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             BEFORE THE WASHINGTON UTILITIES AND
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                  TRANSPORTATION COMMISSION
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   THE WASHINGTON UTILITIES
   AND TRANSPORTATION COMMISSION, )
 4
                   Complainant,
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             vs.
                                   DOCKET NO. UW-000404
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   AMERICAN WATER RESOURCES, INC.,) VOLUME 1
 7
                                   Pages 1-25
              Respondent. )
   _____
   THE WASHINGTON UTILITIES
   AND TRANSPORTATION COMMISSION, )
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                  Complainant,
11
                                   DOCKET NO. UW-000405
            vs.
12 AMERICAN WATER RESOURCES, INC.,)
                                   VOLUME 1
                                   Pages 1-25
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                Respondent. )
    _____)
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             A prehearing conference in the above matter
   was held on September 12, 2000, at 9:45 a.m., at 1300
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   South Evergreen Park Drive Southwest, Olympia,
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   Washington, before Administrative Law Judge LAWRENCE
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   BERG.
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             The parties were present as follows:
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             THE WASHINGTON UTILITIES AND TRANSPORTATION
   COMMISSION, by MARY M. TENNYSON, Assistant Attorney
23
   General, 1400 South Evergreen Park Drive Southwest, Post
   Office Box 40128, Olympia, Washington 98504.
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   Joan E. Kinn, CCR, RPR
   Court Reporter
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                  AMERICAN WATER RESOURCES, INC., by RICHARD A.
     FINNIGAN, Attorney at Law, 2405 Evergreen Park Drive Southwest, Suite B-3, Olympia, Washington 98501.
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PROCEEDINGS 2 JUDGE BERG: Let's be on the record, please. My name is Lawrence Berg, and I am the Presiding Administrative Law Judge in two cases which have been consolidated by order of the Commission dated August 5 14th, 2000. A notice of prehearing conference was entered and served along with the order of 7 consolidation. 9 The two cases both involve the Washington 10 Utilities and Transportation Commission as Complainant 11 versus American Water Resources, Inc, Docket Number 12 UW-000404 and Docket Number UW-000405. In both of these 13 cases, American Water Resources filed tariffs, in the 14 first instance for a rate increase, and in the second 15 instance for an extension of the period within which it 16 would be entitled to collect a surcharge. 17 Today's date is September the 12th, year 18 2000, and we are convened in a hearing room at the 19 Commission's offices in Olympia, Washington. 20 The first order of business is to take 21 appearances, and when you enter your appearance, I will ask that you state your name, who you represent, 22 23 business address, telephone, facsimile number, and if 24 you have one, an E-mail address. 25 And we will start with you, Mr. Finnigan.

MR. FINNIGAN: Thank you. Richard A. Finnigan on behalf of American Water Resources, Inc. address is 2405 Evergreen Park Drive Southwest, Suite B-3, Olympia, Washington 98502. Telephone number is 5 (360)956-7001. Fax is (360)753-6862. E-mail address is rickfinn, R-I-C-K-F-I-N-N, @ywave.com. 7 JUDGE BERG: All right, and for Commission 8 staff? 9 MS. TENNYSON: Thank you. My name is Mary M. 10 Tennyson. I'm a senior assistant attorney general 11 representing Commission staff. My address is 1400 South Evergreen Park Drive Southwest, P.O. Box 40128, Olympia, 12 13 Washington 98504-0128. My telephone number is 14 (360)664-1220. Facsimile is (360)586-5522. E-mail is 15 mtennyso, that's M-T-E-N-N-Y-S-O, @wutc.wa.gov. 16 JUDGE BERG: All right. And at this time, I 17 will just ask whether there are any persons present or 18 on the bridge who have already been granted status as a 19 party to this proceeding? 20 Let the record show that there is no 21 response. 22 Before I proceed to inquire whether there are 23 any motions to intervene, Mr. Finnigan, on the record I 24 would like to take up the matter of the status of Docket 25 Number UW-000404.

MR. FINNIGAN: Yes, Your Honor, by letter dated August 24th, 2000, I filed on behalf of the company a withdrawal of the tariff made under that docket number, and I guess I will just leave it at that. 5 JUDGE BERG: All right. 6 And, Ms. Tennyson, you have seen that letter 7 filed with the Commission? MS. TENNYSON: Yes, I have, and Commission 9 staff has no objection to the withdrawal of the filing 10 in that docket. 11 JUDGE BERG: All right. Then at this time, 12 the Commission finds good cause for granting the request 13 to withdraw tariff, and Docket Number UW-000404 will be 14 closed. There will be a specific order issued in either 15 the consolidated docket or possibly within Docket Number 16 UW-000404 itself documenting that order. 17 MR. FINNIGAN: Thank you, Your Honor. 18 JUDGE BERG: You're welcome. All right, that leaves the Docket Number 19 20 UW-000405 before the Commission, and just as a 21 formality, Mr. Finnigan, it's my understanding that your 22 client wishes to proceed in that docket? MR. FINNIGAN: Yes, we do. Just as a small 23 24 matter, in the order of consolidation and notice of

prehearing conference, in the description of the docket,

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the next to last sentence in that paragraph says that extension of the surcharge would recover an additional amount of \$102,106 annually, and that's not correct. The annually can be deleted. 5 JUDGE BERG: Thank you for picking that up, Mr. Finnigan. In the prehearing conference order to 7 follow, I will be sure that we take note of that correction. 9 MR. FINNIGAN: Thank you. 10 JUDGE BERG: At this time, I will inquire whether there are any parties who would seek to 11 intervene in Docket Number UW-000405. 12 13 All right. Let's be off the record 14 momentarily. 15 (Discussion off the record.) 16 JUDGE BERG: I understand that there is an 17 oral motion to intervene. Mr. Pound, would you please 18 state your name and contact, full name and contact 19 information. 20 MR. POUND: Yes, my name is Jerry Pound, 21 P-O-U-N-D. My address is 19411 Aurora Drive East, that's Spanaway, 98387. Telephone number is area code 22 (253)847-8778. E-mail address is 23 24 jcpound@foxinternet.net.

I'm speaking for myself and an informal group

we have of Crescent Park Water District. There's approximately 168 families live in that home, and we are concerned about the rate and also the surcharge that we're being charged.

I'm going to have to modify what I planned on saying quite a bit here, but the main thing I want to get across is even with the lack of -- even with the drop of surcharge would knock our monthly rate down to \$34 a month. Even if we had no surcharge at all, the rate is \$34 a month.

After taking a survey of numerous, I'm talking over ten water companies around the area, the average rate is \$19.53 a month. That's 49% above what everybody in Tacoma that I can find is spending on water.

And we're a concerned group of people. I do have 80 some people that are all -- I have contacted personally, but I'm a working person, so I have to do it on my time off. And I haven't talked to all 168 people, but I'm up to like 80 people, and we all concur that \$34 a month is double what we should be paying. Even with the lack of surcharge would not help us a bit, and we're going to proceed on and do what we can do to make our voices heard.

And I don't know what more I can say without

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stepping across the bounds. JUDGE BERG: I'm going to try and make you feel as comfortable as possible here, Mr. Pound. I understand that for citizens like yourself getting 5 involved in a formal process like this, it's an uncomfortable feeling. I will take your comments as a summary of the statement of interest of this individual and the group 9 that he purports to represent. 10 Part of what we're focused on here today, Mr. Pound, will be in its essence procedural details. 11 12 And while I think you have stated your concern clearly, 13 I just want to make sure you understand that one of the 14 things that we're not trying to do today is to actually take evidence or to let the parties present arguments. 15 16 It is important that we understand what the 17 issues are and identify the issues that will need to be 18 addressed relevant to the matter of the requested 19 extension of surcharge in this case, so that we will 20 want to stay focused on that extension of surcharge. 21 And I understand that your primary concern is the 22 reasonableness of rates overall and including the 23 surcharge itself. Is that fair? 24 MR. POUND: That's fair. Thank you for

letting me express my concerns, and we will be

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proceeding to find out more information on what we can do to get our rates down to a normal rate. Thank you. JUDGE BERG: Why don't you stay seated there, Mr. Pound. I have just a question or two regarding the 5 Crescent Park Water District of which you are a member. 6 MR. POUND: Yes. 7 JUDGE BERG: That I would like to ask just for further clarification. 9 MR. POUND: Okay. 10 JUDGE BERG: Tell me again how many customers 11 of American Water Resources comprise the Crescent Park 12 Water District. Okay, the way I did it is counted 13 MR. POUND: 14 homes. 15 JUDGE BERG: Yes, sir. 16 MR. POUND: I didn't have any official way of 17 finding out, so I counted homes. I counted about 168 homes that I know of that are being serviced by Crescent 18 19 Park. 20 JUDGE BERG: All right, and my understanding 21 is that you circulated a petition asking parties whether 22 they wanted to be represented in this hearing. Can you 23 clarify what the context of your communication with 24 those other home owners was?

MR. POUND: We're organizing a neighborhood

watch and a safe street type of situation. And during safe street meetings, we started communicating, and we started collecting water bills from other areas and started to figure out if we were paying too much, and 5 that's how it all came to be. It came from the neighborhood watch meetings. It expanded from there. 7 And the signatures on the petition has been door to door on my behalf and some other parties. 9 JUDGE BERG: Does the petition have one or 10 two paragraphs of introduction? 11 MR. POUND: Yes, it does. 12 JUDGE BERG: Would you just read that, 13 please. 14 MR. POUND: I think it would be stepping out 15 of bounds of what you're looking for here. I really do. 16 JUDGE BERG: All right. 17 MR. POUND: But I could read it if you would 18 like. 19 JUDGE BERG: Here's my concern, that is to 20 the extent that you may be holding yourself out as a 21 representative of other individuals comprising a group or a subgroup of the Crescent Park Water District. What 22 I'm looking for is, if not a literal reading, then a 23 24 statement from you that individuals signing that petition expressly understood that you would be seeking

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to appear and represent them as a group in this proceeding.

MR. POUND: Okay. The petition states that I would like the UTC to conduct an investigation of the American Water Resources, Incorporated, due to we believe that AWR is conducting and buying nonsolvent water companies, contributing to the exorbitant increases in their books, which is why they can apply to 9 the trades commission and get higher rates. You show 10 bad books, you get higher rates. We're trying to figure 11 out how one water company can charge 49% more than any 12 other water company.

JUDGE BERG: I understand.

MR. POUND: Okay, and that's what the petition -- that's what -- we have had a 121% increase in our water bill, and we just don't believe that this shows a willingness to meet the communities and the families that they serve. That's what the petition is saying.

That's why I say it's probably slightly out 21 of bounds of what we're looking for on just the 22 surcharge. I know we're here for the surcharge. the 23 surcharge is not going to help us. That's \$3 a month, 24 you know, a surcharge is kind of irrelevant. What we're questioning is 49% above the average bill that everybody

else in the state of Washington is paying for water. JUDGE BERG: I understand, sir. 3 MR. FINNIGAN: Your Honor, let me interject. At this stage, it seems to me that Mr. Pound has some 4 5 concerns, and he would like a forum to express those concerns, and I'm sympathetic to that. This is not the 7 appropriate forum for the concerns that he has identified. He has identified that they're seeking to 9 open an investigation. That would be a separate item 10 from -- a separate proceeding from this proceeding. 11 He's concerned about the overall level of the rates. 12 That's a separate -- that's not a question that's 13 involved in this proceeding. 14 So, you know, there are forums that are 15 available to him, you know, as you identified. If the 16 company comes forward with rate proposals, the customers 17 can come to the Commission and express their viewpoints. 18 He's got a petition, he's free to file that petition 19 with the Commission. But to talk about rate levels and 20 these statements about the company buying other 21 companies and things that are not involved in the issues that are in this proceeding I think are just going a 22 23 little too far for what we're here to do today. 24 JUDGE BERG: Ms. Tennyson, does Commission 25 staff have any comments or response to the oral petition 00013 1 to intervene?

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MS. TENNYSON: Well, I think it would be helpful to clarify for Mr. Pound's benefit and that of the others in the room that what we are here for is 5 we're talking about an extension of the surcharge, which I believe is \$4.54 per month, and not raising that amount, but extending the time line on that for how long it can be collected. And we are not at this point talking about an increase in rates or a decrease in 9 10 rates as a general matter, and that is something that 11 you could present to the Commission and ask the 12 Commission to address in another forum. 13 The other thing that I do think we should 14 consider in this proceeding is whether we need to 15

schedule a time for hearing of public testimony in the case to allow people to express their views on it. JUDGE BERG: That was one of the items on my I appreciate you bringing it up at this time. agenda. I'm going to take Mr. Pound's comments and statements of concern to include statements of concern regarding the extension of the surcharge for an additional year. I will find that there's insufficient support to conclude that Mr. Pound has been authorized

24 by any other group to represent them as a group however, 25 and on that basis, I do not find any basis for allowing

intervention by either the Crescent Park Water District or any informal subgroup comprised of home owners in the Crescent Park Water District. However, that does leave Mr. Pound's interest in intervening on his own behalf. I'm going to take the motion to intervene under advisement.

And, Mr. Pound, I just want to emphasize Mr. Finnigan's comments that, in fact, what we are focused on here is not general rates, but whether or not there is a legitimate basis for the extension of the surcharge which has already been granted that would result in an additional year of monthly surcharges to the customers of American Water Resources.

But that in and of itself is a much more narrow subject than the concerns that you have also expressed regarding the overall rates, in particular comparative rates. That would not be the criteria that the Commission would consider as to whether or not American Water Resources has prudently incurred costs and whether or not the proposed extension of surcharge is just and reasonable. Do you understand that?

MR. POUND: Yes, I understand.

JUDGE BERG: All right. And by taking the matter under advisement, that means that there will be a supplemental order that will follow at the conclusion of

this proceeding. It will probably be sent to parties by the end of this week, early next week at the latest. That will mainly present the decisions that are made here today, but in this instance, it will also include a 5 decision about whether or not your petition to intervene will be granted. 7 Thank you. MR. POUND: 8 JUDGE BERG: You're welcome. You're free to 9 remain at the desk or return to the audience, whichever 10 you're more comfortable. 11 Are there any other preliminary matters that 12 either party wants to raise before we get into some of the nuts and bolts regarding needs for discovery and 13 14 protective orders? 15 All right. Let's go ahead then and turn to 16 that subject on the record. Is there a need for 17 discovery in this matter, Ms. Tennyson? 18 MS. TENNYSON: If I might have a moment. 19 JUDGE BERG: Yes. MS. TENNYSON: I think I would like to ask 20 21 for the discovery rule to be invoked just so we can -we have exchanged a lot of information, but to do it on 22 23 a formal basis. 24

JUDGE BERG: All right.

Mr. Finnigan. 25

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MR. FINNIGAN: I have no objection as long as I'm not going to be asked to produce copies of what I have already produced. But just -- no, I'm sorry, no 4 objection. 5 JUDGE BERG: I understand by your comment, Mr. Finnigan, that, in fact, there has been some 7 relevant information that has already been exchanged with Commission staff; is that correct? MR. FINNIGAN: That's correct, on an informal 9 10 basis. 11 JUDGE BERG: All right. Then the 12 Commission's Discovery Rule WAC 480-09-480 is invoked. 13 Discovery may commence immediately. I will just find 14 that any information that American Water Resources has 15 already produced to Commission staff need not be produced in response to any subsequent data requests. 16 17 And if there is any question about what has or hasn't been produced, then I would urge the parties to make 18 sure that they're both familiar with the information 19 20 that's already been exchanged. 21 MS. TENNYSON: Yes, I believe Mr. Finnigan 22 and I can work cooperatively on that. 23 JUDGE BERG: All right. Is there any need 24 for a protective order? Do the parties anticipate that

certain confidential information will be required?

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              MR. FINNIGAN: I'm not certain that there
   will, but we might. Just to be safe, I guess I would
   request a protective order be issued.
              JUDGE BERG: All right. On that basis, a
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   protective order will issue.
               In general terms, I would like to talk to the
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   parties about a discovery cutoff before hearings to be
   scheduled here this morning. Would a finding that final
   data requests must be served no later than ten days
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   before the evidentiary hearing proceeding to which the
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   discovery pertains be reasonable?
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              MR. FINNIGAN: That would be fine, Your
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   Honor.
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              MS. TENNYSON: Certainly.
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               JUDGE BERG: All right.
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               Let's go off the record to talk about timing
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   in this proceeding.
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               (Discussion off the record.)
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               JUDGE BERG: While off the record, there have
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   been discussions between counsel and the Bench regarding
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   the procedural schedule to follow. The parties agree
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   that they will develop their cases on the basis of
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   discovery and depositions under the Commission's
   Discovery Rule and that it will not be necessary to
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25 pre-file evidence in this case.

00018 On that basis, the Commission will indicate that evidentiary hearings will be conducted on --MR. FINNIGAN: Your Honor, if I may. 4 JUDGE BERG: Oh, yes, Mr. Finnigan. 5 MR. FINNIGAN: I think we would need to 6 schedule for the week of December 18th. 7 JUDGE BERG: All right. We would conduct hearings the week of December 18th, and I think what we 9 would look to do that week would be to conduct hearings 10 on December 21 and 22 if necessary. Alternatively, 11 counsel for American Water Resources indicates that he 12 will consult with his client regarding the possibility 13 of an extension, a waiver of the suspension period for 14 30 days, in which case evidentiary hearings will be held 15 on January the 3rd and January the 4th. And based upon 16 representations by Mr. Finnigan, I am sure we will have 17 that confirmed one way or the other before I am able to 18 prepare and enter a prehearing conference order. 19 Let's be off the record. 20 (Discussion off the record.) 21

JUDGE BERG: I have been discussing with the parties the issue of public hearings to take statements from customers, and in particular where and how many of those public hearings may be necessary in order to 25 provide a fair opportunity for all customers to make

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1 their voices heard.

It is readily apparent that at least one public meeting should be in the vicinity of the Crescent Park Water District. And I believe in the prior proceeding that was accomplished through a site in the Spanaway community. And the parties have discussed the general location of other systems owned and managed by American Water Resources.

Counsel agree that they will consult with each other and further discuss the need for additional public hearings and where those public hearings would most suitably be sited. And at that later time, I will also consult with the parties regarding dates for those public hearings.

So, counsel, if you would include that. Keep in mind that we do want to avoid the holidays to the extent that customers may be traveling or otherwise experiencing the same inconvenience that we would by meeting too close to Thanksgiving break or to Christmas, or I should say during the Holidays.

MR. FINNIGAN: Your Honor, taking that scheduling into account, given your three weeks of hearing, should we assume that we shouldn't schedule during those three weeks?

JUDGE BERG: No, let's make those three weeks

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speedy resolution.

available, and it may be that the Commission has to ask another judge to preside over the public hearings. think our time is too valuable to rule that three week 4 period out. 5 MR. FINNIGAN: Okay. 6 JUDGE BERG: And then it would just be a 7 matter, Mr. Finnigan, to the extent that you may be representing clients in both proceedings, so the extent 9 that you might be unduly burdened. 10 MR. FINNIGAN: Your Honor, my clients in that 11 proceeding have seen fit to tell me I don't need to 12 attend those hearings, so I'm greatly relieved. 13 JUDGE BERG: All right, good, thank you for 14 that. 15 I will just indicate to the parties that it's 16 not unusual that some disagreements may arise over the 17 discovery or the scheduling of depositions. I would 18 just ask that you do make a good faith effort to work 19 those problems out among yourselves, but then to present 20 any disagreements to the Bench as soon as possible. 21 if it's necessary to present any discovery motions,

please state what efforts were made to resolve the

dispute, and I will make every effort to produce a

I would also propose simultaneous briefs in

00021 this matter. And at this point in time, if, in fact, we go forward with the 12-21 and 12-22 hearings, would the parties be able to file briefs on Monday, January the 4 15th? 5 MR. FINNIGAN: Certainly. 6 MS. TENNYSON: Certainly. 7 JUDGE BERG: Then we will just do a quick 8 double check on that. MR. FINNIGAN: On the alternative scheduling, 9 10 Your Honor, I simply suggest that Friday, the 19th. 11 MS. TENNYSON: That's true. 12 MR. FINNIGAN: Because that would give us two 13 weeks to submit briefs. 14 JUDGE BERG: Let's do this, while it may not 15 seem a lot on the early schedule, the 12-21, 12-22 16 hearing dates, for now let's actually set January the 17 10th as the briefing date. And if for some reason the 18 parties need additional time, they can ask. That is 19 going to require some expedited treatment to stay on 20 track for a 2-28 final order. 21 And if we go to the January 3rd, January 4th

22 hearing dates, what was that alternative? 23 MR. FINNIGAN: January 19th. 24 JUDGE BERG: January 19th would be the

25 alternative date upon which briefs will be due. And in

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my prehearing conference order, I will address some of the details. I would expect that, in fact, briefs would be exchanged on those dates, minimally electronically or faxed to each other with a hard copy to be filed the 5 next business day. MS. TENNYSON: I'm a bit concerned about a 7 January 10th date with the Holidays. If we're having the hearings the last two days before the Christmas

Holiday with New Year's day in there, I'm not sure I 10 will have staff available for producing the brief in 11 that kind of time frame. I mean I would want at least 12 another weekend in there.

JUDGE BERG: All right, we'll fall back then and go back to the 15th. But that may mean that there will be a shortened time period when it comes to petitions for review in order to stay on track.

I will remind the parties that fax stipulations are encouraged and that the Commission does urge parties to consider alternative dispute resolutions and settlement discussions to resolve differences. Commission will just ask that parties keep the Commission advised of any progress that may be made along those lines.

24 MS. TENNYSON: Your honor, will you be asking 25 for pre-filing of exhibits?

JUDGE BERG: Yes, the prehearing conference order will set out some conditions, requirements and dates for the exchange of witness and exhibit lists. And that will happen, probably anticipate that there 5 will be an exchange of witness and exhibit lists at least five days before the hearing, and that list will establish the order of presentation. MR. FINNIGAN: Your honor, in order to 9 expedite things because we aren't pre-filing, we might 10 want to at least exchange preliminary witness 11 identification significantly earlier than five days in 12 advance of the hearing. 13 MS. TENNYSON: Yes. MR. FINNIGAN: Just a suggestion. 14 MS. TENNYSON: If we didn't, that would be 15 16 probably my first data request, to identify witnesses so we can decide who to depose. 18 MR. FINNIGAN: Right. But one of the 19 problems, of course, is that if you ask a data request, 20 you identify many more people than you really need. If 21 there's a date we can agree on -- and maybe we can just do it among counsel as a date we agree on and where we 22 23 will identify who our witnesses will be a month or so in 24 advance of the hearing.

MS. TENNYSON: I would agree to that, yes.

JUDGE BERG: All right, that's fine, you can advise me of what that date will be. And I will just let parties know at the outset of the hearing I will expect estimates from the 5 parties regarding cross-examination time. Further, the prehearing order will remind you 7 to have your exhibits, including those that you plan to use in cross-examination, ready to be marked at the 9 beginning of the first day, and that you must have 10 sufficient copies to provide me with the original and a 11 copy for each party, one for the witness, and one for 12 yourself on exhibits, including cross exhibits. 13 Anything else that we need to take up today? 14 MR. FINNIGAN: The number just struck me. 15 Your Honor, instead of the normal rule is original and 16 19 copies, given the fairly reduced number of parties in 17 this proceeding, can we reduce that to original and 18 eight? 19 JUDGE BERG: Let me take a look at the 20 Commission's distribution list that is set up. 21 Certainly with regards to cross-examination, exhibits, 22 and exhibits there will be a reduced number, but this is actually the first proceeding I have been in where there 23 24 has not been pre-filed evidence, so let me see what I need to do to meet the expectations of those parties on

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    the Commission's distribution list, which I don't think
    is lengthy, but I haven't really studied it.
               MR. FINNIGAN: I think the primary document
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    will be the brief.
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               JUDGE BERG: All right.
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               Anything else?
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               MR. FINNIGAN: I can't think of anything.
               MS. TENNYSON: No, Your Honor.
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               JUDGE BERG: Thank you everyone, and we will
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   be adjourned.
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               (Hearing adjourned at 11:00 a.m.)
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