		2254
12	609		2282

13

14

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

2 JUDGE MACE: Let's be on the record in Docket
3 Numbers UE-011570 and UG-011571, the case of the
4 Washington Utilities and Transportation Commission
5 against Puget Sound Energy, a combined electric and
6 natural gas rate case.

7 I would like to introduce now Chairwoman
8 Marilyn Showalter, who will commence the proceeding.

9 CHAIRWOMAN SHOWALTER: Good evening, I'm just
10 going to give some opening comments simply because this
11 is not only part of our regular judicial proceedings but
12 also a public meeting on the proposed settlement. And
13 the parties involved I think know the process well; the
14 public members may not.

15 So there are two segments to this hearing.
16 One is going to be a presentation of the settlement
17 proposed by the parties to us, and that is for your
18 benefit as well. And when we finish with that and the
19 Commissioners have asked the questions of the parties
20 that they want to, we will then make a transition to the
21 public comment part of the hearing. And at that point,
22 you will hear a little bit more about the process,
23 including some comments from Public Counsel.

24 So I think I'm ready to turn this back to our
25 Administrative Law Judge to conduct the hearing on the

2249

1 settlement proposal.

2 JUDGE MACE: Thank you.

3 My name is Theodora Mace, and I am the
4 presiding Administrative Law Judge in this portion of
5 the proceeding. I would like now to take appearances
6 from the parties to the proceeding, beginning with the
7 company.

8 MS. DODGE: Thank you, Your Honor, Kirstin
9 Dodge with Perkins Coie for Puget Sound Energy.

10 MR. FINKLEA: Edward Finklea on behalf of the
11 Northwest Industrial Gas Users of the law firm Energy
12 Advocates, LLP.

13 MS. THOMAS: Elizabeth Thomas with Preston
14 Gates & Ellis representing Cost Management Services,
15 Inc.

16 MR. FFITCH: Simon ffitch with the office of
17 Public Counsel.

18 MR. CEDARBAUM: Robert Cedarbaum for
19 Commission Staff.

20 CHAIRWOMAN SHOWALTER: I also should have
21 said again for the benefit of the members of the public
22 who may not know my colleagues, with me are Commissioner
23 Dick Hemstad and Commissioner Pat Oshie, and the three
24 of us make up the Washington Utilities and
25 Transportation Commission.

2250

1 JUDGE MACE: If there is anyone here who
2 intends to participate in the public comment portion of
3 the proceeding, please make sure that you have signed in
4 at the back with our Commission Staff member Penny
5 Hansen sitting in the back row there, and you will be
6 called on later on as we finish up after we finish up
7 the evidentiary portion of the proceeding.

8 The first thing I would like to begin with is
9 the statement or description of the settlement
10 agreement. I believe, Mr. ffitch, that you are going to
11 make that presentation. We have premarked the
12 settlement Exhibit Number 606. Go ahead, Mr. ffitch.

13 MR. FFITCH: Thank you, Your Honor. Because
14 we are going to be hearing from a panel with regard to
15 the settlement, I am going to be quite brief in general.
16 As the Bench has stated, this is the hearing for the
17 Commission to review the settlement of Puget Sound
18 Energy's gas rate case. This is the final component of
19 the general rate case that was filed late last year.
20 The electric rate portions of the case have already been
21 settled, and the Commission has approved that settlement
22 in an earlier order.

23 This settlement is an agreement between all
24 of the parties to the gas rate case, the Commission's
25 own Staff, Puget Sound Energy, Public Counsel on behalf

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1 of residential and small business customers, the
2 Northwest Industrial Gas Users representing large
3 customers, and with regard to rate spread and rate
4 design Seattle Steam and Cost Management Services.

5 Puget Sound's original request in this case
6 was to increase gas rates by approximately \$82 Million
7 per year, and that proposal was to allocate that amount
8 entirely to residential customers. Under the
9 settlement, the rate increase has been reduced to \$35.6
10 Million per year, and in addition all customer classes
11 will pay a share of the increased revenue requirement.
12 This now represents under the settlement an overall
13 increase of 5.77% in gas rates for residential
14 customers, that works out to 6.6% and for small
15 commercial customers, an increase of 3.4%. If approved
16 by this Commission, the settlement rates would go into
17 effect on September 1st.

18 Puget Sound Energy gas rates are also
19 affected by what's known as a gas tracker which passes
20 through changes in natural gas costs directly to
21 customers. Puget Sound Energy will be adjusting its gas
22 tracker this fall and will pass through some reductions
23 in gas rates. So as a practical matter, some
24 residential or many residential and small business
25 customers may see a reduction in their bill although the

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1 settlement does actually approve an increase in gas
2 rates for the portion addressed in the gas settlement.

3 That concludes my brief summary. Thank you,
4 Your Honor.

5 JUDGE MACE: Thank you.

6 I would like to deal with the admission of
7 the settlement agreement. The parties have stipulated
8 to the admission of this exhibit; is that correct,
9 Ms. Dodge?

10 MS. DODGE: Yes.

11 JUDGE MACE: Is there any objection to the
12 admission of Exhibit 606?

13 I will admit it at this time.

14 I understand that we have several witnesses
15 who will be answering questions about the settlement
16 agreement, and I think this might be the time for them
17 to take their places so that they can be sworn in and we
18 can commence with that portion of the proceeding.

19 Ms. Dodge.

20 MS. DODGE: Your Honor, shall we have all the
21 witnesses at once for revenue requirement and the others
22 as well?

23 JUDGE MACE: I think that would be just as
24 well. The settlement agreement is not voluminous in
25 nature, and I think if we could cover everything at

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1 once, unless the Commissioners have some other
2 preference, I think we will have all the witnesses at
3 once.

4 You sat down prematurely, I need to ask you
5 all to stand and raise your right hand.

6

7 Whereupon,

8 JIM LAZAR, KARL KARZMAR, RONALD AMEN, MERTON
9 LOTT, MICHAEL PARVINEN, and DONALD SCHOENBECK, having
10 been first duly sworn, were called as witnesses herein
11 and were examined and testified as follows:

12

13 JUDGE MACE: Please be seated.

14 I would ask you to introduce yourselves for
15 the record at this time. Please begin here.

16 MR. LAZAR: I'm Jim Lazar, consultant to
17 Public Counsel.

18 MR. KARZMAR: I'm Karl Karzmar, Manager of
19 Revenue Requirements, Puget Sound Energy.

20 MR. AMEN: My name is Ronald Amen, I'm a
21 consultant for Puget Sound Energy.

22 MR. LOTT: My name is Merton Lott with the
23 energy staff of the Commission.

24 MR. PARVINEN: I'm Michael Parvinen with the
25 energy staff of the Commission Staff.

1 MR. SCHOENBECK: I'm Donald Schoenbeck, a
2 consultant here on behalf of the Northwest Industrial
3 Gas Users.

4 JUDGE MACE: Thank you. My understanding is
5 that these witnesses have prefiled exhibits that have
6 been previously marked as 603-T, the joint testimony of
7 Mr. Karzmar, Mr. Parvinen, and Mr. Lazar, regarding the
8 revenue requirement settlement; 604, which is a joint
9 exhibit of those witnesses with regard to the revenue
10 requirement; and 605, which is the joint, 605-T, the
11 joint testimony of Mr. Amen, Mr. Lott, Mr. Lazar, and
12 Mr. Schoenbeck with regard to the gas rate spread and
13 rate design settlement. I understand that these
14 exhibits are going to be offered in evidence; is that
15 correct, Ms. Dodge?

16 MS. DODGE: That's correct.

17 JUDGE MACE: Is there any objection to the
18 admission of these exhibits?

19 MR. CEDARBAUM: No, Your Honor, I would just
20 add to the offer by stipulation Exhibits 607 and 608,
21 which I placed on the Bench during the break.

22 JUDGE MACE: Thank you. And Exhibits 607 and
23 608 are the qualifications respectively of Mr. Karzmar
24 and Mr. Amen. I will admit those.

25 I think we are ready for questions from the

2255

1 Commissioners at this point.

2 CHAIRWOMAN SHOWALTER: I want to hear a
3 little bit from the panel.

4 JUDGE MACE: Sure, very well.

5 CHAIRWOMAN SHOWALTER: I think if one of you
6 would like to lead off with a basic statement of what
7 this does, that would be helpful.

8 JUDGE MACE: We might want to start with the
9 revenue requirement.

10 MR. KARZMAR: My name is Karl Karzmar. What
11 this does is it reaches a settlement revenue requirement
12 increase or a rate increase.

13 JUDGE MACE: Mr. Karzmar, I'm not sure that
14 that's on, that microphone is on. Maybe you would want
15 to use that one.

16 Thank you.

17 MR. KARZMAR: What the settlement does is
18 reach a conclusion that the total rate increase of the
19 5.77% that Mr. ffitich referred to a minute ago increases
20 gas rates by \$35,584,000, which is an amount that the
21 company and parties have decided would be sufficient.

22 CHAIRWOMAN SHOWALTER: I think it would be
23 helpful if you want to give just I think the company's
24 overview, very short, of why you support the settlement
25 and we hear somewhat similar comments. We want to get

2256

1 something in the record to support your submission of
2 the settlement agreement.

3 MR. KARZMAR: The company's revenue
4 requirement was basically adjusted from what was
5 originally filed by a number of items that were agreed
6 to as part of the electric and common collaboratives,
7 which included removal of certain PEM costs from regular
8 costs and time of use costs and real time pricing costs
9 and expenses as well to the extent that those programs
10 were going away. And so as a result of that, of course,
11 the money wasn't required for those operating expenses.
12 Some of those expenses were moved to -- that are still
13 going to be used were moved to be covered in a rider, so
14 they're not part of this settlement. And the other
15 adjustments, most of them had to do with true ups of
16 what was actual versus what was estimated. It's a
17 pretty straightforward set of adjustments that was made
18 to come to the final revenue requirement determination,
19 including an adjustment that was agreed upon by all
20 parties to bring the settlement to conclusion.

21 JUDGE MACE: And these things that you have
22 just spoken of, they're represented in the joint
23 Exhibits 603-T and 604; is that right?

24 MR. KARZMAR: That's correct.

25 JUDGE MACE: And the company adopts the

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1 information that's in those exhibits?

2 MR. KARZMAR: Correct.

3 COMMISSIONER HEMSTAD: If I could ask a
4 question about the personal energy management costs, I'm
5 not grasping the connection of that program to the gas
6 side of the operations.

7 MR. KARZMAR: All of the personal energy
8 management costs have been removed as a result of --

9 COMMISSIONER HEMSTAD: And what are those
10 costs? What did those costs include?

11 MR. KARZMAR: The costs would have included
12 reading the meters more frequently, using the AMR
13 system, and those types of costs, additional plant that
14 would be required. So there are no expenses left in the
15 gas case for personal energy management at the operating
16 expense level.

17 CHAIRWOMAN SHOWALTER: Okay. But then maybe
18 we're looking at -- it says the supporting memo states
19 that removing PEM costs increases the revenue
20 requirement by \$5.3 Million; is that correct? And I'm
21 looking at page 4, line 15.

22 MR. KARZMAR: Well, no, there's a number --
23 that's what it says, correct, but there are a number of
24 adjustments related to PEM and if -- and that was just
25 one of them, and so there was that one adjustment which

2258

1 increased the revenue requirement by \$5,251,000. Then
2 there was -- and there was an adjustment that was made
3 prior to that to -- there were two adjustments that were
4 made prior to that in reaching the stipulated amount
5 that went the other way, and so this is an offset to
6 those.

7 CHAIRWOMAN SHOWALTER: I see.

8 MR. KARZMAR: And when you add all the
9 separate adjustments up for PEM, you get zero.

10 CHAIRWOMAN SHOWALTER: All right. But is the
11 -- I guess the question I have is, is removing the PEM,
12 does removing the PEM cost increase the revenue
13 requirement or decrease it?

14 MR. KARZMAR: Removing the PEM costs, all of
15 them that are talked about in here including those that
16 caused revenue requirements to go up, reduce the revenue
17 requirement in total.

18 CHAIRWOMAN SHOWALTER: Okay. I think it's
19 just a question of the offsets you're using.

20 MR. KARZMAR: They were going both ways, and
21 this one happened to be going up, but the others went
22 down.

23 CHAIRWOMAN SHOWALTER: All right.

24 MR. KARZMAR: And so at the end of the day it
25 reduced the revenue requirement.

2259

1 CHAIRWOMAN SHOWALTER: I have another. I'm
2 just going to jump around then. I think if somebody
3 else wants to answer the question, that's fine too. I
4 believe anyway that Schedules 41 and 87 in the agreement
5 have a below average increase. Now, all right, that's
6 my first question, Mr. Lott, maybe you can answer that
7 question and point me to the place to look.

8 MR. LOTT: No, I don't think that would be
9 correct. You said 41 and 87. I think that you will
10 find out that 87 got the highest percentage increase of
11 margin. Now they do get a below average -- what might
12 look like a below average increase when you take gas
13 costs and put gas costs in there. A Schedule 87
14 customer like Seattle Steam is extremely large, pays a
15 small amount of margin, and pays an awful lot of gas
16 costs. So when you average in the gas costs with
17 Schedule 87 customers, you know, when you look at their
18 total bill, they get a 4% increase, 4% or 5% increase.
19 I think Ron is actually looking at the page -- Mr. Amen
20 here is looking at the page that would show that number.
21 But the reason why it looks like they had a low
22 percentage increase is because their gas cost isn't
23 going up in this proceeding. But when you look at the
24 actual -- the increase for the costs that we're dealing
25 with in this proceeding, Schedule 87 got, what was it,

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1 48%?

2 MR. AMEN: 44%.

3 MR. LOTT: 44% increase, so that actually
4 Schedule 87 took the highest increase under this general
5 rate case for the margin costs associated with it. Just
6 so you understand, when you go to a PGA, if you take the
7 last two PGA's where -- or the PGA's a couple of years
8 ago when the company was increasing their gas costs, it
9 was Schedule 87 that got the largest increases
10 percentwise in those proceedings. While the
11 residential may have gotten a 20% increase, the overall
12 rate increase for a Schedule 87 customer at that time
13 might have been 30% to 40% because of the huge
14 percentage of their costs that were gas costs. Of
15 course, when the gas costs go down, they also get the
16 largest percentage reduction in rates. And that's, you
17 know, tomorrow morning we will be making a presentation
18 on that very issue. So that's -- but that's exactly --
19 now on Schedule 41 on margin, Schedule 41 actually got
20 slightly above average because they got the residual
21 average increase, so they got the margin increase the
22 same as the residential customers, the same as the RENS.
23 COMMISSIONER HEMSTAD: And who is included in
24 the 41?
25 MR. LOTT: 41 are the largest firm, all firm

2261

1 customers, so you take the large -- and the high,
2 supposedly high load factor customers. So these are the
3 largest firm customers who don't take interruptable
4 service. Interruptable schedules also can firm up a
5 portion of their schedule, but the 41's are large
6 customers who have high load factor generally, who are
7 supposed to have high load factors, and therefore again
8 they have a lot more gas costs in their rates. And
9 therefore when you look at the overall rate for Schedule
10 41, it won't look like it increased as much as the
11 residential rate, but the cost that was being increased
12 in this proceeding, they got the same increase on
13 average as the residential class got, which again is
14 just slightly over the average because they got the
15 residual. They got the residual increase which was
16 slightly above average.

17 MR. LAZAR: It may be most useful to look at
18 Appendix 2 of the rate design appendix.

19 JUDGE MACE: Would you state your name.

20 MR. LAZAR: Jim Lazar for Public Counsel.
21 Appendix 2 -- Appendix 1 is several pages, three pages,
22 and then Appendix 2 is a one page exhibit to the -- then
23 the rate spread rate design, Appendix 2, to the
24 stipulation. Maybe if I pass my copy to the Bench so
25 you can find something that looks right, it will speed

2262

1 the process along here.

2 CHAIRWOMAN SHOWALTER: Okay, well, I mean I
3 think I understood Mr. Lott's answer. I don't know if
4 the other commissioners want more explanation.

5 MR. LAZAR: Column K shows the increase in
6 cents per kilowatt hours, cents per therm for each
7 class, and that shows that the residential class got by
8 far the largest increase, and the other classes got
9 different increases. There's also a column that shows
10 the percentage of margin increase for each class. And
11 that exhibit actually, I think, lays out the relative
12 impacts on each class most clearly.

13 CHAIRWOMAN SHOWALTER: Another question I
14 have is that you got the concept of cost that all therms
15 bear and then a gas cost rate, and then in addition
16 there's a fixed charge or distribution charge. Am I
17 correct on that? I mean are we -- there are now going
18 to be three components to the rate?

19 MR. LOTT: Your rate would include a basic
20 charge for residential and a number of other small
21 schedules, and there would be a charge for delivery and
22 another commodity charge for the gas costs, but those
23 would be -- that would be just a commodity charge. For
24 certain classes, which would include all the large
25 classes, Schedule 41 and all of the interruptable

2263

1 schedules, there's also a demand charge.

2 CHAIRWOMAN SHOWALTER: Okay.

3 MR. LOTT: So there's basically the three
4 ways that rates would be going up. In the large
5 customers, there's a number of other possibilities.

6 CHAIRWOMAN SHOWALTER: My question actually
7 is, what is going to show up on the bill? In other
8 words, will residential customers see these? How many
9 components will the residential customers see on their
10 bill?

11 MR. KARZMAR: I believe what the residential
12 customer will see will be the monthly customer charge,
13 the delivery service charge, the other volume, metric,
14 non-gas component of the rate schedule, and then the gas
15 cost component.

16 MR. AMEN: If from time to time there is a
17 surcharge or a refund component to the gas cost as a
18 result of the reconciliation of gas cost, that piece
19 also might be itemized on the bill itself.

20 CHAIRWOMAN SHOWALTER: All right. But for
21 the residential customer, there are going to be three
22 basic components to the bill?

23 MR. AMEN: That's correct.

24 COMMISSIONER HEMSTAD: Do you think the
25 typical residential customer will understand what those

2264

1 components are?

2 MR. AMEN: Well, I think customers are
3 becoming more and more accustomed to differentiating
4 between the utility service and the cost of the
5 commodity itself. And especially as commodity prices
6 have fluctuated, as you well know, sometimes very
7 dramatically, it's important for the customer to
8 understand what portion of their bill is actually for
9 the gas commodity itself and what portion relates to the
10 utility service that they're receiving.

11 CHAIRWOMAN SHOWALTER: I don't know that you
12 answered Commissioner Hemstad's question, which is it
13 may be important that they understand, but will they
14 understand? They are certainly getting used to longer
15 utility bills in the different utility sectors.

16 MR. AMEN: My experience has been that it's
17 been more common for these kinds of additional detail to
18 be presented on utility bills and that customers are
19 becoming more accustomed to seeing them.

20 COMMISSIONER HEMSTAD: I suspect the company
21 will get a certain number of inquiries saying, well, are
22 these new charges that I didn't have before.

23 JUDGE MACE: Does the company intend to do
24 any education about this, any kind of explanation of the
25 billing if it's changed?

2265

1 MR. AMEN: Well, I understand as far as the
2 bill itself that the commodity has been separated on the
3 bill now for almost two years, so the customers have
4 seen this three part presentation.

5 CHAIRWOMAN SHOWALTER: Well, haven't they
6 seen a two part? Maybe I'm wrong, I thought there were
7 two parts now, the gas part and the rest. And now we're
8 going to have the rest is divided into two parts, right?

9 MR. LOTT: Madam Chairwoman, I looked at --
10 now I just became a gas customer again, but when I saw
11 somebody else's bill, they do show the customer charge
12 separate, and then they did show the gas cost separate,
13 which I was -- somebody showed me this, I think it was a
14 complaint that I was getting, and I was saying, well,
15 that's not in the tariff, you know. That was the first
16 question I had, that's not in the tariff. And then I
17 went out and added up the two pieces, and so they had
18 the customer charge, and then they had two commodity
19 rates, and, you know, they did add up to what was in the
20 tariff. So I saw, you know, some customers complained,
21 didn't understand what this charge was for, and it
22 wasn't directly in the tariff, but the company had it
23 subdivided by the gas costs similar to what Mr. Amen was
24 proposing to actually do in their tariffs in this
25 proceeding and we're recommending to do in the tariffs

2266

1 in this proceeding.

2 CHAIRWOMAN SHOWALTER: So codifying current
3 practice?

4 MR. AMEN: Yes, that was one of the problems
5 in interpretation of the tariff was that you had numbers
6 essentially that didn't match what a customer might see
7 on their bill.

8 CHAIRWOMAN SHOWALTER: Or the tariff
9 apparently?

10 MR. AMEN: Because the relationship between
11 the bundled rate in the tariff itself and then a gas
12 cost component and perhaps even a surcharge or refund
13 factor that all factored into the total rate.

14 CHAIRWOMAN SHOWALTER: I don't have any more
15 questions.

16 JUDGE MACE: I would just like to turn
17 briefly to the two Staff witnesses. You have both
18 co-sponsored these exhibits, and you adopt them as your
19 testimony here today; is that right, Mr. Lott and
20 Mr. Parvinen, is that right?

21 MR. LOTT: I am sponsoring or joint
22 sponsoring, what is it, well, 606, which is the
23 settlement, but 605-T.

24 JUDGE MACE: And Mr. Parvinen?

25 MR. PARVINEN: Yes on Exhibits 603-T and

2267

1 Exhibit 604.

2 JUDGE MACE: And would it be your testimony
3 that adoption of the settlement agreement is in the
4 public interest?

5 MR. LOTT: Yes.

6 MR. PARVINEN: Yes.

7 JUDGE MACE: Thank you.

8 COMMISSIONER HEMSTAD: Industrial Customers,
9 are you generally, well, I take it you're generally
10 satisfied with the final settlement since you're a
11 signer to it.

12 MR. SCHOENBECK: Yes, we are. We're actually
13 very satisfied. I think there's a critical element of
14 this settlement that was extremely important to us, and
15 that was that equalization of the delivery cost between
16 Schedules 87 and 57.

17 COMMISSIONER HEMSTAD: And what are they?

18 MR. SCHOENBECK: Schedule 87 is for large
19 sales customers. Schedule 57 is for transportation
20 customers. Under the current rates, if you -- Schedule
21 57 is a six block declining rate structure. The last
22 three blocks of Schedule 57 are for the exact same
23 volumes, apply the exact same volumes as Schedule 57
24 sales customers. Under the existing rate structure,
25 there is a tilt or a bias in favor of sales customers.

2268

1 On the last block, the over 500,000 therm per month
2 block, the sales charge was less than half a cent,
3 whereas for a transportation customer, he was paying
4 almost 2 cents for each therm that went through that
5 block. And there was similar skewing an all the blocks
6 between sales and transportation service.

7 Under the settlement, we now have precisely
8 the same down to the fifth decimal point for the
9 delivery charge between sales and transportation
10 service. So the only difference then becomes the
11 incremental cost associated with the balancing charge
12 and the incremental cost associated with the customer
13 charge. So we're very pleased with this rate design in
14 this settlement.

15 JUDGE MACE: Very well, thank you very much,
16 you're excused.

17 Is there anything further with regard to the
18 evidentiary portion of this proceeding?

19 MR. FFITCH: The only other matter, Your
20 Honor, would be the public testimony exhibit that we
21 would intend to offer at the conclusion of the public
22 comment hearing.

23 JUDGE MACE: Very well, we will wait until
24 we're done for that particular exhibit.

25 We have just concluded the evidentiary

2269

1 portion of the proceeding where we heard witnesses who
2 have spoken about the details of the settlement
3 agreement so that the Commission can better understand
4 it, and now we're going to turn to the public hearing
5 portion of the proceeding, and this is that portion of
6 the proceeding where members of the public can speak to
7 the Commission about their views of the settlement
8 agreement. And you've already heard described the terms
9 of the settlement agreement that has been filed by the
10 parties to this proceeding, and you have heard the
11 answers to the questions the Commissioners have asked.
12 A summary of the agreement is available at the back of
13 the room. Staff member Hansen back there has a copy of
14 the summary if you would like to review it if you
15 haven't already.

16 And so at this point, we will now begin to
17 take public comment. I'm going to ask Mr. ffitch to
18 call on speakers as they have signed up, and he, I
19 believe, has the sign in sheet, after I swear all of you
20 in collectively. And I'm going to ask you to speak
21 directly to the Commissioners. This is a time for you
22 to make your statement. It's not a time for questions,
23 but rather just to state your views of the settlement
24 agreement. I'm going to ask you to speak clearly and
25 slowly, try to relax, and I'm going to time you and ask

2270

1 you to hold your comments to approximately three
2 minutes. If you have any questions after the public
3 hearing, there are Commission Staff members here, and I
4 believe there are company representatives here who might
5 answer your questions.

6 Is that true, Ms. Dodge?

7 MS. DODGE: Yes, there are.

8 JUDGE MACE: And who is here from the company
9 that might answer questions from the public, if you
10 would introduce them briefly?

11 MS. DODGE: Kimberly Harris, Vice President
12 Regulatory Affairs. She can designate others who are
13 here as well depending on the question.

14 JUDGE MACE: Thank you.

15 Mr. ffitch.

16 MR. FFITCH: Thank you, Your Honor.

17 JUDGE MACE: Go ahead, I was going to swear
18 the witnesses in.

19 MR. FFITCH: Sorry.

20 JUDGE MACE: Who are the individuals from the
21 public who will be speaking today?

22 If you would stand and raise your right hand.

23

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2271

1 Whereupon,

2 DOUGLAS DEFOREST,

3 having been first duly sworn, was called as a witness

4 herein and was examined and testified as follows:

5

6 JUDGE MACE: All right, please be seated.

7 MR. FFITCH: Thank you, Your Honor. Just

8 briefly I will introduce myself. I'm Simon ffitich,

9 Assistant Attorney General. I'm with the Public Counsel

10 section of the Attorney General's Office, and we are the

11 advocate for customers of Puget Sound Energy, in

12 particular residential and small business customers.

13 At this point, I will turn to the sign up

14 sheet, and we have just one member of the public here to

15 testify, Your Honor, and at this time I will call Doug

16 DeForest to come forward to the podium.

17 Good evening, Mr. DeForest. I will ask you

18 to state your name and spell your last name for the

19 court reporter.

20 MR. DEFOREST: Thank you. Madam Chair,

21 Members of the Commission, my name is Doug DeForest.

22 JUDGE MACE: Actually, Mr. DeForest, I'm

23 sorry to interrupt you, but I think you need to use that

24 microphone, because I'm not sure that the one at the

25 podium is turned on.

1 MR. DEFOREST: Thank you, my name is Douglas
2 DeForest. My last name is spelled capital D, small e,
3 capital F, O-R-E-S-T. I am the Executive Officer of the
4 Olympia Master Builders. I'm speaking on behalf of that
5 organization, and I'm here today for two purposes, and
6 they relate to something that you really haven't talked
7 about at all.

8 It's been interesting to me to sit in on
9 these hearings and hear all the testimony about the
10 rates as far as they affect the public and no mention at
11 all by Mr. ffitch or by anybody else of the 15%
12 surcharge that is intended to be an increase in what we
13 would call the hookup fees for gas lines. I'm here to
14 oppose that 15% temporary increase. I have heard no
15 evidence to suggest that.

16 I think you should know this, that following
17 your electrical rate decisions, we were notified by the
18 company actually the day after that rate increase was
19 put into effect that the company at that time agreed
20 that perhaps those proceedings had gone faster than they
21 should have gone and that we were not consulted. They
22 have agreed to withdraw the request for whatever changes
23 they have in mind for a permanent increase and to meet
24 with our industry to discuss those changes, and I expect
25 we will do that at a later date.

1 However, I see no supporting evidence to
2 support a 15% increase, and I say why not 5, why not 50.
3 If there's no reason to have an increase at this time
4 that is given, then I suggest there's no reason to do so
5 and that the Commission would be well advised to wait
6 until we have some discussion with the industry and some
7 agreement on what might be a fair increase.

8 I wanted to raise that issue in the context
9 of the bigger issue really, which is the method by which
10 both the decision in this gas case and in the case of
11 the electric increase has been raised. Quite frankly,
12 the electrical increase as well as the prospects of this
13 increase came as a point blank surprise to our industry.
14 We were told that all parties were present to discuss
15 the subjects of gas and electric increases and
16 particularly the electric increase, and I would say all
17 parties were not present. We were not present, the
18 building industry. We may have been remiss in that we
19 missed the public notice, but I have to tell you that
20 Puget Sound Energy is in, quite frankly, with so many
21 increases at so many times on so many occasions that
22 maybe we got a little bit lulled to sleep. Also, of
23 course, there have been no increases in electrical rates
24 since 1989, according to the company, and since 1995,
25 six years ago, on this matter. So if we weren't paying

1 quite as close attention as we should have, the fault is
2 with us. Nonetheless, the company did not notify us
3 that they were talking about what particularly in the
4 case of electrical was substantial increases, nor did
5 the UTC staff raise any questions at all either.

6 And I would submit to you that really the
7 decisions you made in the electrical case, of which I
8 have some knowledge and I don't have any knowledge about
9 the gas case, were so substantial that the UTC really
10 should have asked the questions about what happens to
11 the customers, what happens to the industry. Let me
12 just tell you that as best we can figure it out in the
13 electrical case, you are talking about approximately a,
14 let me do a point, of \$850 per building lot. That's
15 cost. That translates into a cost of \$4,200 at the
16 consumer level. I can run through the math for your
17 Staff if they so desire. I will also tell you that the
18 electrical rate portion of it puts us in direct conflict
19 with several aspects of the Growth Management Act in
20 that it penalizes people for small lots and infilling,
21 and number two is it discourages the use of such devices
22 as planned residential developments.

23 So in view of this situation, I would like to
24 make the following request of the UTC. The first thing
25 is that we be provided with copies of all public notices

1 on public hearings since Puget Sound Energy filed for
2 its rate increase, with particular emphasis on those
3 notices that directed our attention to the subject of
4 the increase in line extension costs; that is the costs
5 that affect the industry.

6 Secondly, a list of all meeting dates at
7 which, quote, the parties to these agreements were
8 invited and in which they discussed these cases. And I
9 understand that in this case there were 6, and in the
10 electrical case there were 30. I don't know whether
11 these agreements are agreements that are reached behind
12 closed doors. I would suspect those meetings are public
13 meetings. If so, was there any notice of those public
14 meetings? Was anybody ever advised of when those public
15 meetings took place? I don't know what the opinion of
16 your legal counsel is, but I certainly would like to
17 know if that is in full conformance with both the letter
18 and the intent of the Open Meetings Act. Certainly we
19 didn't know about any meetings and we were discouraged
20 to find out.

21 Finally, I would like to ask that we be
22 advised of what steps it takes to be necessary to be
23 listed as an interested party or party of interest so
24 that in all future cases wherever our industry is
25 affected we will, in fact, be advised and can be there

1 and be present. Because certainly, I don't know what
2 for sure about the gas case, but certainly in the case
3 of electrical interests, the best interests of the home
4 buying public were not served by your decision.

5 Thank you very much. I will answer any
6 questions you have.

7 CHAIRWOMAN SHOWALTER: Thank you. I don't
8 have any questions. I will make a couple of comments.
9 First, be sure that you connect up with Penny Hansen in
10 the back of the room. You can get copies of any notices
11 that have been sent or posted by this agency or the
12 Commission in general.

13 This is a contested case, which means that
14 when Puget first requested its increase, there would
15 have been and was notice of the requested request for
16 increase. At the point at which it became a contested
17 case, it's no longer subject to the Open Meetings Act.
18 It goes into a judicial mode, and that too is noticed,
19 but at that point we act as judges. We haven't made any
20 decision yet. The parties then, there is an opportunity
21 to become a party, and at that point those are the
22 parties who are litigating and contesting the case in
23 front of us, and it's like a court case, not like a town
24 hall meeting. But you can find out more about what
25 process there was from Ms. Hansen.

2277

1 As far as the future goes, you can also get
2 on a list for certain topics, and then you will get
3 notice of those types of things. So I think that she
4 would be able to answer a lot of those questions.

5 As for what went on among the parties, that
6 is not something we're privy to, because it is like
7 parties in a lawsuit. And you may want to talk to any
8 one of the legal counsel here or their representatives
9 to learn about that process.

10 MR. DEFOREST: I appreciate your comments,
11 and obviously what I'm trying to do is see that what
12 happened in the past doesn't happen again in the future
13 and to raise some subjects that I think that might be
14 valuable for the Utilities and Transportation Commission
15 to think about, particularly about whether or not, in
16 fact, they represented all the members of the public or
17 only certain groups.

18 CHAIRWOMAN SHOWALTER: All right. We are
19 governed by law, and because this was a contested case,
20 we have to follow the quasijudicial aspects of the law
21 in the way that we conduct the case. There is a Public
22 Counsel here whose job it is to represent the public.
23 Our Staff is here to represent also the public interest.
24 But we do have individual parties who join cases, and
25 the Puget one did have 30 who sought to join the case.

2278

1 This one has fewer, but.

2 MR. DEFOREST: Well, I trust that Mr. ffitch
3 will have some conversation. Thank you.

4 JUDGE MACE: Thank you.

5 COMMISSIONER HEMSTAD: Mr. DeForest, I just
6 had a few more comments again. In my recollection,
7 there were more parties in this proceeding than any one
8 that I have been privy to in almost ten years here.
9 There were 30, I think 32 parties.

10 CHAIRWOMAN SHOWALTER: On the electricity
11 side, not the gas.

12 COMMISSIONER HEMSTAD: I know.

13 But your comments really were largely
14 directed I think at the electric side. And the building
15 industry to my recollection has not traditionally been a
16 participant in front of this Commission in either our
17 open proceedings or as an intervener in one of the
18 contested rate cases. It may well be in the interests
19 of your industry to become one. As I say, there were 32
20 different parties in the electric case, that's a huge
21 number, who were there looking after their interests.
22 And in a certain sense, those interests are what get
23 bargained over, I suppose, in a settlement environment.
24 I'm not saying that as a defense but simply as a
25 description of the process. And if you're not a party,

2279

1 well, then your way to have access is only in these open
2 sessions such as the public hearings we would hold,
3 which is a quite limited opportunity.

4 MR. DEFOREST: I understand, and I appreciate
5 your comments. And I know those 32, you know, include
6 such luminaries as WorldCom and the City of Maple
7 Valley, there was a rather large array, and I have read
8 the entire list. One of the reasons you have not had us
9 come before you in the past simply is a matter of time.
10 No electrical increases since 1989, you know, that's a
11 long time ago and -- but on ordinary cases of consumer
12 rates, that's not really within the purveyance of our
13 industry, and therefore our testimony would be
14 irrelevant really when it comes to private citizens.
15 But the things that do affect our industry and do affect
16 the home buying public, and this case and the electrical
17 case are prime examples obviously, are some concern.

18 COMMISSIONER HEMSTAD: But for a heightened
19 level of involvement, you might want to have some
20 conversation with your legal counsel and discuss the
21 matter of what it would cost you.

22 MR. DEFOREST: Oh, I plan to, that's why I
23 raised the issue. Thank you.

24 CHAIRWOMAN SHOWALTER: I had just one
25 question if any one of the counsel or others can answer

2280

1 it, and that is on this reference to the temporary
2 feature, where is it in the settlement agreement?

3 MR. DEFOREST: Is that all, Madam Chair?

4 CHAIRWOMAN SHOWALTER: Yes, thank you.

5 MR. CEDARBAUM: Looking at Exhibit 606,
6 Exhibit A, which was the revenue requirement exhibit,
7 attached to that is a proposed line extension surcharge
8 tariff. That's the third page of the attachments to
9 Exhibit A, and that is incorporated, that is referenced
10 earlier in the settlement document itself, but that's a
11 form tariff that the parties are proposing to implement
12 the line extension surcharge that we have agreed to.

13 MS. DODGE: It's Paragraph 8 of the issue
14 agreement for revenue requirements that's behind that
15 tab A of Exhibit 606.

16 CHAIRWOMAN SHOWALTER: Paragraph 8?

17 MS. DODGE: Yes.

18 MR. CEDARBAUM: So taking Paragraph 8 on page
19 2 along with the attachment that I have referenced would
20 be the line extension settlement portion of our
21 agreement.

22 CHAIRWOMAN SHOWALTER: We don't have any tabs
23 here, so it's hard to find things. That's all right, as
24 long as someone up here on this side of the Bench has
25 found it, we can focus on it.

2281

1 Mr. ffitch.

2 MR. FFITCH: And, Your Honor, I may also
3 refer you to page 9 of the joint testimony on rate
4 design.

5 CHAIRWOMAN SHOWALTER: Which joint testimony?

6 MR. FFITCH: Excuse me, on rate requirement,
7 which is 603-T, and that addresses the line extension
8 portion of the settlement in one paragraph.

9 CHAIRWOMAN SHOWALTER: All right, thank you.

10 MR. FFITCH: Your Honor, I have no further
11 public witnesses on my sign up sheet. I will just
12 inquire at this time if any other members of the public
13 have come to the hearing room to speak to testify today?

14 Your Honor, seeing no one, I believe that
15 completes the public comment list, and we don't tender
16 any other witnesses to the Commission.

17 I have one other matter, which is to tender
18 copies of the written comments received on this matter.
19 This consists of copies of electronic mail received in
20 the Commission's Public Affairs Office, and I have
21 prepared an exhibit which you have preidentified as
22 Exhibit 609, and I can provide copies of that to the
23 Bench.

24 JUDGE MACE: If you would, please.

25 MR. FFITCH: At this time, how many copies

2282

1 would you like, Your Honor?

2 JUDGE MACE: I think we need five up here.

3 MR. FFITCH: Thank you, Your Honor, we have
4 nothing further for Public Counsel.

5 JUDGE MACE: Do you request that this be
6 admitted into evidence?

7 MR. FFITCH: Yes, Your Honor, I do.

8 JUDGE MACE: Any objection to the admission
9 of this exhibit?

10 I will admit Exhibit 609.

11 Is there anything further at this time?

12 Anything further from the Commissioners?

13 Thank you very much, this meeting is closed.

14 (Proceedings adjourned at 6:50 p.m.)

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