



BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1                   The parties were present as follows:

2                   THE WASHINGTON UTILITIES AND TRANSPORTATION  
3 COMMISSION, by JONATHAN THOMPSON, Assistant Attorneys  
4 General, 1400 South Evergreen Park Drive Southwest, Post  
5 Office Box 40128, Olympia, Washington 98504.

6                   AVISTA CORPORATION, by DAVID J. MEYER, General  
7 Counsel and Senior Vice President, East 1411 Mission,  
8 Spokane, Washington 99220.

9                   PUBLIC COUNSEL, by ROBERT CROMWELL, Assistant  
10 Attorneys General, 900 Fourth Avenue, Suite 2000, Seattle,  
11 Washington 98164.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

23 Betty A. Sitter, C.S.R.  
24 Court Reporter  
25 (509) 926-2670

2

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 PROCEEDINGS,

2

3 MS. SHOWALTER: Good evening. I am Marilyn  
4 Showalter, chairwoman of the Washington Utilities and  
5 Transportation Commission.

6 We are here for a public meeting on the  
7 question of Avista's proposed general rate increase.

8 With me is Commissioner Pat Oshie, and also  
9 Administrative of Law Judge, Theo Mace. Our third  
10 commissioner is Dick Hemstad, is on other business  
11 tonight so he could not be with us, but the three of us  
12 commissioners, Commissioner Oshie, Commissioner  
13 Hemstad, and I, make up the Commission.

14 This is a hearing on Avista's proposed rate  
15 increase, however, as you may or may not know from the  
16 materials that were passed out, the parties in the case  
17 have reached a proposed settlement, so obviously that  
18 proposal is a large issue in front of us.

19                   You will be welcome to comment aspect of  
20 the rate case, unlike some public meetings, you may be  
21 used to, this is not like a city council meeting or a  
22 county council meeting, this is a quasi judicial  
23 proceeding where all of the testimony taken is taken  
24 down by a court reporter who is in front of us, and the  
25 evidence is gathered and we sit as judges in the case.

3

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1                   For that reason, the case is conducted by  
2 an administrative law judge, Theo Mace, next to me, so  
3 I will be turning the proceeding over to her to explain  
4 the rest of the procedures and how you can participate.

5                   Thank you for coming. I think you probably  
6 gathered, this is not West Valley High School  
7 graduation. If so, you have to get in a long line. But  
8 if you want to avoid long lines, you are welcome to  
9 stay.

10                   JUDGE MACE: Thank you, Chairwoman  
11 Showalter.

12                   Again, my name is Theo Mace. I have my  
13 sign up here for those of you who need to address me,  
14 and I am one of the Commissions Administrative Law

15 Judges.

16                   As Chairman Showalter mentioned, the  
17 Commission is the State Administrative agency  
18 responsible for regulating the various rates of public  
19 utilities, including Avista, and that has to do with  
20 the general rate increase and the settlement of issues  
21 related to that rate increase.

22                   The official parties to Avista's case are  
23 the commission staff who present testimony usually in  
24 the public interest and are treated just as any other  
25 party to the case.

4

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1                   Washington State Attorney General's office  
2 of Public Counsel who appears on behalf of residential  
3 and small commercial customers in the state and the  
4 industrial customers of Northwest counties who  
5 represent various industrial customers of Avista.

6                   As we mentioned, the parties to this  
7 proceedings have indicated to the Commission that they  
8 have reached a settlement in this particular  
9 proceeding. The Commission has not yet made a final  
10 decision on that settlement, but is considering it and

11 will come to a decision on that soon.

12                   Mr. Robert Cromwell, who is with the Office  
13 of Public Counsel and is to my right here, will  
14 describe the rate request that Avista has made and the  
15 terms of the settlement agreement. But again, before  
16 the Commission makes a decision that they want to hear  
17 from you as to your input with regards to the proposal.

18                   I think that there are copies of that  
19 agreement out there, out in the lobby on the table,  
20 if you wanted to take a look at it.

21                   Today we have with us commission staff,  
22 Lisa Steel, who is the assistant director for the  
23 Energy Commission, and Jon Thompson, who is an  
24 Assistant Attorney General, and also Tim Sweeney, who  
25 helped you to sign in, with our Public Affairs

5

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 Division.

2                   These individuals, along with Mr. Cromwell,  
3 will be available during any breaks we take and after  
4 the hearing tonight to answer questions.

5                   If additional questions occur to you or you  
6 don't get the answers tonight, you can call the

7 Commission at (360) 664-1160, and if you didn't get  
8 that you can come up here and I will make sure that you  
9 have it before you leave, and your call will be routed  
10 to someone who can help you.

11                   You may also submit your comments in  
12 writing, and if you have questions how to do that,  
13 please speak to Mr. Sweeney before you leave tonight.  
14 Because the Commission expects to consider the  
15 settlement agreement soon, you will need to submit any  
16 further comments in writing by tomorrow, June 11.

17                   By the way, we are going to conduct  
18 ourselves tonight, please understand that the  
19 Commissioners are here tonight to listen to your  
20 requests.

21                   This is your opportunity to state your  
22 position about Avista's requested -- we don't have  
23 time tonight to answer questions about the case. You  
24 can ask both the staff people here and also we have  
25 some individuals from the Company, if you would

6

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 introduce yourself, please.

2                   MR. MEYER: Thank you, Your Honor, and

3 members of the Commission. I am David Meyer, and I am  
4 general counsel for Avista. I would like to  
5 introduce two individuals, Scott Morris, president  
6 of Avista Utilities -- Scott, would you stand please.  
7 And to my right, Kelly Norwood, vice-president in  
8 charge of regulatory regulations. In addition, we have  
9 a number of other consumer representatives and members  
10 of the company.

11                   Would you all stand, those of you that are  
12 with Avista. So we have any number of people who are  
13 here that can answer your questions. Thank you for  
14 coming.

15                   JUDGE MACE: So, gain, if you have  
16 questions, feel free to ask any of these individuals,  
17 but we want to hear what you have to say and we won't  
18 be answering questions from the podium.

19                   Remember to speak up when it is your turn  
20 and speak slowly and carefully so that the reporter who  
21 is seated right in front of us can record your comments  
22 accurately.

23                   If you are nervous, that's okay, sometimes  
24 it is difficult to speak in public. Just take a few  
25 breaths, try to relax, and then go ahead with what you



1 have to say. Please don't interrupt the speaker with  
2 comments, whether you agree with the speaker or not.

3                   When it is not your turn to speak, please  
4 remain politely silent during each presentation. To  
5 help us keep things going and moving along so everyone  
6 can be heard, I ask you to refrain from applause or  
7 other audience-type reactions. Again, this is a formal  
8 hearing tonight.

9                   I am going to limit each speaker to five  
10 minutes, and I will warn you as your speaking time is  
11 approaching the end and appreciate that you would  
12 summarize at that point and finish up.

13                   When you finish speaking, please remain at  
14 the podium for a moment until you are excused since Mr.  
15 Cromwell or other council may have a question.

16                   If you agree with the comments another  
17 speaker has made, you don't need to repeat them, we  
18 have that information before us and we can consider it.

19                   And now I will turn it over to  
20 Mr. Cromwell, and I believe he has some remarks, and  
21 after that, I am going to ask everybody who be making a  
22 statement tonight, to stand and I will administer an  
23 oath.

24                   MR. CROMWELL: Good afternoon. Can

25 everyone hear me? Thank you.

8

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 My name is Robert Cromwell, I am Assistant  
2 Attorney General for the Public Counsel section of the  
3 Attorney General's Office. Our job is to appear before  
4 the WUTC to represent the citizens of the state,  
5 particularly the residential and small business  
6 customers of regulated utilities.

7 We represent, in plain English, the  
8 customers of Quest, Horizon, Puget Sound Energy,  
9 Pacific Power and Light, Northwest Natural Gas,  
10 Avista, and other companies of that type.

11 We have been an active participant in this  
12 case, representing you, the customers of Avista  
13 Utilities.

14 Other active participants in this case are  
15 the Commission staff, which appears as a formal party,  
16 the industrial customers of Northwest Utilities, a  
17 large customer association, the employees of Avista  
18 Corporation. All these parties participated in  
19 negotiating the settlement. ANDBETTY are recommending its  
20 approval.

21 CHAIRWOMAN SHOWALTER: Mr. Cromwell, please  
22 slow down.

23 MR. CROMWELL: Let me start with a short  
24 background on amount requested for rate relief.

25 Last fall, Avista requested 36.9 in

9

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 emergency rate relief. The Public Counsel opposed that  
2 request. After the hearing, the Commission ordered an  
3 emergency increase of 25 percent, but ordered Avista to  
4 file a full general rate case by December 2001. As  
5 required, Avista filed a general rate case and asked  
6 for 22.5 percent based on rates. Avista also asked for  
7 a further interim increase to tide them over until the  
8 general rate case decision was made.

9 You may remember that a settlement was  
10 reached on the interim increase request in February of  
11 this year. The Commission held a hearing here in  
12 Spokane on that settlement, and approved in March  
13 an interim increase of 6.2 percent. This settlement  
14 would resolve all remaining issues in Avista's general  
15 rate request.

16 As I mentioned ago, the Public Council

17 section of the Attorney General's Office has  
18 participated in these proceedings and is a party to the  
19 pending stipulation, we retained several expert  
20 witnesses, including an accountant, and has reviewed  
21 the company's rate request as well as conducting  
22 extensive discovery over the last several months.

23                   We examined Avista Utilities as well as  
24 Avista Energy Trading as it has impacted this case,  
25 including review of transactions between Avista

10

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 Utilities, the company that serves you, and Avista  
2 Energy, the unregulated energy trader. We believe that  
3 the pending settlement is a reasonable compromise that  
4 provides Avista the opportunity to regain financial  
5 health while limiting the burden on rate payers.  
6 Instead of the 53.2 million dollar increase that Avista  
7 originally requested, our agreement would limit it to  
8 45.7 million.

9                   Rate payers will see no additional increase  
10 over current rates. Under this agreement, the  
11 shareholders and Avista will absorb approximately  
12 half the above market costs associated with long-term

13 gas contracts to serve their origination facilities,  
14 including those contracts between Avista Utilities and  
15 Avista Energy.

16           Again, Avista had originally requested to  
17 acquire 90 percent of those contracts from rate payers.

18           Let me just cover the key provisions of the  
19 agreement. First, there will be no further increase in  
20 rates. Next, the 11.9 percent surcharge will come off  
21 customers bills when the deferral balance reaches zero,  
22 this is projected to occur in 2007. Further drop or  
23 conversely abundant hydropower could cause this estimate  
24 to lengthen or shorten.

25           The energy recovery mechanism, or ERM,

11

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 provides for a symmetrical 9 million dollar company band  
2 and 90/10 sharing between rate payers and shareholders  
3 thereafter. The affect will be for the next few years  
4 the company will have to absorb the first 9 million in  
5 excess power costs and 10 percent of all excess power  
6 costs over and above the first 9 million.

7           During our review of the company's  
8 long-term contracts now in place, this will create a

9 reasonable allocation of costs between rate payers and  
10 shareholders. After the surcharge has come off their  
11 bill, the long-term ERM formula provides when excess  
12 power costs after the application of the 9 million  
13 dollar band and the 90/10 share reach 10 percent of the  
14 annual revenues, the 10 percent surcharge will be put  
15 back on place for one year to collect the amount  
16 outstanding. The company will make annual filings that  
17 will allow us to audit their claims through what should  
18 be recovered through the surcharge, and if necessary  
19 can test the fruits of their decisions.

20 By 2007, the Commission will examine  
21 whether the ERM is functioning properly or should be  
22 terminated or replaced. Under the settlement, Avista  
23 has the burden of proof to show whether it is the  
24 public's interest to continue the ERM or modify it in  
25 any way.

12

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 I should emphasize that this is no way  
2 minimizes the effect of the existing burden on  
3 customers. We understand that the rate increases of  
4 this magnitude requested is a hardship and it is very

5 hard for many people to bare and we believe the  
6 settlement helps to mitigate the impact, and it  
7 also leaves the customer better off under the original  
8 proposal.

9                   The company will continue and expand its  
10 rate mitigation from the earlier settlement. These  
11 include continuing for one year the winter low-payment  
12 program or do-disconnect policy, improvements to the  
13 comfort level billing program, better deposit  
14 requirements, promotion of the CARES program, which  
15 work with customers to develop custom payment plans.  
16 The bill collection fee and the reconnection fee and  
17 the late payment fee will not increase.

18                   And finally, the company agreed to our  
19 condition that \$150,000 per year of addition low-income  
20 assistance shall be provided at the company expense  
21 until the surcharge comes off customer bills. This  
22 will help an additional 700 families who are most in  
23 need each year.

24                   This stipulation is simply an agreement  
25 between the parties. It is subject approval. The

1 Commission staff, industrial customers, Avista, and  
2 Public Council, are recommending the Commission grant  
3 approval. That decision has not yet been made. That  
4 is why I am glad to see the turnout here today, because  
5 this is an opportunity for you, the public, to comment  
6 on this proposed settlement and whether you think it is  
7 in the public interest.

8           If you would like to know more about the  
9 details about the settlement, there is a couple of  
10 ways to find out. First, Mr. Sweeney provided a few  
11 handouts on the table outside, a short press release,  
12 and a more detailed memorandum.

13           There are also members of the staff and  
14 company representatives and myself to talk to you if we  
15 can answer your questions. The complete copy of the  
16 settlement and all related documents can be found on  
17 the Commission's web site, and I will give you that  
18 address now; [www.wutc.wa.gov/011595](http://www.wutc.wa.gov/011595). I'll say it  
19 again. [www.wutc.wa.gov/011595](http://www.wutc.wa.gov/011595).

20           At this point, Your Honor, I will call on  
21 members of the public who have attended tonight and  
22 wish to speak. I apologize if I mispronounce your  
23 name. If you want to speak tonight also and did not  
24 sign in yes on the form that Mr. Sweeney provided, let  
25 me know at the end and we'll get you up to speak.





23 spell your last name for the court reporter.

24 MR. NELSON: N-E-L-S-O-N.

25 MR. CROMWELL: And what city do you live

15

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 in?

2 MR. NELSON: Spokane native. Grew up here.

3 Same potholes when I was young, only deeper now.

4 MR. CROMWELL: Are you a customer of

5 Avista?

6 MR. NELSON: I am.

7 MR. CROMWELL: Do you receive business

8 service, residential service, or both?

9 MR. NELSON: Residential.

10 MR. CROMWELL: Are you testifying today on

11 your own behalf or on behalf of others?

12 MR. NELSON: I am testifying on the behalf

13 of the Aging and Long-Term Care of Eastern

14 Washington. I am on their council.

15 MR. CROMWELL: Do you have any

16 connection to the company or are you a shareholder?

17 MR. NELSON: I am not a shareholder, no

18 money invested, other than what I pay them on a monthly

19 basis.

20 MR. CROMWELL: Thank you. Please make your  
21 statement.

22 MR. NELSON: I would like to thank the  
23 Administrative Law Judge, it is nice to have you here,  
24 and the Commission members, it is nice to have both of  
25 your here, and the Assistant Attorney General,

16

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 Mr. Cromwell, Jr..

2 I am one of the council members that has  
3 followed this public activities since last fall when  
4 the first hearing was heard here in Spokane, and I  
5 thought I would like to at least share with you some  
6 aspects of what has subsequently happened between  
7 Avista and our Aged Long-Term Care as it relates to  
8 these increased rates.

9 And to that, I would like to share a little  
10 bit about the at-risk population that we are concerned  
11 with with our organization and that I know the  
12 community is concerned about and that I am confident  
13 that Avista is sensitive and concerned about.

14 We are living longer than ever before, but

15 health security is beyond the reach of many people aged  
16 55 and older who are poverty stricken, living on  
17 extremely limited income without the social economic  
18 help of immediate or extended family members.

19                   It may come as a surprise, but I don't  
20 think so, that it is taken all of us, those of you on  
21 the Commission here, longer to get older than it used  
22 to. You may not feel that way individually, but it is  
23 true.

24                   We in Spokane, have a poverty stricken  
25 55-year-old population that does not enjoy health

17

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 security now or in the future. Many are older widow  
2 women who live alone in our community without adequate  
3 income to meet their medical care costs or prescription  
4 costs or utility increased rate costs.

5                   Our organization, Aged Long-Term Care,  
6 remains very concerned about the negative and strong  
7 impact the rate increase will have on them. Recognizing  
8 that, however, we reached out to Avista after the first  
9 public meeting, recognizing the need to address this  
10 poverty population, aging long-term care, and Avista

11 Utilities have now established a joint vulnerable  
12 advisory group in the community, with the agreed upon  
13 task of addressing the concerns that both these  
14 organizations have.

15                   We are committed to working on identifying  
16 corporate and community based strategies that will help  
17 mitigate the impact on energy cost on income erosion  
18 on this very vulnerable older population.

19                   Nick Beamer of Aged Long-Term Care, will be  
20 testifying later, and Ann Marie Axworthy, Director of  
21 the Community Relations and Public Affairs of Avista  
22 Utilities, are providing the co-sponsored leadership of  
23 this advisory group.

24                   In addition, we have other significant  
25 organizations in the community that are joining us on

18

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 a regularly scheduled basis, such as our SNAP, Senior  
2 Legislative Coalition, and our Public Health District.

3                   So I just wanted to let you know that even  
4 though our organization is opposed to any significant  
5 rate increases, we also recognize the need for problem  
6 solving approach and I am encouraged by the response

7 from Avista on this matter.

8 Thank you.

9 MR. CROMWELL: Thank you.

10 Mr. Andre, will you approach. And the next  
11 will be Mr. Burger.

12 MR. ANDRE: Thank you for providing this  
13 opportunity.

14 My name is Don Andre, A-N-D-R-E.

15 MR. CROMWELL: Are you a customer of  
16 Avista?

17 MR. ANDRE: Yes, I am residential.

18 MR. CROMWELL: And are you testifying on  
19 your own behalf or on behalf of others?

20 MR. ANDRE: I am here as representative for  
21 Spokane Neighborhood Action Programs, and testifying  
22 for low income people in Spokane community.

23 MR. CROMWELL: Do you have any connection  
24 with the company, are you a shareholder?

25 MR. ANDRE: No.

19

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 MR. CROMWELL: Please go ahead.

2 MR. ANDRE: I am Assistant Director for

3 Spokane Neighborhood Action Programs. We are a  
4 community action agency. We provide services and  
5 advocacy for low income people in Spokane County. I am  
6 the SNAP administrator locally with federal as well as  
7 Avista funding which is generated through demand site  
8 management and energy assistance tariff riders.

9           First I want to make a general comment  
10 about poverty in Spokane. According to the 2000  
11 census, Spokane County has a higher poverty rate than  
12 13.7 percent than Washington state, at 11.9, and the  
13 United States is 12.5. In addition, Spokane County has  
14 a lower average annual wage compared to the United  
15 States. In 2000 in Spokane County was 29,743 compared  
16 to the United States at 35,296.

17           One in eight people in Spokane County live  
18 in poverty, 53,000 people, and 25 percent of Spokane's  
19 pre-school children live in poverty. While income is  
20 consistently lower in Spokane, the cost of living is  
21 higher than the national averages.

22           I submit these statistics showing the  
23 importance of low-income and energy assistance services  
24 to the low-income people in Spokane, but these efforts  
25 need to be put forth wherever low-income people live.

1 But in Spokane where a high poverty rate is combined  
2 with the high cost of living, they are even more  
3 critical to help people meet basic needs.

4 I am commenting in regards to one  
5 particular aspect of the settlement stipulation that  
6 there will be no low income rate assistance or  
7 efficiency revenue included in this rate increase.  
8 While we understand the serious financial condition of  
9 the company, we don't believe it is in the public  
10 interest to increase the rates without proportionate  
11 increases in the rate payer oriented efforts. The  
12 customer impact mitigation measures do not represent an  
13 appropriate substitute.

14 Avista has been a leader in providing rate  
15 assistance and energy efficient services, including  
16 weatherization of low-income homes, however, the  
17 intention of the low-income rate assistance was to  
18 insure assistance efforts would remain proportionate to  
19 the overall revenue. Although the rates remain  
20 consistent, the gap between rate assistance resources  
21 and low-income needs widened when revenues fell last  
22 summer and autumn due to curtailment and conservation  
23 efforts.

24 The annual revenue projection in March



25 2001, was 239 million, current projections are 10

21

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 percent lower which revenue dropped because rate  
2 assistance and conservation programs are funded as a  
3 percentage of revenue, so there is a decrease in  
4 funding of these programs be approximately 10 percent.  
5 When the rate increase was put in place in October 2001  
6 and did not include rate assistance or energy  
7 efficiency, the gap between resources increased again.

8           The current situation is the worst of both  
9 worlds. There is a decrease in funding when revenues  
10 fall without corresponding increase of resources if  
11 rates were increased. We realize this packet is  
12 concerned with solely electric rates. Revenue  
13 increases on the gas side are exacerbated by electric  
14 increases, and the previous gas increases last winter  
15 and in the summer they are a hidden security credit.

16           This past winter, the bills, our clients,  
17 with the increases, as a whole were stunned, as  
18 evidenced by the large turnout and consistent message  
19 from rate payers in the hearing held in Spokane on  
20 February 27th, that 25 percent increase put in place

21 on October 1 on top of a gas rate that has essentially  
22 doubled in the past two years, produced rate shock.  
23 Low income households are especially hard hit  
24 increasing forcing a tradeoff of basic necessities.

25 We are requesting the inclusion of rate

22

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 assistance and tariff riders and any annual rate  
2 increases whether they are intended as temporary  
3 surcharge to recover power costs or part of basic  
4 rates. Specifically we are suggest both the base 19.3  
5 percent and the 11.5 percent surcharge, including 2.74  
6 percent charge and current rate increases will delay  
7 the recovery of power charge slightly but will provide  
8 two positive affects to rate payers, a return to normal  
9 levels of conservation activities sooner by bringing  
10 the conservation back into balance, and rate  
11 assistance.

12 Thank you for the opportunity to comment.

13 MR. CROMWELL: Mr. Berger.

14 JUDGE MACE: If you are reading a  
15 statement, it's not only the court reporter who will  
16 have a hard time taking it down if, but we won't be

17 able to absorb the information very well. It's just  
18 the nature of reading a document. So if you are  
19 reading, pause to look at the reporter and us to make  
20 sure we are taking it in. Thank you.

21 MR. CROMWELL: Mr. Berger.

22 MR. BERGER: My name is Albert Berger.

23 MR. CROMWELL: Would you spell your last  
24 name.

25 MR. BERGER: B-E-R-G-E-R.

23

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 MR. CROMWELL: And what city do you live  
2 in?

3 MR. BERGER: Spokane.

4 MR. CROMWELL: Are you a customer of  
5 Avista?

6 MR. BERGER: I am in two cases.

7 MR. CROMWELL: And is that residential or  
8 business?

9 MR. BERGER: Both.

10 MR. CROMWELL: Are you testifying on your  
11 own behalf or behalf of others?

12 MR. BERGER: Myself.

13 MR. CROMWELL: Do you have any connection to  
14 the company or are you a shareholder?

15 MR. BERGER: None whatsoever.

16 MR. CROMWELL: Please proceed.

17 MR. BERGER: From the past couple of day's  
18 newspaper reports, it appears that Avista is not being  
19 completely truthful with the federal investigations  
20 going on.

21 I ask that the request be denied at this  
22 time until further investigation is completed by the  
23 federal government regarding the trading that was going  
24 on with the power rates.

25 Also, why is the 19 percent a permanent

24

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 increase? Power rates are currently as low as a dollar  
2 per megawatt on off peak times. From past history, it  
3 appears the Commission does not give much weight to the  
4 public input, and it is a little confusing to those of  
5 use who are out there that are not in the law side of  
6 these things and don't know all of the background.

7 We keep hearing that the State has all  
8 these people that are on our side, yet we keep seeing

9 these outrageous increases going into affect all the  
10 time, and now we are being told that the 31 percent,  
11 31.2 percent increase will continue until 2007, I  
12 believe was the date we were given, and 19 point  
13 something percent of that will be a permanent increase.

14 Those of us that are out here that are  
15 working daily -- I am a photographer, everything that I  
16 do deals with electrical, everything I use in my  
17 business. I can't increase my rates to my consumers  
18 at the rate that it is going up now, they just won't  
19 buy it. They will go someplace else, someplace like  
20 Wal-Mart, Penney's, these big chains that can more  
21 readily absorb the overhead than I can. I just can't  
22 keep going with the way it is now.

23 I keep hearing, also, that Avista Utilities  
24 and Avista whatever it is, Trading, were two different  
25 entities, but yet we keep hearing about all these

25

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 trades that are going on, we keep hearing about all  
2 that backroom stuff that was happening. And in the  
3 newspaper report the other day they came out and they  
4 said that Avista had denied any ricochet trading, and

5 yet PG & E came forward and said yes, we made several  
6 trades with Avista, and now the federal government has  
7 come back and asked Avista to come back out and restate  
8 what they have done.

9 I realize that I am not following a set  
10 pattern here of where I am going with all this stuff.  
11 These are just notes that I have put down. I have been  
12 in touch with quite a few people over e-mail that there  
13 is a lot of public out in this area that is really  
14 upset about the rate increase, and we feel very  
15 frustrated because it doesn't seem that the State  
16 officers that represent us are doing the best job for  
17 us, and it seems like the Commission with almost 1000  
18 people speaking before the Commission and all in  
19 objection to the proposed settlements, they go through  
20 anyway.

21 And I don't want to use the term rubber  
22 stamped, but where are the public to benefit, or where  
23 are the public to see -- how are we to see that someone  
24 is really standing up for us when we hear all these  
25 different things in the newspaper about all these

1 trading techniques and things going on, and all we see  
2 is constant increases. The electrical is going up, the  
3 gas is going up. We've cut back at our house, we've  
4 cut the thermostat back by five degrees and we've cut  
5 back on all of our electrical use, almost all of our  
6 lights are the fluorescent lights. They are very poor  
7 lighting, you can't see as well with those as you can  
8 with the harder --

9 JUDGE MACE: I have to tell you one more  
10 minute.

11 MR. BERGER: You can't see as well the  
12 contrast level -- as we get older, we can't see that  
13 contrast level as well, and with the softer lights, you  
14 can't see as well. But our electric rates continue to  
15 climb and our gas rates, and the same in my business,  
16 everything I have runs off electricity. I have to have  
17 the electricity to run my lights, I have to run my  
18 computers, everything runs off the electricity.

19 So I would say no, and I would ask the  
20 Commission to further explain to the individuals of the  
21 State as to why it is a 19 percent permanent increase.

22 Thank you.

23 JUDGE MACE: Let me make a comment since  
24 the issue was raised on the federal investigation. It  
25 has been in the newspapers that the Federal Energy

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 Regulatory Commission is looking into various  
2 transactions, including Avista's.

3 I want to make it clear that that issue is  
4 one that is regulated by the Federal Energy Regulatory  
5 Commission, FERC, and not by this Commission.

6 But further, for myself, I am withholding  
7 judgment. We don't know what the facts were, and more  
8 importantly I think whether whatever behavior and facts  
9 prove to be the case. The other issue is whether that  
10 conduct violated any rule or law laid out by FERC.

11 This Commission had been very active in  
12 weighing in against the rules that FERC has approved,  
13 and in fact, has advocated vociferously before FERC  
14 that the rule that they approved which had one rule for  
15 California with a price cap there and a different rule  
16 for the rest of the country, for the rest of the West,  
17 would invite manipulation. So we have done what we can  
18 to say it was a bad rule, and finally about a year ago  
19 FERC changed their procedures.

20 But this involves the wholesale trade of  
21 electricity, that is sales from one utility to another,  
22 or one utility to or from an independent power



23 producer, that is the wholesale market that FERC  
24 regulates, that in our view as laid out in our prior  
25 opinions, has been primarily responsible for the very

28

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 large increases that many utilities across the West  
2 have had to face and therefore their consumers have had  
3 to face them.

4           The issue before us is the retail rates,  
5 which is a question of what are the legitimate costs  
6 that are incurred by Avista in which case whatever  
7 legitimate costs there are have got to be paid by the  
8 consumers.

9           Now, how those costs are incurred or  
10 whether they ever should have been incurred in that  
11 wholesale market as under rules approved by FERC, is a  
12 very important question that we have done our part to  
13 critique vociferously, but some of this is simply  
14 beyond our control, or the State's control, though we  
15 do what we can. But in the end, utilities have to buy  
16 power on that wholesale market, and if the rules that  
17 affect -- had the affect of increasing the rates some  
18 ten fold, unfortunately we probably are going to have

19 to pay.

20 Now, the legalities of what facts and  
21 what conduct did or didn't violate some of the rules  
22 about the wholesale transaction is in FERC's hands, and  
23 I hope they come to an appropriate conclusion. It's  
24 not an easy situation, but I do want the audience to  
25 know that our Commission has been quite critical in

29

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 national forums of the rules that FERC laid down, and  
2 we did say that it would produce very inequitable  
3 results, and they did.

4 Let's get back to the hearing on Avista's  
5 retail rate case, but thank you for raising the  
6 comment of the appropriate concern that you have, I  
7 just want you to know what our position is vis a vie  
8 that issue.

9 MR. CROMWELL: Thank you.

10 Mr. Roush, if you could approach the  
11 microphone. And after Mr. Roush, will be Mr. Post.

12 MR. ROUSH: My name is Eldon Roush,  
13 R-O-U-S-H. I am from Evans, Washington, representing  
14 myself and a residential user and also an irrigation

15 user of power, and also the community of Aspen Spring,  
16 a group, a water user group up there.

17 JUDGE MACE: What was that?

18 MR. ROUSH: Aspen, A-S-P-E-N Springs.

19 MR. CROMWELL: Do you have any other  
20 connections to the company or are you a shareholder?

21 MR. ROUSH: No.

22 MR. CROMWELL: Please make your statement.

23 MR. ROUSH: In response to the Chairlady's  
24 issue on just being retail not wholesale, I would  
25 really hope this Commission would take a serious look

30

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 if it is wrongdoing in the company so they could not  
2 recover the cost onto the rate payers if it was a  
3 criminal wrongdoing involved.

4 But to go on here. I am wondering here to  
5 begin with, is why a lot of people just saw the  
6 docket for the first time and we are having a hearing  
7 on it. They had this hush-hushed according to the  
8 document, couldn't even be released until May 31st at  
9 4:00 p.m., and even in the document itself it says  
10 under a year review that there be ten days to get

11 information from the different entities involved, and  
12 in a 90 review period yet we have ten 11 days or 11, I  
13 believe the 11th is the last day for comments, so we  
14 have 11 days since they even released it to get all our  
15 ammunition together, so to speak, to bring before the  
16 Commission, but that was just something that I saw.

17           Going onto other issues involved, I have no  
18 problem with the business recovering expenses. I guess  
19 again if it is not wrongdoing involved in it or  
20 negligence.

21           I don't fully understand the ERM, Energy  
22 Recovery, I am just wondering. I don't see anywhere  
23 there where the Commission can step in at any time to  
24 stop windfall profits. I don't see any kind of  
25 leverage that the Commission has to stop it. If they

31

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 see something on a monthly review that something is  
2 haywire in Denmark, they can stop this for a review  
3 instead of just keep going on.

4           And then under the monthly reporting on the  
5 additional ERM provisions, it doesn't have any place in  
6 there for interested parties to review it, it is just

7 the parties involved in the stipulation. There is one  
8 for the annual review, but not monthly, and I think  
9 that the public rate payers should have access to this  
10 monthly reviews so we can also have input on it.

11                   Excuse me, I just have my own little notes  
12 here, I didn't have much time to work with it.

13                   Under this future rate adjustments under  
14 the ERM, it does look like the surcharge could continue  
15 on and on and on, and I believe the Commission if they  
16 do approve this, should look at some kind of a cutoff  
17 date, where it does come and review the whole issue  
18 again, instead of allowing this to continue on and on  
19 and on indefinitely.

20                   Also, under the providing the 90 day review  
21 and approval process, it doesn't have anything in that  
22 about a public hearing. Is the public going to be  
23 involved in this where they can have a hearing so we  
24 can have our input officially? You don't have to  
25 answer that, just a question.

32

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1                   JUDGE MACE: One minute.

2                   MR. ROUSH: Okay. The high industrial

3 energy users here, not to pick on them, but I am  
4 wondering also, too, if their demand for electricity  
5 from the industrial users creates a rate increase  
6 because they have to buy more power to supply them. It  
7 says also that it will be spread out evenly, or  
8 percentage on it. Why shouldn't they pick up a  
9 higher burden if they create the demand which creates  
10 the higher rates? I don't know if you are aware of  
11 that or not.

12                   And, also, the last one affecting this  
13 settlement stipulation that says the conduct,  
14 statements, should not be admissible as evidence.  
15 These are the facts that are brought up yet they say we  
16 can't use it for any kind of case to appeal this  
17 through the courts of anything. That should be  
18 available for everybody.

19                   JUDGE MACE: Your time is up. Thank you.

20                   MR. CROMWELL: Mr. Post.

21                   JUDGE MACE: I just want to tell Mr. Roush,  
22 and again to reiterate to everyone here, if you have  
23 questions, particularly for example about the  
24 operations of the ERM, we do have staff people and the  
25 company people here who might be able to give you a

1 more detailed explanation.

2 CHAIRWOMAN SHOWALTER: As well as  
3 Mr. Cromwell, whose job it is to represent the rate  
4 payers.

5 MR. CROMWELL: And after Mr. Post, it will  
6 be Mr. or Mrs. Holloway.

7 MR. POST: Chuck Post, P-O-S-T.

8 MR. CROMWELL: And what city do you live  
9 in?

10 MR. POST: East 7612 Beverly.

11 MR. CROMWELL: Is that Spokane?

12 MR. POST: Spokane County, yes.

13 MR. CROMWELL: And are you a customer of  
14 Avista?

15 MR. POST: Yes.

16 MR. CROMWELL: And what type of service do  
17 you receive?

18 MR. POST: Business and residential.

19 MR. CROMWELL: Are you testifying tonight  
20 on your own behalf or on behalf of others?

21 MR. POST: My own.

22 MR. CROMWELL: Do you have any connection  
23 with the company, a shareholder?

24 MR. POST: No.

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 MR. POST: I am a business owner and reside  
2 in a private residence as a rate payer in Spokane  
3 County. Per the letter sent from the Commission on the  
4 increase in rates, that statement is somewhat  
5 misleading, and the increases that Avista has already  
6 been awarded are just being extended.

7 Avista has announced they are going to  
8 contribute \$150,000 to Project Share, up from the  
9 \$50,000 they stated they were going to contribute. I  
10 still think that this is a paltry sum as they collect  
11 in excess of 24 million dollars per year in the basic  
12 charge that they say is for reading meters. They  
13 should at the very least contribute up to one month's  
14 basic charge of two million dollars to Project Share.

15 One of the reasons that the City of Spokane  
16 is suffering financially is that the rate increases  
17 awarded to Avista is going to the monies that people  
18 generally spent on good services in the City of  
19 Spokane, and the 210,000 households have no way to  
20 get out of paying Avista, and they cannot spend it on



21 other products that could raise the City's revenue.

22 I would also propose that executives of  
23 Avista take a pay decrease in the amount of the extra  
24 surcharge for the duration of the same, as we the rate  
25 payers should not be the only ones that should take

35

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 monies out our pocket. And, also, that the  
2 shareholders dividends are to decrease in the same  
3 amount. And if any business like Avista they would  
4 have to file bankruptcy, and they cannot say we did not  
5 anticipate the market and therefore we need more money.

6 The rate payers and this Commission need  
7 to hold Avista executives more accountable for their  
8 actions.

9 JUDGE MACE: Thank you.

10 MR. CROMWELL: Mrs. Holloway. After  
11 Mrs. Holloway it will be Mr. Beamer.

12 MRS. HOLLOWAY: My name is Jan Holloway.  
13 H-O-L-L-O-W-A-Y.

14 MR. CROMWELL: What city do you live?

15 MRS. HOLLOWAY: Spokane. I have  
16 residential service. I am not an employee or a

17 stockholder of Avista.

18 MR. CROMWELL: Are you speaking on behalf  
19 of yourself or others tonight?

20 MRS. HOLLOWAY: I am speaking tonight on  
21 behalf of the Aging and Long-Term Care of Eastern  
22 Washington, which is the area agency on Aging for  
23 Spokane, Whitman, Ferry, Stevens, and Pond O'reille  
24 counties. I am a volunteer servicing on the agency's  
25 planning and management council, and I chair their

36

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 advocacy committee.

2 As you know from past hearings about Avista  
3 rate increases, we are very concerned about the adverse  
4 impact of increasing rates for home heating, cooling,  
5 and lighting. Specifically we are concerned about the  
6 adverse impact rate increase presents for the frail,  
7 vulnerable seniors as well as other individuals with  
8 disabilities living in their homes and trying to stay  
9 independent.

10 Based upon the Commission's actions since  
11 last October, today they are struggling to pay rates  
12 that are 31.2 percent higher for electricity.

13                   Now, there is some things in this new  
14 proposed settlement that we see as encouraging. It  
15 does not propose a further rate increase, and it  
16 proposes to set aside an additional \$150,000 for  
17 Project Share and it provided that AVista will promote  
18 and expand eligibility for its comfort level billing  
19 and winter low income payment programs. However, we  
20 still have some concerns about the proposed settlement.  
21 And we would suggest a further modification of the  
22 proposed settlement, and that would be that Avista  
23 match dollar for dollar the voluntary donations given  
24 to Project Share by its customers.

25                   Also we recommend that Avista report

37

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 annually to the community the total Avista Project Share  
2 donations matched each year.

3                   We also understand that as part of the  
4 proposed settlement, the base rate will increase from  
5 11.2 percent to 19.3 percent, and the surcharge will  
6 decrease from 20 percent to 11.9 percent. Further we  
7 understand that this reduction in the surcharge means  
8 that when the energy cost deferral balance reaches zero,

9 Avista customers will be paying a higher rate, higher  
10 base rate than previously proposed.

11 We recommend that the previously approved  
12 energy assistance and demand side management tariff  
13 riders be included in the base rate as part of the  
14 stipulation to this settlement, otherwise it is unclear  
15 whether the increase in the base rate would lead to  
16 increases in funds set aside to help low income seniors  
17 and others who can least afford these higher base  
18 rates.

19 I want to close by thanking the Commission  
20 for having a hearing in Spokane and I hope that the  
21 suggestions will be reflected in the settlement  
22 stipulation adopted.

23 MR. CROMWELL: Mr. Beamer, and then  
24 Mrs. Anders.

25 MR. BEAMER: My name is Dick Beamer.

38

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 MR. CROMWELL: What city do you live in?

2 MR. BEAMER: Spokane.

3 MR. CROMWELL: Are you a customer of  
4 Avista.

5 MR. BEAMER: Yes.

6 MR. CROMWELL: What type of service do you  
7 receive?

8 MR. BEAMER: Residential.

9 MR. CROMWELL: Are you testifying tonight  
10 on your own behalf or on the behalf of others?

11 MR. BEAMER: Aging and Long-Term Care of  
12 Eastern Washington.

13 MR. CROMWELL: Any connection to the  
14 company or are you a shareholder?

15 MR. BEAMER: No.

16 MR. CROMWELL: Please proceed.

17 MR. BEAMER: You have heard from other  
18 members of our agency volunteers. I will not repeat  
19 what they have said tonight, but I do endorse  
20 everything that they have proposed to you.

21 Certainly as have seen and have heard, and  
22 as I see in your press release, there were over 988  
23 responses opposing rate increases from Avista, yet at  
24 this point we stand 31.2 percent higher in rates than  
25 we were in October. If this is going to be the course

1 of matters here for Avista, certainly this new  
2 stipulation which does not raise rates further, is  
3 certainly better than coming before you and having to  
4 argue because rates are being increased again.

5 I certainly endorse the comments made by  
6 SNAP, the Spokane Neighborhood Action program, and Don  
7 Andre, in that you have to consider also including the  
8 appropriate increases in the tariff riders that allow  
9 for further increases in money be set aside to help low  
10 income folks offset those increases. Certainly I  
11 can't think of any low income person that has had a  
12 31.2 percent increase in their income over this period  
13 of time. As a matter of fact, many that have come to  
14 the attention of our agency are struggling with higher  
15 costs of prescription drugs and they have many, many  
16 other increases in costs that make it impossible for  
17 them to absorb also rate increases such as this in  
18 energy. Some have come to me and said, well, I guess I  
19 have to move but I don't know where that will be, and  
20 if you are over 70, it is pretty tough to think about  
21 that.

22 I would like to add a couple of comments  
23 about one part of the provision that I think is  
24 something that should be looked at further, and that  
25 is that it looks as though rate payers are going to be

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 expected to pick up 90 percent of the difference  
2 between the actual base power supply cost outside of a  
3 company ban of about nine million dollars.

4 We believe that the split between the rate  
5 payers on the company stockholder should be much more  
6 equitable than 90 percent and ten percent ratio.

7 We know that Avista has been a community  
8 partner in trying to address the low income people in  
9 our area and they are wrestling with those rate  
10 increases, and I think the Commission also needs to  
11 include some more help than has been proposed so far.

12 And I believe me, I hope this is the last  
13 public meeting I have with only nine days public  
14 notice. It is almost impossible to get out notices to  
15 people and have them take the time off to come here and  
16 speak. So I will make that comment to the Public  
17 Counsel as well.

18 Thank you.

19 JUDGE MACE: Thank you.

20 MR. CROMWELL: Mrs. Anders. After  
21 Ms. Anders will be Mr. Parch.

22 MS. ANDERS: If you think I'm afraid, I'm

23 not. I used to sing with Louie Armstrong.

24 I wish to present to you --

25 MR. CROMWELL: I need to make a record with

41

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 the court reporter who you are, Ms. Anders. Please  
2 state your name and spell your last name.

3 MS. ANDERS: A-N-D-E-R-S.

4 MR. CROMWELL: And what city do you live  
5 in?

6 MS. ANDERS: Spokane.

7 MR. CROMWELL: And are you a customer of  
8 Avista?

9 MS. ANDERS: Unfortunately, yes.

10 MR. CROMWELL: What type service do you  
11 receive?

12 MS. ANDERS: Residential.

13 MR. CROMWELL: And are you testifying  
14 tonight on your own behalf or on behalf of others?

15 MS. ANDERS: I am testifying on behalf of  
16 every elderly citizen in this Spokane area.

17 MR. CROMWELL: And do you have any  
18 connection to the company or are you a shareholder?



19 MS. ANDERS: Not whatsoever. I have a  
20 very dear friend that works in the deli there.

21 MR. CROMWELL: Please make your statement.

22 MS. ANDERS: This is my statement, and I  
23 want to thank the people who have gone before me  
24 because I don't have to include that. And if I talk  
25 too fast, five minutes isn't enough to tell you all

42

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 about it.

2 But there is what it is all about. This is  
3 Anders versus Avista. You talk about having nine days  
4 notice, I got the letter Saturday and I am here  
5 tonight, and I am flabergasted that there are so few  
6 people who I know. Nobody was let know. Those 987  
7 people aren't here, and I am. And I hope I can get my  
8 point across.

9 Last year I was forced to quit working in  
10 April. And about the time that November rolled round  
11 my monies for Avista were nil. My son had left to  
12 marry in July and he no longer paid half the utility  
13 bills. I was on a comfort level of \$87 a month comfort  
14 level. The month of November, are you kidding, the

15 month of November was a comfort level of \$191 dollars.  
16 That is real comfortable, isn't it? So I appealed to  
17 the only people I know, and that is the State.

18 I am under complete Medicare, I am on  
19 complete Medicaid, and the State takes care of this  
20 very able citizen.

21 Now, they granted me \$200 like that. Then  
22 I didn't have enough to I went and stood in the rain.  
23 I happened to draw number 99 and the 85 year old drew  
24 number 500 and I couldn't give her my number. I was  
25 just as destitute as she was. And I got 91 and you

43

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 know what I got, I was granted \$549 from the State of  
2 Washington to meet gas level of \$249, and my electric  
3 of \$300 and you know what, you think I kid you not, my  
4 level in that month jumped from \$69 to \$105.82. The  
5 next month \$118 and the next month \$152 on gas alone,  
6 \$177.

7 Now this old lady was not sitting on a  
8 toadstool. I cut off the upstairs where my son lived,  
9 I cut off the little cupboard that I call my spare  
10 bedroom and I have one bathroom, I quit washing clothes

11 but one time a week instead of every day like I did  
12 for my son. I got those wiggly lights that somebody  
13 here is talking about; I am almost blind because of  
14 using those stupid \$6.88 lights. I didn't pay for  
15 them, one of the citizens gave them to me, and If I'm  
16 upset -- I am so upset with the total apathy of our  
17 community to get up and speak for themselves.

18 I am not only physically handicapped with a  
19 leg that a dog took me around and \$6000 to the State,  
20 you guys are paying \$6000 for a repair on a leg, and I  
21 have been a manic depressive since I was 14 years old.  
22 But I have been the best nurse you ever saw for 24  
23 years, and that lady right over there was my teacher.  
24 And she was a dammed good one, too.

25 To make a long story short, my money ran

44

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 out. I was told that it would last me until June --  
2 \$549 until June. Do you know that when I only had  
3 \$5.34 my bill, sir, it dropped \$88.68 in the coldest  
4 two weeks in February, one in March, my bill dropped.  
5 And when I called Avista -- I got one more minute --  
6 when I called Avista, it was the meter reader.

7                   Now, who is kidding who. Who is he  
8 kidding who about who he gets the monies? And you know  
9 what, my comfort level at \$87 a month in a year's time  
10 would be \$1,248, and at \$191 a month, you just guess  
11 what my comfort level would contribute to Avista. And  
12 do you know what my actual bill was when I said forget  
13 about it, forget about my comfort level, just give me  
14 my actual bill, and it was \$35.35. I have every record  
15 from last September through May, and you can look at my  
16 billing. And I defy anybody, anybody to say that I am  
17 lying about it, cheating about it or anything else.

18                   It is not I. It is that president that  
19 went down to Texas. I worked in two and a half years  
20 in Texas, too, and I knew what is going on. But you  
21 guys when you have 36 hours to tell somebody who has a  
22 story to tell you and you give me five minutes --

23                   JUDGE MACE: I'm sorry, Ms. Anders.

24                   MS. ANDERS: Thanks for not answering the  
25 phone today, too. I tried desperately to get ahold of

45

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 somebody. Now they know.

2                   MR. CROMWELL: Mr. Partch.

3 MR. PARTCH: My name is Greg Partch,  
4 P-A-R-T-C-H, Senior.

5 MR. CROMWELL: Where do you live, sir?

6 MR. PARTCH: I live in Garfield, Washington.

7 MR. CROMWELL: And you are a customer of  
8 Avista?

9 MR. PARTCH: I am a customer of Avista.

10 MR. CROMWELL: What type of service?

11 MR. PARTCH: I am my own, residential. And  
12 the Whitman County Commissioner I am speaking for the  
13 people of Whitman County, the low people there, and I  
14 am also the current chair for Ageing and Long Term  
15 Care.

16 MR. CROMWELL: Do you have any connection  
17 to the company or are you a shareholder?

18 MR. PARTCH: No, I do not.

19 MR. CROMWELL: Please proceed.

20 MR. PARTCH: Your Honor, Commissioners, and  
21 Mr. Cromwell, my name is Greg Partch, Sr., and I have  
22 testified for you in all of the hearings that have been  
23 since we started September 10, 2001, February 27, 2002.  
24 I am going to include copies with my prepared statement  
25 here that I will give you again, and hopefully they

1 will find their place to the right eyes.

2 I also sit on the Vulnerable Adult Advisory  
3 Group which is co-convened by the Aging and Long-Term  
4 Care of Eastern Washington and Avista, and whose third  
5 meeting will be held tomorrow in Spokane.

6 I want tonight to talk about a couple of  
7 different things. I'm not going to go into depth about  
8 my first two testimonies. I do feel very strongly  
9 about Avista. Avista is our friend. They have been  
10 good to us under Washington Water Power. They are on  
11 tough times, but we can't expect to balance that all on  
12 the back of the low income people.

13 One of my concerns is like many of the  
14 concerns here tonight, is the suddenness of this  
15 meeting. I am Whitman County Commissioner and I got  
16 my letter today. If I had not read this in the paper  
17 Saturday, I would not know about this meeting. I want  
18 to talk about Mr. Cromwell's prepared statement about  
19 the crowd tonight. The crowd -- I realize it was a  
20 prepared statement but there is not a crowd here.

21 And thank the people for coming, don't  
22 thank the people for coming, this place would have been  
23 packed if there would have been more time just like it  
24 was the last time. Those people didn't know. And who

25 the heck picked out this place where I had to pay \$5.00

47

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 to get in here. There had to be places where you could  
2 have a meeting that people could have gotten -- all 30  
3 people or whatever there are to testify here -- that  
4 didn't cost those people couldn't even come down here  
5 anyway.

6 I am really unhappy about the timing of  
7 this. Somebody didn't do their homework. I don't know  
8 if the Spokane City Chambers was available. I don't  
9 know if like last time, or one time the County had  
10 available. They have got nice meeting rooms. I know in  
11 our county we would love to have you there. And people  
12 could have gone the there.

13 But you really want to stress what people  
14 said earlier, this thing of getting something the day  
15 before and having to come and testify is not real handy  
16 and there would have been more people and it's not fair  
17 to those people.

18 The last thing I want to talk about my  
19 concerns about the \$150,000 in Project Share, and that  
20 sounds like a lot of money, but in reality that is a

21 drop in the bucket. I really like the idea that came  
22 from an earlier statement about maybe a one-to-one  
23 share.

24 In my first presentation to you I said we  
25 have to look for more long term lasting ways to meet

48

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 this situation. There has been no talk in your  
2 settlement about long term ways to work in which we can  
3 help the people. I think we have to come up with  
4 solutions, and where are the solutions, I don't see  
5 anything here saying we should work with solutions.

6 Avista has to gotten with Ageing Long-Term  
7 Care to meet and discuss these things and we are hoping  
8 to go there, but I think that needs to be put right  
9 into the settlement that they work towards long term  
10 solutions for the low income populations.

11 So I would ask that you look for these long  
12 term solutions, not look but ask that those are input.  
13 I made some other statements here right quick, I have a  
14 full minute here.

15 I am a little bit concerned there are other  
16 utilities that didn't get in this jam, and I



17 specifically want to talk about Inland Power. This  
18 thing, and I'm not sure about where all that came from  
19 the ERM, but is this only for Avista? Has this thing  
20 been extended to the well run utilities? I think  
21 allowing them to set rates for long term -- you should  
22 go to other ones that didn't get in this situation and  
23 extend them the same service.

24 Well, that pretty much concludes my -- thank  
25 you very much.

49

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 MR. CROMWELL: Mr. Wittenberg, and after  
2 Mr. Wittenberg it will be Ms. Rodgers.

3 Spell you last name for the record.

4 MR. WITTENBERG: My name is John O.  
5 Wittenberg, Jr., and although I am 80 ears old, I am  
6 still a Junior.

7 MR. CROMWELL: Spell your last name.

8 MR. WITTENBERG: Give me time.  
9 W-I-T-T-E-N-B-E-R-G. I am a captive rate payer of  
10 Avista, I own no stock, I reside in the new city of  
11 Spokane Valley.

12 I would like to speak to the psychology of

13 this proposed rate increase. I too have been on your  
14 mailing list, and whoever handles that mailing list  
15 you should chastise them for it because I too received  
16 it today. The gentleman spoke of a meeting place, and  
17 in my letter to you back in September I suggested that  
18 you contact, and I would appreciate it if you would  
19 write this down, Spokane Community College at Mission  
20 and Green Street, and they have an auditorium as big as  
21 this in the Lair, they have 40 acres of free parking.

22           The thing that disturbs me about this whole  
23 thing is that staff, utility staff, the company, the  
24 State Attorney General representing us people, have  
25 advocated and it seems like it is cast in stone, that

50

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 Avista will receive an increase, which is unfortunate.  
2 With the FERC proposed litigation as shown in the  
3 newspaper, it would seem to me that the prudent thing  
4 for you people to do is to not grant any increase to  
5 Washington Water Power or Avista, until this FERC  
6 federal shenanigans, is either ratified or -- I think  
7 I'm gropping for words and I think that you know what I  
8 mean -- this is pending with the federal government,

9 and for you to even consider giving them anything at  
10 this time it should be forstalled.

11                   Us rate payers were the victim of over  
12 credit card use, and yet you are asking us as the  
13 captive rate payers, the victims of this exorbitant  
14 purchase of power, over extending their credit card and  
15 hurting their bond rating, it would seem to me that  
16 this indicates that the stockholders have elected the  
17 wrong board of directors who have hired the wrong  
18 people to take care of our old Washington Water Power  
19 Company which was blue chip stock. And I don't see why  
20 we should have to pay for their financial folly.

21                   Thank you for your audience. Thank you.

22                   MR. CROMWELL: Ms. Rogers.

23   (Oath given.)

24                   MR. CROMWELL: Thank you. Mrs. Rodgers,  
25 would you please spell your name for the record.

51

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1                   MS. RODGERS: Cherie Rodgers, R-O-D-G-E-R-S.

2                   MR. CROMWELL: What city do you live in?

3                   MS. RODGERS: Spokane.

4                   MR. CROMWELL: Are you a customer of

5 Avista?

6 MS. RODGERS: Yes.

7 MR. CROMWELL: What type of service do you  
8 receive?

9 MS. RODGERS: Residential.

10 MR. CROMWELL: And are you testifying on  
11 your own behalf or others?

12 MS. RODGERS: Others and myself.

13 MR. CROMWELL: Do you have any connection  
14 to the company or are you a shareholder?

15 MS. RODGERS: No.

16 MR. CROMWELL: Please proceed.

17 MS. RODGERS: My name is Cherie Rodgers, I  
18 am a member of the Spokane City Council. I represent  
19 over 67,000 people in Spokane City Council District No.  
20 3, and I am speaking on behalf of my constituents in  
21 that district.

22 I come down before in February and opposed  
23 these rate increases, and I also just received this  
24 today. We could have had this place packed if more  
25 people would have known about this, I guarantee it.

1 And I had a City Council meeting at 6:00, fortunately  
2 it got over about 6:30 so I came over here as soon as I  
3 could. More people would have come down here had they  
4 known, and I know people are interested in this, this  
5 is a huge issue in the city of Spokane.

6 I am going to e-mail some of my other  
7 testimony, because last time I talked about the extreme  
8 poverty rates in the City of Spokane, but it not only  
9 impacts lower income people, but it impacts the other  
10 rate payers. I also am a member of the Ageing and  
11 Long-Term Care former member of the SNAP. I am well  
12 aware of the problems in the City of Spokane.

13 But for you to put the increase on the rate  
14 payers is unconscionable to me, 90 percent. And I  
15 strongly oppose you extending the number of years a  
16 surcharge can be charged upon the rate payers. So I  
17 will send the rest of my written testimony.

18 But if we conducted a public hearing on  
19 short notice in the City of Spokane, it would be  
20 illegal.

21 JUDGE MACE: I would ask you if you can  
22 e-mail tomorrow?

23 MS. RODGERS: Yes.

24 MR. CROMWELL: That was the end of the list  
25 for folks who signed up. Did anyone wish to speak who

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 did not sign up when they came in.

2 Please approach the microphone.

3 JUDGE MACE: Did you stand and have the  
4 oath administered to you?

5 MR. HENSLE: I did not.

6 (Oath given.)

7 MR. CROMWELL: Please state your name and  
8 spell your last name.

9 MR. HENSLE: Yes. My name is Michael  
10 Hensle, H-E-N-S-L-E.

11 MR. CROMWELL: And, Mr. Hensle, what city  
12 do you live in?

13 MR. HENSLE: Spokane.

14 MR. CROMWELL: And are you an Avista  
15 customer?

16 MR. HENSLE: I am.

17 MR. CROMWELL: Do you receive business or  
18 residential or both?

19 MR. HENSLE: Residential.

20 MR. CROMWELL: And are you testified  
21 tonight on your own behalf or on the behalf of others?

22 MR. HENSLE: My own.

23 MR. CROMWELL: Do you have any connection  
24 to the company?

25 MR. HENSLE: No.

54

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 MR. CROMWELL: Please proceed.

2 MR. HENSLE: I only have a couple of  
3 things. One of those is the comfort level billing. If  
4 you look at your bill, it gives you, if you have a bill  
5 and you have money left over, I can't remember the word  
6 that it is called, but balance, credit, it gives you  
7 credit. With Avista, if you look at the bill and it  
8 says credit, it means you are in the home I looked at  
9 my bill, I have credit, and my credit kept going up and  
10 up and up, so I called them and what's going on?  
11 They said, Mr. Hensle this is money you owe, and I was  
12 shocked at that.

13 And the other thing is when I contacted WCTU  
14 or WTUC, they said that we needed to keep the current  
15 level -- the level of help that we get from Avista, the  
16 service we get from Avista, and three years ago I  
17 called Avista and I said I have a gas leak, because my  
18 power rate was so high. Oh, Mr. Hensle, you couldn't

19 have a gas leak -- it was so much higher than  
20 everybody else in my area. You couldn't have one. You  
21 can't compare homes. I am not comparing homes, mine  
22 is just so much higher. This went on for three years,  
23 and I finally got an Avista representative out and had a  
24 gas leak. So that's all I have. Thank you.

25 MR. CROMWELL: Was there anyone else who

55

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 wished to speak?

2 Do you have a statement to make?

3 UNIDENTIFIED PERSON: No, I have questions  
4 that I want answered. I have lived at 815 --

5 JUDGE MACE: I think if all you have is  
6 questions, we do have a number of people that can help  
7 you with that, and we may be able to adjourn prior to  
8 that.

9 MR. CROMWELL: Was there anyone else who  
10 had a statement to give on the record?

11 UNIDENTIFIED MAN: Can we come up twice?

12 MR. CROMWELL: I don't have anyone else  
13 signed up to speak.

14 I do want to emphasize again, while this



15 would complete the public testimony portion of the  
16 hearing, I want to remind you that the Commission will  
17 accept comments through tomorrow. You can do that  
18 writing by reaching them on the fax machine, (360) 586-  
19 1150, or by e-mail. The e-mail address is  
20 comments@wutc.wa.gov. If you didn't get that down,  
21 feel free to come up afterwards and I will give that to  
22 you again.

23 I do want to emphasize again that this  
24 agreement does not cover all the regulatory issues  
25 before the Commission at any given time and there are

56

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 other avenues for customers to take up problems that  
2 they may have with the company, and also other avenues  
3 for customer complaints and other means to address  
4 specific problems, some of which have been raised here  
5 today. So I encourage you to explore those if you can.

6 JUDGE MACE: Thank you. That conclude the  
7 hearing at this point.

8 CHAIRWOMAN SHOWALTER: One second, I just  
9 like to make a few closing comments.

10 First of all, thank you everyone for coming.

11 We always learn things new things by listening directly  
12 to consumers, and we have learned things tonight. You  
13 come to comment on the Avista rate case but we also  
14 learned a little more about our processes, and we take  
15 these suggestions to heart. It doesn't always mean the  
16 outcome is what you hope it will be, because we  
17 consider many other forms of evidence in addition to  
18 the public comments that get at very factual issues,  
19 and also we are constrained by law to approach a rate  
20 case in a particular way.

21 I also want to make one more comment about  
22 the FERC issues, the federal investigation, just for  
23 you to consider. If FERC were to find that Avista's  
24 conduct in these instances did violate a rule, the  
25 affect would be to remove a small amount of profit that

57

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 they made from it. In other words, the dollars coming  
2 from outsiders on the wholesale market would be  
3 eliminated, therefore they would have to make up the  
4 revenue somewhere else, i.e. the rate payers.

5 If FERC follows through on the threat that  
6 it has made, which is that it could require Avista, or

7 prohibit Avista from selling their excess power on the  
8 wholesale market at market prices and limit them to  
9 cost, again, the affect would be to reduce Avista's  
10 ability to receive dollars from outsiders from the sale  
11 of excess power.

12           If there is a reduction on those dollars,  
13 the dollars have to be made up somewhere else, there is  
14 only one place and this is the rate payers. So, again,  
15 I do not want to pass any judgement whatsoever on what  
16 the facts actually are or whether those facts do or  
17 don't constitute a violation of a rule. The facts  
18 remain to be seen, and further it remains to be seen  
19 whether the conduct involved was simply a valid and  
20 legitimate response to a federal rule that does invite  
21 market behavior, and you can call it manipulation, or  
22 whether the conduct went over the line. I don't know.

23           But I do hope everyone understands that  
24 what is at stake here is actually a shift of burden  
25 from those outside the rate payer base to the rate

58

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670

1 payers. And we will see how it plays out. But that is  
2 one reason why it would not be particularly critical

3 for us to wait until the proceeding is over. The more  
4 compelling reason is we are required under State law  
5 to resolve a general rate case within a statutory time  
6 frame, and it really doesn't matter what FERC is doing  
7 on that score. And we will follow our state law and  
8 get the case done on time.

9               But thank you very much for coming, we  
10 really do appreciate it. There is not time for more  
11 comments in this hearing. There is time after the  
12 hearing is concluded to ask questions. Thank you.

13               JUDGE MACE: Thank you.

14                               (Hearing concluded.)

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF WASHINGTON )  
2 ) ss: REPORTER'S CERTIFICATE  
3 COUNTY OF SPOKANE )

4

5

6 I, BETTY A. SITTER, Certified Shorthand  
7 Reporter and Notary Public in and for the State of  
8 Washington;

9 DO HEREBY CERTIFY:

10 That the foregoing is a true and correct  
11 transcription of my shorthand notes as taken upon the  
12 Public Hearing on the date and at the time and place  
13 as shown on page one hereto;

14 That the witness was sworn upon his oath to tell  
15 the truth, the whole truth and nothing but the truth, and  
16 did thereafter make answers as appear herein;

17 That I am not related to any of the parties to  
18 this litigation and have no interest in the outcome of  
19 said litigation;

20 WITNESS my hand and seal this July 21,  
21 2002.

22

23

24

---

Notary Public in and for the  
State of Washington, residing  
in Spokane.

BETTY SITTER, C.S.R.  
Spokane, WA (509)926-2670