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             BEFORE THE WASHINGTON UTILITIES AND
                 TRANSPORTATION COMMISSION
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                                 ) Docket No. UE-000735
 4 GEORGIA PACIFIC WEST, INC.
                                   ) Volume I.A
   PUGET SOUND ENERGY
                                   ) Pages 1 - 69
   BELLINGHAM COLD STORAGE COMPANY) Docket No. UE-001014
                                  ) Volume I.A
   PUGET SOUND ENERGY
                                  ) Pages 1 - 69
   WASHINGTON UTILITIES AND
                                  ) Docket No. UE-001521
    TRANSPORTATION COMMISION
                                  ) Volume I-A
                                  ) Pages 1 - 69
            v.
    PUGET SOUND ENERGY
10
                                  _)
   GEORGIA PACIFIC WEST, INC. ) Docket No. UE-001616
                                  ) Volume I-A
11
           v.
                                  ) Pages 1 - 69
    PUGET SOUND ENERGY
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                      A pre-hearing in the above matters
16 was held on November 30, 2000, at 1:33 p.m., at 1300
   Evergreen Park Drive Southwest, Olympia, Washington,
18 before Administrative Law Judge DENNIS MOSS.
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                      The parties were present as
    follows:
21
                      BELLINGHAM COLD STORAGE COMPANY,
22 by John A. Cameron, Attorney at Law, 1300 S.W. Fifth
    Avenue, Suite 2300, Portland, Oregon, 97201-5682.
2.3
                      GEORGIA PACIFIC WEST, INC., by
24 Melinda Davison, Attorney at Law, Davison VanCleve,
   1300 S.W. Fifth Avenue, Suite 2915, Portland, Oregon
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1	SCHEDULE 48 CUSTOMERS, by Chad Stokes, Attorney at Law, Davison VanCleve, 1300 S.W. Fifth Avenue, Suite 2915, Portland, Oregon 97201.
3	PUD NUMBER ONE OF WHATCOM COUNTY, by Adam W. Gravley, Attorney at Law, Preston, Gates & Ellis, 701 Fifth Avenue, Suite 5000, Seattle, Washington 98104-7078.
5	PUGET SOUND ENERGY, by Markham A.
6	Quehrn and Kirstin S. Dodge, Attorneys at Law, Perkins Coie, 411 108th Avenue N.E., Suite 1800,
7	Bellevue, Washington 98004-5584.
8	THE COMMISSION, by Robert
9	Cedarbaum, Assistant Attorney General, 1400 Evergreen Park Drive, S.W., P.O. Box 40128, Olympia, Washington 98504-0128.
10	
11	PUBLIC COUNSEL, by Simon ffitch and Robert Cromwell (via teleconference bridge), Assistant Attorneys General, 900 Fourth Avenue, Suite
12	2000, Seattle, Washington 98164.
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24	Barbara L. Nelson, CCR

25 Court Reporter

JUDGE MOSS: Let's go on the record. I think I know everybody here, almost, at least, but anyway, my name's Dennis Moss. I'm an Administrative 4 Law Judge for the Washington Utilities and 5 Transportation Commission. We are convened this 6 afternoon in a joint prehearing conference in four 7 dockets, none of which are consolidated at this juncture, but all of which involve some common 9 parties and perhaps some common issues of law and 10 fact, and we felt it would be most efficient to 11 proceed in this fashion. We may discover that that 12 was a mistake. 13 I've got about a 12-page agenda here, 14 counting the appearances that I know of, so we'll just do our best and struggle through, and I'm sure, 16 as Mr. Cameron already did off the record, you all 17 will correct me if I misstate a party or get one of 18 these proceedings mixed up with another one or 19 something like that. 20 For the record, I will note that the 21 matters in which we are convened include Georgia 22 Pacific West, Inc. against Puget Sound Energy, Docket 23 Number UE-000735; Bellingham Cold Storage Company 24 against Puget Sound Energy, Docket Number UE-001014. 25 I'll just note that Georgia Pacific West, Inc. was

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1 previously a complainant in that, but has been dismissed on its own motion. The third matter is the Washington Utilities and Transportation Commission 4 against Puget Sound Energy, Docket Number UE-001521; 5 and finally, Georgia Pacific West, Inc. against Puget 6 Sound Energy, Docket Number UE-001616. And I've 7 simply listed those in the order of the docket 8 numbers.

Our basic agenda today, fairly typical for 10 a prehearing conference. We'll take appearances. 11 guess what I'll ask you all to do is to give the 12 usual information, name, whom you represent, address, telephone, fax, e-mail, and just add to that which of the proceedings you'll be representing the parties

I've mentioned off the record that I have 17 some petitions to intervene, and that would include 18 Bellingham Cold Storage petitions to intervene in 19 Numbers UE-001521 and UE-001616, and Georgia 20 Pacific's petition to intervene in UE-001521, and Mr. 21 Gravley, for Whatcom County PUD, indicated off the 22 record that he would be making an oral petition to intervene on behalf of the Whatcom County PUD in 24 Docket Number UE-001616.

In addition to those petitions, we have a

1 Bellingham Cold Storage/Puget Sound Energy joint motion to continue number UE-001014 for an additional 45 days, and we have a Georgia Pacific motion to 4 reply, parenthetically, to answer, answer 5 counterclaims in UE-001616. I think that covers the matters right that 7 I'll be acting on today. We'll also want to discuss 8 the issues a bit, and I have outlined some questions 9 that I have for various parties in answers to that. 10 Perhaps you all have had an opportunity to 11 discuss beforehand the process and procedural 12 schedule, as I encouraged you to do in the prehearing 13 conference notice, and perhaps you have not had that 14 opportunity, but that may turn out to be the more complicated part of our business today, in terms of deciding how to proceed, how to go forward in these 17 matters. And we'll have to be mindful, in connection 18 with that. I guess we'll take up and withhold ruling 19 on the request for a continuance, and I'm going to 20 just use the last four numbers, 1014, because I think 21 there's some interplay there that we'll have to consider in connection with some of the other dockets 23 in timing and hearings and so forth. Then, of course, we'll take up any other

25 business that the parties wish to bring before the

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1 Commission today that are appropriate to the circumstances of the prehearing conference. All right. So let's begin with 4 appearances. And since we have a number of 5 complainants in various proceedings, I'm just going 6 to go around the room. We'll start over here on the 7 left with Mr. Quehrn. 8 MR. QUEHRN: Yes, good afternoon. My name 9 is Mark Quehrn, Q-u-e-h-r-n, appearing on behalf of 10 Puget Sound Energy in all four cases that have been 11 docketed. My name, address, fax number, is already 12 in the record. Would you like me to repeat it, or --13 JUDGE MOSS: I think, since we already have 14 that as a matter of record in the 1014 and the 0735 15 matters, we need not have that again. 16 MR. QUEHRN: Okay. 17 JUDGE MOSS: And I can provide that 18 information to the reporter if she doesn't have it. 19 We'll note it in the record. 20 MR. QUEHRN: All right. Thank you. 21 JUDGE MOSS: We can do that with other 22 counsel, as well, to save time. So those of you who 23 have previously entered, that's how we'll do it. 24 Good suggestion.

MR. QUEHRN: Thank you.

00007 MS. DODGE: Kirstin Dodge, also with 2 Perkins Coie, for Puget Sound Energy. My information 3 is also in the record. JUDGE MOSS: Before we move on, Mr. Quehrn, 5 I don't seem to have your e-mail in my records, so 6 let me get that. 7 MR. QUEHRN: Certainly. It's 8 quehm@perkinscoie.com. 9 JUDGE MOSS: Thanks. All right. Mr. 10 Cameron, go ahead. 11 MR. CAMERON: Thank you, Your Honor. I'm 12 John Cameron, with the law firm of Davis, Wright, 13 Tremaine. My information is already in the record, 14 as well, and I've tendered a copy of a business card to the reporter, as well. 16 JUDGE MOSS: Good. 17 MR. CAMERON: I'm here on behalf of 18 Bellingham Cold Storage regarding all the dockets 19 except UE-000735. JUDGE MOSS: You all are not intervenors in 20 21 that? 22 MR. CAMERON: No, sir. JUDGE MOSS: And I have in my records from 23

the prior proceedings, perhaps from some papers that have been filed, also Ms. Grundon from your firm.

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             MR. CAMERON: Yes, sir.
             JUDGE MOSS: Will she be appearing in these
3 matters?
             MR. CAMERON: Why don't we enter her
5 appearance, as well. Traci Grundon, T-r-a-c-i
6 G-r-u-n-d-o-n, also with the law firm of Davis,
7 Wright, Tremaine.
8
             JUDGE MOSS: How about Mr. Smith? He's on
9 one of your papers.
10
             MR. CAMERON: His appearance is already
11 entered.
12
             JUDGE MOSS: Okay, fine.
13
             MR. STOKES: Good afternoon, Your Honor.
14 My name is Chad Stokes, with the law firm of Davison
   VanCleve. I represent the Schedule 48 customers in
15
16 Matter Number UE-001014.
17
             JUDGE MOSS: Okay. I'm trying to recall,
18 just looking through my notes here, either you, Mr.
19 Stokes, or Ms. Davison can remind me. I know I have
20 some of the Schedule 48 customers listed
21 individually. Do we have -- is the entire customer
22 group in this case or --
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             MS. DAVISON: We used the shorthand for
24 simplicity. It's the same five Schedule 48
25 complainants that --
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             JUDGE MOSS: Air Liquide, Boeing Company,
2 Equilon Enterprises, Tesoro Northwest?
             MS. DAVISON: And Air Products.
             JUDGE MOSS: Air Products is the one I
5 don't have, so I appreciate you telling me that.
6 that's just in the one docket?
             MS. DAVISON: Yes, that's the only case in
8 which they've intervened.
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             JUDGE MOSS: They don't seek to intervene
10 in these other two?
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             MS. DAVISON: No.
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             JUDGE MOSS: Go ahead, Ms. Davison.
13
             MS. DAVISON: Thank you, Your Honor. I'm
14 Melinda Davison. I am appearing today on behalf of
   Georgia Pacific West, and I am appearing, in the
   shorthand, the 735 docket. You are correct, Your
17 Honor, that we are no longer a party in the 1014
18 docket. We have entered our petition to intervene in
19 the 1521 docket, and of course we are the Complainant
20 in the 1616 docket.
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             JUDGE MOSS: Okay. Mr. ffitch.
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             MR. FFITCH: Your Honor, Simon ffitch,
23 Assistant Attorney General, Public Counsel. We are
24 appearing in all four dockets. Our information was
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25 provided in Dockets 1014 and 735 as a matter of

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1 record.
             JUDGE MOSS: Okay. And I'll go ahead and
3 pick up Mr. Cedarbaum here, but Mr. Gravley, isn't
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             MR. GRAVLEY: Yes, Your Honor.
             JUDGE MOSS: Let me invite you to come up
7 here. We're not going to have any witnesses today,
8 so you can enjoy that seat with immunity from
9 cross-examination.
10
             MR. GRAVLEY: Thank you.
11
             JUDGE MOSS: Mr. Cedarbaum, go ahead.
12
             MR. CEDARBAUM: Thank you. My name is
13 Robert Cedarbaum. I'm an Assistant Attorney General
14 representing the Commission Staff in all four of the
   cases that have been noticed today. My business
   address and the rest of that information has also
17 been previously noticed.
18
             JUDGE MOSS: If they keep piling on, we'll
19 have to clone you, I guess. All right. Go ahead,
20 Mr. Gravley. I don't believe you've previously
21 entered an appearance, have you?
            MR. GRAVLEY: No, Your Honor, I have not.
22
23 I'm appearing on behalf of Whatcom Public Utility
24 District Number One of Whatcom County in Dockets 1014
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25 and 1616. My co-counsel, Carol Arnold and Doug

25 granted.

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1 Rosenberg, of my law firm Preston, Gates and Ellis in
   Seattle, are already counsel of record in Docket
   Number 1014, and I would ask that their appearances
   also be entered in Docket Number 1616, along with
5 myself.
             JUDGE MOSS: All right. Hmm. That's
7 funny. Same address and phone for you as Ms.
8 Arnold?
9
             MR. GRAVLEY: Correct.
10
             JUDGE MOSS: And who was the other counsel?
11
             MR. GRAVLEY: Douglas Rosenberg.
12
             JUDGE MOSS: All right. Somehow he dropped
13 off my list, but I noticed you did have a motion to
14 intervene that was granted in that other docket, so
   -- any other appearances today? Seeing and hearing
   no indication, let's go ahead and take up our
17 petitions to intervene.
18
             Do we have any objections to Bellingham
19 Cold Storage's petition to intervene in Number 1521?
20 Hearing no objections, the motion appears well
21 stated, and it's granted. How about Bellingham Cold
22 Storage in 1616? Any objection? Hearing no
23 objection, and again having reviewed the written
24 filing, finding it in good order, the petition is
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1 MR. CAMERON: Thank you, Your Honor. JUDGE MOSS: And let's see. We have Georgia Pacific in Number 1521. Any objections? 4 Hearing no objections, finding the petition well 5 grounded, it's granted. And let's see. We have Whatcom County PUD 7 Number One wishes to intervene in 1616. We don't --8 let me just ask you to briefly state your interest. 9 MR. GRAVLEY: The interest that we have is 10 precisely the same that was stated in our petition to 11 intervene in Docket Number 1014, that the Commission 12 granted in July. And briefly there, the interest is 13 that the Public Utility District has electric 14 utilities services agreements with both Georgia 15 Pacific and Bellingham Cold Storage to provide 16 electric service, and our issue is with the position 17 of Puget as to the Georgia Pacific and Bellingham 18 Cold Storage obligations regarding transmission 19 service and the frustration of the contract that we 20 have with both of those entities. JUDGE MOSS: Or the alleged frustration, at 21 22 least. All right. And the transmission issue 23 certainly has been made part of 1616 by the 24 counterclaim, at least. Any objection to the 25 intervention of Whatcom PUD in that proceeding?

MR. QUEHRN: Not as to the counterclaim. I anticipate, I think, based upon discussion that I had with Ms. Davison, that we may be talking later about 4 doing some sequencing of these issues that we would 5 be more than happy to agree to. I think there's a 6 sense that, and I don't mean to speak for counsel for 7 G.P., that perhaps we ought to hear the Schedule 48 8 issue first, the MFN clause issue, and if that's the 9 way that G.P. wants to proceed, we would not object 10 to deferring consideration of our counterclaim until 11 after the Commission had heard those issues and 12 entertained whatever ruling that it would make on the 13 case. We're happy to go either way. 14 JUDGE MOSS: Well, we'll get back to that 15 in a minute, because that has implications for the 1014 docket, as well. But in the meantime, if 17 there's no -- yes, Mr. Cedarbaum. 18 MR. CEDARBAUM: Your Honor, Staff doesn't 19 object to the PUD's intervention in the 1616 case to 20 the extent that those transmission issues remain in 21 that case. I think there's an issue as to whether or 22 not it's appropriate for the Commission to take up 23 those issues in the context of that complaint 24 proceeding. If the Commission does not take them up

25 in that complaint proceeding, then I don't think the

1 PUD does have an interest, and at that time maybe we could just, you know, renew or raise an objection to their intervention or they can bow out because they 4 would no longer have an interest there, but I think 5 that their intervention does rest on when the 6 Commission hears those issues in that complaint case, 7 and that's not entirely clear at this time that it 8 should. 9 JUDGE MOSS: Yeah, it sounds to me the 10 practical considerations would probably take care of 11 any concerns you might have in that regard, in other 12 words, how, when, where we take up these various 13 matters will be something we talk about today and 14 resolve. But, certainly, I think that Whatcom has 15 satisfied the threshold in demonstrating a substantial interest in the case as pled, and so 17 hearing no objection, then we'll go ahead and grant 18 the petition to intervene. So that was done. 19 MR. GRAVLEY: Thank you, Your Honor. 20 JUDGE MOSS: You're welcome. All right. 21 Now, we have -- well, let's turn to the Georgia

22 Pacific motion to file a reply in the -- which case
23 is it, 1616?
24 MS. DAVISON: Yes, Your Honor.

25 JUDGE MOSS: Yes, Your Honor. 25 JUDGE MOSS: You have a need to file an

1 answer to the counterclaim, but you, of course, don't need permission to do that, but you are seeking also leave to file a reply to the response, and you do 4 need permission for that. So why don't you go ahead 5 and make your argument. Why do you need that? MS. DAVISON: Your Honor, I think that if 7 you look at the answer in the affirmative defenses, 8 as well as the counterclaims that were raised by PSE 9 in its answer, there's a certain relationship among 10 the three areas, and I think that it would assist the 11 Commission in understanding the positions of the 12 parties early on and, you know, perhaps the facts in 13 the case early on to provide a reply and to -- I 14 anticipate the reply will be short and concise, but I think that to have a reply, as well -- and jointly provide an answer to the counterclaims probably would 17 be of assistance -- we hope would be of assistance to 18 the Commission. 19 JUDGE MOSS: Okay. Well, these are the 20 pleadings and motions in the 1014 case in a state of 21 suspension for some time now, and I wouldn't want to 22 encourage that sort of thing, but let me just ask if 23 there's any objection to the request for leave to 24 file a reply? 25 MR. QUEHRN: Your Honor, I'm not sure what

25

1 I heard. I understand that there is, as a matter of right, the ability to answer the counterclaim. JUDGE MOSS: Sure. MR. QUEHRN: Which I presume will occur. I 5 quess -- and I'm not sure, from the standpoint of 6 your agenda, which I don't mean to interrupt, but 7 just again as practicality dictating, the 8 counterclaim was raised in part because we think 9 there is a tie to the MFN clause, although with an 10 understanding that we might be able to reach, through 11 further discussion of that tie-in, the significance 12 at this prehearing conference, we may be able to 13 again set aside the counterclaim to make the moving 14 forward on whichever one, 1616, a little bit more 15 streamlined. 16 And I don't know -- not wanting to waive my 17 objection at this point till we have this discussion, 18 I guess what I would suggest is maybe if we have that 19 discussion we can bring some clarity to that issue, 20 and then hopefully simplify what I think I heard from

18 I guess what I would suggest is maybe if we have that 19 discussion we can bring some clarity to that issue, 20 and then hopefully simplify what I think I heard from 21 Ms. Davison earlier and I think maybe what I just 22 heard from Bob here a few minutes ago of where there 23 may be a relationship and where there may not be a 24 relationship between these issues.

JUDGE MOSS: Okay. All right. We'll have

00017 1 that further discussion and you -- are you anticipating, in terms of a reply, two or three pages, something like that? MS. DAVISON: Yes, Your Honor. 5 JUDGE MOSS: Okay. Well, let's just carry 6 that to the end of the day. After we have all this 7 other discussion, things will be more clear, and you 8 may decide you don't even want to do that and just want to file an answer, what have you, and let me 10 know and we'll decide what we need to do about it at 11 the end. Don't let me forget to rule on it one way 12 or the other if you continue to wish the opportunity. 13 MS. DAVISON: Okay. Thank you, Your Honor. 14 JUDGE MOSS: Let's do break into -- I guess 15 it's going to have to be sort of a joint discussion of both the issues and the process and procedures by 17 which we go forward, and let me just ask if the 18 parties have had an opportunity to discuss all of 19 those questions beforehand or if it would be 20 appropriate at this time to take a break from being 21 on the record and let you all discuss the best way to 22 proceed in all these various dockets. 23 There are a number of options. One obvious

24 option is that we can proceed on four separate tracks 25 with four separate procedural schedules and all of

1 that. It does strike me that there's a commonality of issues. Certainly, at least, there's the common nexus of the special contracts and Schedule 48, which 4 are at least very similar and in many ways identical. 5 We're asked, as I understand the case -- cases, the 6 Commission is asked to interpret various provisions 7 of the special contract, Schedule 48, as the case may 8 be. I guess each one -- each proceeding speaks to 9 different parts of the same basic tariffs, and so to 10 that extent, they have things both in common and 11 things not in common. So proceeding separately is 12 one option. 13 We can proceed jointly, either on a 14 consolidated or unconsolidated basis, in terms of 15 formal legalities of the matter, combining any of the dockets that are appropriate to be combined, and I 17 want to look to the parties for guidance on that 18 question. I don't have any preconceptions about how 19 this should be done. I should say that up front. 20 And of course, from an efficiency

21 standpoint, I will say that it appears to me the most

22 efficient way to proceed will be to go forward

23 jointly on all of them, but that's just me. So have

24 you all had an opportunity to talk about it, Mr.

25 Cedarbaum?

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             MR. CEDARBAUM: Not directly about these
   subjects.
             JUDGE MOSS: Would it be useful, do you
4 think, to break for 10, 15 minutes --
             MR. CEDARBAUM: Sure.
6
             JUDGE MOSS: -- and let you all talk
7 through all that, and maybe just present a proposal
8 to me. I see heads nodding in the affirmative.
9
             MS. DAVISON: Yes.
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             JUDGE MOSS: So why don't we do that. It's
11 about five before the hour now. I'll just stay
12 around, but you know, let's target about ten after
13 and see if you all can accomplish something in 15
14 minutes. Or I said I'd stay around. If you'd rather
   I leave, I'll be glad to do that, as well. If you
   all wish to talk privately, without me being present,
17
   I'll be glad to leave. Nobody wants to throw me out?
18 Okay. Fair enough. All right. We'll be off the
19 record.
20
             (Recess taken.)
21
             JUDGE MOSS: Let's go back on the record.
22 Mr. Cedarbaum, I've been looking to you, although you
23 may not want to be the spokesman, I'll give you the
24 opportunity.
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             MR. CEDARBAUM: There are enough people
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1 here that if I screw up, I'm sure somebody will correct me. Yes, Judge, we had a long discussion on the schedule, but I think we actually settled a fair 4 amount of scheduling issues, so that was probably 5 time well spent. JUDGE MOSS: Good.

MR. CEDARBAUM: With respect to the four 8 cases that are before the Commission today, we have 9 agreed, as a general matter, that they should not be 10 consolidated, that each case can go on its own 11 separate track on an unconsolidated basis.

With respect to the 1521 case, the schedule 13 that we came up with is as follows. And for the time 14 being, it does not include any kind of an evidentiary hearing, but that's a possible track that might get triggered in case things don't go along the way we hoped.

JUDGE MOSS: Okay.

18 19 MR. CEDARBAUM: The first date on that is 20 on the 8th of December -- excuse me, on the 15th of 21 December, the parties will file with the Commission a 22 stipulation of facts or an indication to the 23 Commission that we were unable to reach a stipulation 24 of facts, in which case we would need to come back 25 before you in some manner to set an evidentiary

1 hearing. I assume that can probably be done by conference call, but the 15th of December will be either a stipulation of facts or an indication that 4 we did not achieve that. January 19th, assuming that we have reached 6 a stipulation of facts, we will file opening briefs 7 on January 19th simultaneously and then simultaneous 8 reply briefs on February 2nd. 9 JUDGE MOSS: Okay. 10 MR. CEDARBAUM: So that's the schedule we 11 have for the 1521 case. 12 JUDGE MOSS: All right. 13 MR. CEDARBAUM: The 1616 case, we agreed 14 that, as of today, the parties would invoke the Commission's discovery rule and abide by that from 15 today with respect to discovery. January 12th, the 17 Complainants, Ms. Davison's clients, will file a 18 motion for summary judgment in that case, and replies 19 would be due to the motion for summary judgment on 20 February 1st. If the motion is denied and the case 21 needs to go for hearing, then again we'll need to 22 come back before you for an evidentiary hearing 23 schedule. 2.4 MR. QUEHRN: Pardon me. Just to pick a nit

25 there, January 12th, anyone that's going to file a

1 summary judgment motion is going to file a summary judgment motion, not just --MR. CEDARBAUM: Sorry if I misstated that. 4 So January 12th is a day for any and all motions for summary judgment. February 1st, any and all replies to the motions for summary judgment that are filed. 7 JUDGE MOSS: Okay. 8 MR. CEDARBAUM: In the 1014 --9 MR. CAMERON: Excuse me. Could we go off 10 the record for 30 seconds? 11 JUDGE MOSS: Sure, let's be off the record. 12 (Discussion off the record.) 13 JUDGE MOSS: Let's go back on the record. 14 Ms. Davison, do you have something to share with us? MS. DAVISON: Thank you, Your Honor, yes. 15 In the case that's been docketed as 1616, Georgia 17 Pacific is willing to state for the record that the 18 scope of our complaint is to invoke the most favored 19 nations clause, but that the rest of the terms and 20 conditions which -- I should back up -- is to invoke 21 the most favored nations clause regarding pricing 22 only, and that the other terms and conditions of the 23 special contract remain in effect. 24 So any disputes that the parties might have

25 regarding the interpretation of those terms and

1 conditions will remain. What we're asking for from the Commission in the 1616 complaint is merely a substitution of pricing. JUDGE MOSS: Okay. Well, I understood that 5 to be your complaint and --MS. DAVISON: That's what I thought, too. JUDGE MOSS: I guess the question that was 7 8 in my mind is the -- what I consider to be the 9 threshold question in that case -- is the meaning of 10 Section 3.5, and whether it permits it. As I 11 understand the answer, it is that -- well, actually, 12 the answer left me wondering a little bit. Of 13 course, fundamentally, the answer is that any 14 opportunity for Georgia Pacific to adopt the Schedule 48 was defined by Schedule 48 itself, which was a 90-day period specified in Schedule 48 for customers 17 to opt in, special contract customers to opt in. 18 That's how I understand the answer. 19 I don't recall exactly, frankly, at this 20 juncture, whether the answer argues in effect that 21 it's an all or none under the most favored nations, 22 that you don't get to pick and choose, I believe is 23 the language that was used in the answer. So that 24 brings me to sort of the fundamental question, is

25 don't we have a fundamental or threshold type legal

1 question. Does Section 3.5, the so-called most favored nations, permit selective substitution? MR. QUEHRN: Your Honor, a couple things. 4 We're starting to walk out on a balance that was 5 somewhat delicately struck. Before I forget to do 6 so, on the basis of that stipulation, Puget Sound 7 Energy would be willing to withdraw its counterclaim 8 without prejudice, with further clarification that I 9 hope I get right here, and if not, the gentleman to 10 my right, I'm sure, will correct me. I believe that 11 Whatcom PUD will then not be seeking to intervene in 12 1616 if we're just dealing with the pricing issue. 13 And I will reflect, I guess, since 14 hopefully we can do this orally and not have to write anything further, that if and at such time we refile 15 the counterclaim, we would not object to Whatcom 17 PUD's intervention. So that would sort of close the 18 loop on those two issues, if that is acceptable to 19 Your Honor. 20 JUDGE MOSS: Isn't the transmission issue 21 that's been raised by counterclaim in 1616 the same as the transmission issue counterclaim in 1014? 23 MR. QUEHRN: Yeah, the problem, Your Honor, 24 and again, without getting into too much detail here, 25 the most favored nation clause speaks to whatever

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1 they're allowed to substitute or not substitute under that clause, in paren, as amended or varied by this agreement. That gets you to the term provision, the 4 term of -- and then you've got some issues in the 5 term provision of the special contracts, some of 6 which pertain to the initial five-year power sales 7 agreement, and the others to the transportation 8 contract. That's kind of where we were getting 9 balled up.

What I think we've decided is we don't have 11 to go there now with the clarification if it's only a 12 pricing issue, the term is what the term is, and if 13 we have to argue about that later, we'll argue about 14 it later, or not.

15 JUDGE MOSS: A concern that I have in this 16 connection is that, you know, now we're up to four 17 dockets essentially concerning the same dispute 18 between the same parties. It's been cast in 19 different ways, it's -- you know, the imaginations of 20 the lawyers involved have been fertile. I would hate 21 to see us go forward with four dockets only to get to the end of that process and have three or four more. 23 And maybe it's not a practical point, but I don't 24 mind putting on the record my own personal preference 25 here, which would be to, you know, get this whole

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1 thing wrapped up once and for all. The pleadings get to be onerous, the issues seem to be standing on shifting sands at times, and it makes it very difficult for all of you, and to the extent the 5 Commission has a role in administering these tariffs on a going forward basis, it becomes difficult for 7 the Commission, too.

You know, I'm thinking in terms of the 1521 9 case. We had the Schedule 48 proceeding concerning 10 essentially the same aspects of the relationships and 11 went through all that, but now we have the 1521 case, 12 because we didn't get that wrapped up with respect to the special contracts customers. So I'm rambling a 14 little bit here, but I'm just expressing a general concern that we not do this piecemeal, which is one of the reasons that I called for a joint prehearing conference.

I'm not suggesting we shouldn't go forward 19 on the tracks that you all are recommending to me as 20 we talk here, but let's be mindful of -- let's don't 21 just be reserving stuff so we'll say, okay, we'll take one more bite at the apple now that that doesn't 23 work out for one side or the other. And chances are, 24 if you end up resolving these matters through the 25 adjudicatory process, one side or the other is not

1 going to be satisfied with the outcome. That's typically the situation in these proceedings, except those that are resolved by settlement. So I guess I've rambled on enough, but 5 those are some concerns I have. If it will simplify 6 matters to, I guess, limit the scope of the 1616 7 proceeding, as I understand the proposal to be, 8 simply to Section 3.5, what it allows, permits, 9 obliges, then I suppose we'll do that, but let's 10 continue to be mindful of the interplay of these 11 various proceedings, and it may be that we'll want to 12 bring this matter back into the case at some point in 13 time. 14 I think, as far as the intervention is 15 concerned, we'll just leave the ruling as it stands, 16 and Whatcom PUD will just, as a practical matter, 17 will be on the sidelines if there's not an issue of 18 interest to it, which would appear to be the case if 19 the transmission part is not there. Is that a fair 20 statement, Mr. Gravley? Your interest extends to the 21 transmission issue? 22 MR. GRAVLEY: That's correct. 23 JUDGE MOSS: Yeah, okay. All right. Well, 24 I talked at length there, but I hope I didn't break 25 your train of thought too much, Ms. Davison. I don't

1 think you were quite through, or were you? MS. DAVISON: Thank you, Your Honor. No, I appreciate your comments, and we are struggling with 4 some of the same issues. I very much appreciate the 5 difficulty with having all these different dockets 6 that are involving the same contracts and the same 7 parties. And it could be that, in trying to deal 8 with something more simply, we may actually be 9 causing things to be more complicated, and I 10 apologize if that's the case. 11 I didn't have anything further to say with 12 regard to the intent of the complaint. I guess the 13 only observation I would say in response to what Mr. 14 Quehrn had said, and particularly with regard to what 15 Your Honor had just mentioned, is that at maybe some 16 point we do need to revisit the issue of -- I think 17 there's -- I've counted three, but perhaps there may 18 even be more issues that are looming on the horizon. 19 We have a special contract that expires in May. 20 I think we got some insights with the 21 counterclaims as to the position of PSE with regard to the expiration of the special contract. 23 Obviously, Georgia Pacific doesn't agree with that 24 view, that the special contracts should continue on 25 another 15 years. So we have the term of the

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1 contract issue, we have the transmission debate.
   two parties see the transmission provision very
   differently. And we have, kind of in the broader
4 context, the expiration of Schedule 48. That is not
5 very far away, either.
             JUDGE MOSS: About November next year?
7
             MS. DAVISON: That's correct, Your Honor,
8 with the obligation for Puget to make some sort of
   filing by January 1, 2001, with regard to their
10 intentions on Schedule 48, so --
11
             MR. QUEHRN: Excuse me, Your Honor.
12
             MS. DAVISON: This is very complicated.
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             MR. QUEHRN: I don't mean to be difficult
14 here, but this came up when you were away, and I
   profess not being involved in what the company is or
   isn't doing with respect to Schedule 48, and there is
17
   integrity of the record here that's not an issue
18 before you. Let's just move on, please.
19
             JUDGE MOSS: Yeah, that's not before me at
20 this time, but --
21
            MS. DAVISON: No, I understand that, Your
22 Honor, and I just -- I certainly recognize what
23 you're saying, and I think my intention was not to
24 delay things here or complicate things here, but to
25 certainly make everyone aware that I'm not trying to
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9 of this. 10 And so, you know, this brings up the 11 broader question that I intend to talk about today, 12 and maybe we'll reserve any discussion of it, but I 13 think we should have some brief discussion at least 14 about the possibility or prospects for some sort of an alternative dispute resolution mechanism that 16 might facilitate bringing all of this to finality. 17 We'll talk about that at the end and see if there's 18 not something we can come up with that will be 19 helpful to the parties. I don't think the Commission 20 is prepared to impose anything at this juncture, 21 although that possibility always lurks in the 22 background, but I'd like to talk about it. We'll do 23 that at the end.

Let me ask this, though, with respect to the suggestion that we'll essentially have a

voluntary withdrawal without prejudice of the counterclaims in the 1616 case. What happens then if we go forward with that case and it appears that the parties contemplate we'll be able to resolve that case on cross motions for summary determination? And I agree, I think that's probably a very logical way to proceed in that case.

8 Let's assume for half a minute that that 9 comes out unfavorably to your client. What happens 10 then to the transmission issue if it's withdrawn from 11 the proceeding? I mean, remember how this whole 12 thing got started. It all got started back in the 13 1014 docket, and of course the counterclaims were 14 alleged there through various exchanges of paper, which ultimately the Commission ruled on. I don't 16 remember whether it was the Commissioners or me who 17 signed the order, but we had an order allowing for a 18 dismissal of those counterclaims without prejudice as 19 to Georgia Pacific, so -- but they linger there, and 20 of course we still got the live case going with 21 Bellingham Cold Storage and the counterclaims on the 22 table.

So what happens to those claims insofar as 24 Georgia Pacific is concerned if the scenario develops 25 that we go forward on cross motions for summary

25 don't know.

1 determination in 1616 and you lose, and meanwhile, we're going on some kind of track with 1014, unless they settle that case. What happens? What if those 4 transmission counterclaims resolved in that 5 proceeding and not in this proceeding? MS. DAVISON: Well, hypothetically 7 speaking, I --8 JUDGE MOSS: It is just one scenario. And 9 I'm not saying it's more plausible than the other 10 outcome, but it's just a possibility. 11 MS. DAVISON: Okay. I think that it really 12 gets back to what I mentioned earlier, Your Honor. I 13 think that the counterclaims that have been raised by 14 PSE in the 1616 docket are merely a slice of the 15 bigger issues that are looming with regard to the 16 Georgia Pacific special contract. 17 And so I think that if there is an 18 unfavorable resolution of the pricing dispute in the 19 Georgia Pacific 1616 docket, that if the parties are 20 unable to reach some sort of agreement about where we 21 go from here, that you would probably see some sort 22 of proceeding that is actually much bigger, that 23 raises -- I don't know if Georgia Pacific would be 24 filing it or PSE would be filing it. I honestly

But I think, as I said, we have not only the transmission claims that G.P. had made back in August in the original 1014 case in terms of their 4 interpretation of PSE's obligation to provide 5 transmission service and then PSE's interpretation of 6 essentially the same provision, saying, No, we don't 7 have to provide transmission; you have to be 8 committed to stay with us for 15 more years, and then -- but I think the more significant issue is really 10 what happens after the expiration of the special 11 contract in May of 2001. 12 So those are very important issues, and I 13 would certainly hope that those would not -- if we 14 cannot reach agreement with PSE on those matters, I would hope they would sort of stay together, because 16 I think they're very much linked. 17 JUDGE MOSS: Well, as time marches on, it

18 strikes me that what happens in the spring of next 19 year is probably the critical issue for all of you. 20 And it seems to me that, to one degree or another, 21 that issue is joined in one or more of these 22 proceedings. I will also venture to say that it is 23 probably the point as to which I feel the greatest 24 degree of angst, uncertainty, and confusion on the 25 basis of the pleadings, at least. Even with respect

1 to what the parties' positions are, because you each characterized the others' positions in a way that you then, in turn, object to. So I'm not sure who's 4 saying what to whom at this point. It's a difficult 5 part of the whole thing. But my concern, Ms. Davison, is that that's 7 going to end up getting resolved in another 8 proceeding, as to which you are -- I don't know, are 9 you even a party in 1014 anymore? You withdrew. You 10 were a complainant. You're not even an intervenor in 11 that case. We're going to go forward with that case, 12 I presume, or maybe these parties are going to settle 13 it, because they want a continuance to try to do 14 that, and I'm certainly inclined to grant that so long as it doesn't interfere unduly with all the 16 other business that we're trying to conduct. 17 But do you see that that's the concern I 18 have? I guess, in part, it's because of the history 19 of all of this. I heard the Schedule 48 case, as you 20 know. From where I sit, it was a very enjoyable 21 case, parties conducted themselves very 22 professionally and did some very good legal work in 23 that case, but, you know, it's not my millions of 24 dollars, and it does matter to you all in that way.

25 And I just don't want to see us -- maybe we resolve

1 that issue for Bellingham Cold Storage in one fashion 2 or another and then there you are.

We're probably going to hear a little bit
more in a minute here about the relationship between
that Schedule 48 case and this 1521 case, because I
have some questions about that, but this is the sort
of piecemeal resolution that concerns me, and so I
guess for now I'd be prepared to accept your
suggestion, but you all continue to think about it
and let me know in fairly short order whether you
think this is really the best way to go in the 1616.
You know, I frankly expected the

You know, I frankly expected the counterclaims to come in as they did. It struck me as appropriate that they would be brought, since you have essentially severed yourself from your co-complainant.

MS. DAVISON: Your Honor, I would say in response to that, that you've raised a very valid question, and I think I can fairly say that if -- well, maybe I should back up and say why we withdrew from the 1014 case. It wasn't that we didn't think there was an issue in that case that was impacting Georgia Pacific directly, because of course it is. We withdrew from that case simply as sort of a cleanup matter. That complaint was drafted by other

00036 1 counsel. I think that if we're not able to resolve 3 these issues, and there have been settlement 4 negotiations going on with regard to the transmission 5 disputes, that you will probably see a revised and 6 amended complaint, perhaps from Mr. Cameron, perhaps 7 jointly, I'm not sure. And at that point, I can 8 assure you that Georgia Pacific will be back in that 9 case. And we have absolutely no intentions to 10 piecemeal the litigation, and certainly it would not 11 be a good outcome to have a G.P. case and then BCS 12 case. That's not our intention at all. 13 We will be, you know, cautiously optimistic 14 that we can continue to have settlement negotiations, 15 as we have on an ongoing basis with PSE, and reach 16 some resolution to these transmission issues. But in

17 the event that we're not, we will certainly be back 18 into that proceeding, whatever it is, with the same 19 parties.

JUDGE MOSS: All right. That segues, for 21 me, at least, into another question, which is what is the status of the 1014 case? You all want a 23 continuance for 45 days to continue pursuing your 24 settlement negotiations in earnest?

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MR. CAMERON: Yes, sir, if I could be heard

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1 on that. Well, first, let me say that the withdrawal of the counterclaim by Puget in 1616 makes my life easier in 1014, because as I sought more time for 4 discussion with Puget, I didn't want the transmission 5 issues going back in through the back door in yet 6 another proceeding.

We've sought a couple of continuances now, 8 and I do so with some trepidation, knowing that we do 9 have a milestone date coming up next May. I would 10 say that last summer we certainly ventilated the 11 legal issues that separated us, but I would say in 12 the past couple of months we have been able to focus 13 on the business issues, and there are some points of 14 common interest on the business side, whereas on the legal side we seem to be at loggerheads. That's not to downplay the legal issues, but it is to say that we are talking principle to principle as much as 18 lawyer to lawyer right now.

And as I stated in our motion, BCS can't 20 simultaneously negotiate and litigate. We just don't 21 have the resources for that. And also, we appreciate 22 your offer of alternative dispute resolution. There 23 was a time when we had shuttle diplomacy going on, 24 but now we are talking face-to-face about business 25 issues, and my client felt it worthwhile to carry

1 forward the discussion a little bit longer knowing that we're going to have some difficulty just because of the holidays ensuing in the weeks ahead. But we wanted to give an opportunity for 5 these discussions to come to fruition. We've agreed 6 that these continuances will not go on indefinitely. 7 We anticipate knowing one way or the other whether we 8 have something in January. If we do not, then we 9 will have to press forward on the transmission 10 issues. I certainly join with Ms. Davison in 11 recommending that we not piecemeal these cases, that 12 if there's ever a point at which consolidation of 13 dockets makes sense, it would be when we discuss 14 common issues regarding common contracts. That's why today we intervened in the 1616 docket, of course. 15 16 So we are mindful of the fact that these 17 dockets hang fire. We appreciate your indulgence in 18 letting us try to work through these things. We are, 19 in the separate track, trying to reduce the number of 20 issues, rather than increase them. 21 JUDGE MOSS: Mr. Quehrn, did you have 22 something to say or --23 MR. QUEHRN: Well, Your Honor, I don't 24 actually have the pleasure of working with Mr.

25 Cameron, as I know he's involved in the negotiations.

1 I guess I would just say for the record that we remain optimistic that we are working to resolve many of these issues, too, in a way that will hopefully 4 reduce the docket numbers and reduce the complexity 5 of anything that's left over, if any, by the time 6 we're completed with those negotiations. 7 JUDGE MOSS: You know, again, I think we 8 all need to be mindful of the need to move toward 9 some degree of finality with respect to all 10 interested parties and persons, and I include within 11 that group the Schedule 48 customers who have 12 intervened, the Whatcom PUD Number One that has an 13 interest out here in the wings, and so forth. 14 So you know, I don't want to impose on you 15 all some sort of process that will complicate your lives, make it difficult or perhaps frustrate in some 17 way the efforts toward settlement of some aspects of 18 the thing, so that's one reason I came in here today 19 prepared to listen very carefully to the guidance 20 that you all give me about the way you want to 21 proceed, so that we can try to accommodate the 22 resolution of the various disputes in the best 23 possible way. And while I suspect the ultimate 24 result is perhaps not going to bear any resemblance 25 at all to what I would probably have imposed, I think

1 I can go ahead in that direction to aid you all. That's what I'm hearing will be the result of accommodating you all on this. So I don't mean to suggest that I'm 5 disinclined to do that. I just want to make sure 6 that we have out on the table cards face up, all the 7 concerns, both as I see them to be from your various 8 perspectives and also from the Commission's 9 perspectives. 10 All right. So 1616, you want to invoke the 11 discovery rule. You want to have any party that 12 wishes to file a motion for summary determination on 13 January 12th, and replies on February 1st, and then, 14 if no motion for summary determination is granted, 15 then we would reconvene in a prehearing conference 16 and establish a schedule for going forward. What 17 would be -- I mean, with the counterclaims withdrawn, 18 are there any fact questions that would have to be

19 resolved through a hearing? I mean, isn't it

20 basically a legal question here? I mean, is it

21 really conceivable that we need a hearing under any

22 circumstances in that case?

MR. QUEHRN: Without running to the merits, one of the legal questions is what the intent of the parties were in the special contract, and that gets

1 very factual, since we seem to have some different points of view on what the intent of the parties were. JUDGE MOSS: Well, I'm not going to 5 necessarily agree that your different points of view 6 reflect the working of reasonable minds. We may find 7 that there is no ambiguity in that language. Well, I 8 won't get ahead of myself there. 9 MR. QUEHRN: All we can say is if we find, 10 through discovery, there are no issues of fact, that 11 will just make our lives easier. 12 JUDGE MOSS: You have answered my question, 13 which is that someone may raise the possibility that 14 there's an ambiguity here, and that if the Commission agrees, it will allow hearing on question for 16 evidence on intent. Okay, fine. 17 MR. CAMERON: Your Honor, I'd just note 18 that we began the procedural schedule, or we inserted 19 in the procedural schedule the motion for summary judgment to test the proposition that there might not 21 be disputed facts. 22 JUDGE MOSS: Yeah, I think that will

MR. QUEHRN: Your Honor, if I may, before

23 probably -- I was just sort of getting ahead of

24 myself. Thank you. 25

1 we -- and this is something that I just neglected to bring up when you were out of the room. Again, not knowing what facts might be elicited in this, there 4 was a protective order issued in 735 and 1014. I 5 would ask that it be extended to this proceeding, 6 too, so it's there if we need it. 7 JUDGE MOSS: Okay. Well, if we're going to 8 proceed on separate tracks, then I'll just see to it there is a protective order, and the prehearing order 10 will reflect that the discovery rule has been 11 invoked. I'll probably issue separate prehearing 12 orders in all these. If, at the end of today, we are 13 indeed going to go forward on four tracks, I'll go 14 ahead and do the housekeeping work in the two newer dockets in that fashion. Keep me off the streets, 15 16 anyway. 17 All right. Does that wrap up on the 1616 18 what we need to talk about, then, in terms of process 19 and procedure? I think it does. All right. 20 We had previously talked about 1521. 21 parties anticipate that we may not need an evidentiary hearing. The assumption being based on a 23 stipulation of facts being achieved by December the 24 15th, and if that cannot be accomplished, then I

25 guess we'd have a prehearing conference at that point

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8 to schedule a hearing.

1 in time to decide what we need to do about getting our fact record, if any is required? MR. CEDARBAUM: If you wanted to actually, 4 you know, set a contingent prehearing conference or a 5 prehearing teleconference for that day, that's fine. 6 I think we just anticipated, on that day, we would 7 let you know that we needed to come back before you

JUDGE MOSS: Yeah, I don't think we need to 10 pre-schedule anything. I'm just sort of thinking 11 through what we'll need to do at that time so that 12 nothing falls through the cracks on that.

I did have a couple of questions about the 14 issues in that case. Let's go ahead and touch on those now, while we've got the subject on the table. 16 What do we need to resolve, in Staff's view, in that case? Are you going to -- do you anticipate filing a 18 motion for summary determination on the substantive 19 issue?

MR. CEDARBAUM: Well, no. I think our plan 21 was that we assumed that we would reach a stipulation 22 of facts, and then, on the basis of that stipulation, 23 we would all just file legal briefs. And the legal 24 issues that we saw, just broadly speaking, were --25 and I think we've all sort of approached this case as

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1 breaking it into two time periods, one time period
   going from June 1998 to November -- October 31st,
   '99; the second time period being from November 1
4 till June 12th -- November 1, 1999, to June 12th,
5 2000 --
             MS. DAVISON: July.
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             MR. CEDARBAUM: Did I miss that? It's July
8 12th.
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             MR. QUEHRN: Close.
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             JUDGE MOSS: Those two periods being
11 defined in the middle there by the amendment?
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             MR. CEDARBAUM: The first period would
13 apply to the accord and satisfaction; the second
14 period would apply to an amendment which the
   Commission approved effective July 13th, 2000, and
   whether or not that can be made effective retroactive
17 to November 1st, 1999.
18
             So the legal issues, as we've been looking
19 at them, is what is the legal effect, if any, of the
20 accord and satisfaction, and secondly, what is the
21 ability of the Commission to allow that amendment to
22 become effective retroactive to November 1st, 1999.
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23 And then there's sort of the broad umbrella issue 24 about filed rate doctrine as kind of an overlay, I

25 think, to the whole discussion.

1 So those are the -- I'm sure there are more specific details of those issues as we get into them, but those are the general concepts that we were 4 looking at. 5 JUDGE MOSS: Are we going to need to repeat 6 the exercise in one fashion or another that we went 7 through in the Schedule 48 case? 8 MR. CEDARBAUM: Which is what exercise? 9 JUDGE MOSS: Interpretation of the contract 10 itself. 11 MR. CEDARBAUM: No, I don't think so. I 12 think the -- no, I think we would be looking at the 13 legal issues surrounding the accord and satisfaction, 14 the effectiveness of that. 15 JUDGE MOSS: That's never been filed? 16 MR. CEDARBAUM: Well, it was filed. It was 17 never approved. 18 JUDGE MOSS: Okay. It was filed and 19 withdrawn? What was its status? MR. CEDARBAUM: It was filed, and I 20 21 actually don't know if it was physically withdrawn or just an agreement, I think, that it would not come 23 before the Commission. I don't know that the 24 physical -- as I recall, what the company filed 25 originally was a three-piece filing. It was the

1 amendment to be effective July 13th; the second piece was to make that effective actually back to November 1st, 1999; and the third piece was the accord and 4 satisfaction. There were discussions between the 5 Commission Staff and the company, and there was 6 argument about what those discussions were, who 7 thought what and said what, but my understanding is 8 the only thing that came before the Commission, and 9 that was approved, was the amendment to the contract 10 effective July 13th, 2000. The other two pieces were 11 not acted upon by the Commission. 12 And what we would be briefing to the 13 Commission in the case is whether or not, 14 irrespective of whether the Commission approved the 15 accord and satisfaction, the retroactive date, 16 whether or not the customers and the company can, in 17 essence, settle a dispute for less than the tariffed 18 amount and whether or not an amendment that was made 19 effective July 13th, 2000, can, in essence, be made 20 effective on an earlier date, November 1st, 1999. JUDGE MOSS: Okay. And I'm perhaps being 21 22 dense here, but when the parties came in with their 23 request to amend the contract that became effective 24 July 13th, 2000, under the Commission's order, that

25 changed the pricing term consistent with the special

1 contract allowing such a change to occur prospectively from July 13th, 2000. At that point in time, there was on the table this accord and 4 satisfaction. 5 Now, is there a difference of opinion as 6 between Staff, on the one hand, and PSE, on the other 7 hand, as to what period that accord and satisfaction 8 was intended to cover? 9 MR. CEDARBAUM: I don't think so. I think 10 the accord and satisfaction we all agree was intended 11 to cover from June 1st, 1998, through October 1st --12 31st, 1999. 13 MS. DODGE: That's correct. 14 MR. CEDARBAUM: The question is whether or 15 not that accord and satisfaction has any lawful effect, but other than the period of time that it 17 covers is not in dispute. 18 JUDGE MOSS: Now, the accord and 19 satisfaction was never formally put before the 20 Commission for approval. Although that was 21 contemplated at one time, it was never actually done; 22 is that right? 23 MR. CEDARBAUM: I believe that's correct.

24 It's definitely correct that the Commission never 25 approved the accord and satisfaction. It was filed

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1 with the Commission, but the company agreed not to bring it before the Commission at the open meeting. JUDGE MOSS: That was my recollection. I 4 was at that open meeting, and my recollection was it 5 was never -- the Commission was never asked to 6 formally act on the accord and satisfaction. Is that 7 consistent with your recollection, Ms. Dodge? MS. DODGE: That's correct. I believe that 8 9 G.P. and BCS have raised some questions about that, 10 but that is Puget's position. The question of what 11 the parties contemplated would be brought before the 12 Commission I don't think is something that needs to 13 be gotten into now, and I don't know that it will be 14 anything that -- I don't know that the resolution of that dispute turns on that question. I don't know that it's material to the dispute, but we'll see how 17 the briefing develops, I think. 18 JUDGE MOSS: Anybody else want to --19 MS. DODGE: If we get there. 20 JUDGE MOSS: -- chime in on this to help me 21 understand all this? All right. So is Puget, then, essentially in agreement with what Mr. Cedarbaum 23 said, that there are basically three periods we're 24 concerned about in the 1521 case? The first period 25 is from June 1, 1998, through October 31, 1999, and

1 the question is is an accord and satisfaction between Puget and its customers with respect to that period -- or what is the effect of that, I guess is the way 4 you phrased it, wasn't it? MR. CEDARBAUM: Correct. JUDGE MOSS: I guess I might tend to phrase 7 it a little differently. The question might be is 8 that accord and satisfaction -- well, if that accord and satisfaction were presented to the Commission for 10 approval, could it be considered as resolving any 11 issues concerning the appropriate rates and charges 12 for that period in the same sense that any settlement 13 agreement would be considered and approved by the 14 Commission as a reasonable resolution of an issue. 15 Is that fair? 16 I mean, refunds are discretionary, and so 17 isn't that essentially what this comes down to, is 18 whether the accord and satisfaction would be a 19 satisfactory refund amount, in the Commission's view, 20 for that period of time? MR. CEDARBAUM: Well, the issue that the 21 22 Staff has been looking at is whether or not, given 23 the filed rate doctrine, the parties, the company and 24 the customers, through an accord and satisfaction,

25 can settle on something other than the filed rate,

1 which, given the Schedule 48 981410 case was interpreted to be something different than what the 3 accord and satisfaction would result in. JUDGE MOSS: Would the accord and 5 satisfaction have established a rate or just --6 wasn't it just a payment of money? 7 MR. CEDARBAUM: It's a payment of money to 8 -- well, I guess I think, in effect, it is the same 9 thing as a rate. What, in essence, happens with the 10 accord and satisfaction is that the customers get 11 charged more than the filed rate, given the 12 Commission's order in the 1998 1410 case. 13 JUDGE MOSS: Or, looked at differently, 14 they get refunded less than they might be due if they were fully refunded for the relevant period? Isn't 15 16 that a legitimate view of it? 17 MR. CEDARBAUM: Yeah, I'm not sure I 18 understood what you're saying. 19 JUDGE MOSS: This is where some of my 20 confusion comes in, because -- and let me go forward 21 with my analysis of the time periods or understanding of the time periods, if you will. My impression had 23 been that we were concerned with the second time 24 period, from November 1st, 1999, through July 13th,

25 2000, and that during that time period, somebody, at

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1 least, was proposing that there would be deemed to be -- the effective rate would be deemed to be the same as the rate from July 13th, 2000, forward, and that that is what implicated the filed rate doctrine, that 5 that's what raises your concerns about a violation of 6 the filed rate doctrine, because that would be 7 arguably retroactive ratemaking. 8 MR. CEDARBAUM: That's right. I think

9 that's correct, but the Commission's complaint on the 10 recommendation of Staff was to also place into 11 dispute the prior time period, from June 1st, 1998, 12 through October 31st, 1999, the accord and 13 satisfaction period, and that it was an issue for 14 Staff, which the Commission, as I read the complaint, also placed at issue. And I think that gets into the issue -- there are filed rate doctrine issues with 17 respect to that period, as well.

JUDGE MOSS: I think I am going to ask you 19 all to do a little something else for me here on 20 December the 15th. If you all -- well, I started to 21 say if you all failed to reach a stipulation on the 22 facts, I would like for you to provide at that time, 23 each of you, each of the principal parties, provide a 24 statement of the issues in the form of questions. 25 I'm wondering if that might not be a good idea

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1 regardless of whether you reach a stipulation. I'm pondering whether it's necessary, since you'd be filing briefs a month later and certainly would tell 4 me what the issues were then, but what do you think 5 about doing it regardless of whether you achieve the 6 stipulation?

MR. CEDARBAUM: You know, to be perfectly 8 candid, in my mind, I thought the issues were fairly 9 straightforward, which I think is one reason why we 10 were hopeful about reaching a stipulation of facts, 11 rather than something more complicated, like summary judgment, or more complicated than an evidentiary 13 hearing.

14 JUDGE MOSS: And maybe when you all sit 15 down and talk about it, you will both find that the 16 issues are quite straightforward and if that old 17 judge wasn't so dumb, he could get it, too, but I 18 don't find them straightforward. I find them a 19 little bit more complex than perhaps what we're 20 looking at on the face of things. So I guess all I'm 21 trying to do is encourage some more careful thought on that subject of what are exactly the issues, how 23 the issues should be joined for the three time 24 periods. Maybe I see some distinctions that you 25 don't want to draw or don't see, and maybe they're

1 not important, but I see them. MR. CEDARBAUM: And just to clarify, I think it's probably better to say that there are 4 really two time periods. Nobody disputes the rate 5 effective July 13th, 2000. The issues are the prior 6 two time periods, being split by November 1st, 1999. 7 JUDGE MOSS: Do you see that as being the 8 same issue or two issues, or -- you don't have to 9 tell me one way or the other. 10 MS. DODGE: There are two different time 11 periods in dispute, through October 31st, and then 12 from the November 1st, 1999, through the effective 13 date of the new rate the Commission approved, the 14 modification of the index. 15 JUDGE MOSS: Do you see the legal issues as 16 being somewhat different for those two time periods 17 or do you see them as being the same? 18 MS. DODGE: We believe they're very 19 straightforward for the period prior to November 1, 20 for exactly the reasons you were pursuing. I don't 21 know whether Staff has fully looked at all the 22 numbers and facts, but they certainly will, we all 23 will, in terms of putting together stipulated facts.

24 But it's a quite straightforward settlement of 25 billing dispute analysis, we believe, for that time

00054 1 period. The intervening period is more complicated 3 legally, but not factually. I mean, they've raised 4 filed rate doctrine, and there are many, many 5 elements of that that will need to get briefed, but 6 generally, I think the facts are what they are. It's 7 just a question of the Commission applying the filed 8 rate doctrine and its own rules. 9 JUDGE MOSS: Yeah, I don't see this being a 10 factually intensive matter. 11 MR. CEDARBAUM: No, I agree, which is, 12 again, why we were going along the assumption that 13 we'll reach a stipulation of facts. JUDGE MOSS: Yeah. 14 15 MR. CEDARBAUM: Just to clarify, as I 16 stated before, I think kind of the big picture issue 17 is filed rate doctrine. I just think that once you 18 break it down to those two time periods, there are 19 other facets of that that have -- that need to be 20 briefed. One of them is, as Ms. Dodge just stated,

the accord and satisfaction billing dispute type issues. There are other types of details of the filed rate doctrine issues that come up for a later period of time, but I think the broad picture is

25 still the filed rate doctrine matter.

MR. CAMERON: Would you tell us again, 2 please, what you would like from us on the 15th by 3 way of a statement of issues? JUDGE MOSS: Yeah, I think it would be 5 useful to me, certainly, and to the Commission, more 6 generally, to have the parties file just something 7 brief, a statement of the issues to be resolved in 8 the form of questions, just as you might use brief 9 headings in the form of questions. Does the filed 10 rate doctrine prohibit the accord and satisfaction 11 being an effective resolution for the period, da, da, 12 da, da, or whatever, I don't know. I'm just making 13 this stuff up. 14 I think the issues are somewhat different 15 for the two periods. It may be subtle, but I do think they're different legal issues. And so, 17 anyway, I want you all to just think about that. 18 You've got a couple of weeks to do it. 19 MR. CAMERON: Are you asking for a single 20 set of issues from us? 21 JUDGE MOSS: If you all could achieve an 22 agreement as to what those issues are, that would be 23 great. 24 MR. CAMERON: But not necessarily. Okay.

JUDGE MOSS: But if you can't, then you

00056 1 could each file or several of you could file or whatever. Yes, I think the intervenors in that case, in the 1521 docket, certainly have something at stake 4 and would take an interest in expressing their view 5 of what the issues are legally. MR. CAMERON: Yes, sir. 7 MR. CEDARBAUM: Well, part of the schedule 8 that we didn't tell you, because we didn't have to, 9 was --10 JUDGE MOSS: Ah, the secret agenda. 11 MR. CEDARBAUM: -- that I had taken the 12 responsibility of circulating a draft stipulation of 13 facts by the 8th of December, and I can just go ahead 14 and take my own shot at the issues in that and then 15 everybody could respond to it. 16 JUDGE MOSS: That would be good.

17 Ultimately, we would work that into an outline, 18 common outline for the briefs, and that would make 19 everybody's life easier. All right. I appreciate 20 you all proceeding in that way, then. I think it 21 will help make things more clear.

22 Now, does that then give us what we need on 23 1521 and 1616? I think it does, in terms of process 24 and procedure. 25

MR. CAMERON: Yes, sir.

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             JUDGE MOSS: All right. Now, what about
2 that old 735 docket?
             MR. FFITCH: Your Honor, may I interject at
4 this point?
5
             JUDGE MOSS: Yes, sir.
6
             MR. FFITCH: I should be taking my leave at
7 this time, with your permission.
8
             JUDGE MOSS: Sure.
             MR. FFITCH: I believe that we have Mr.
9
10 Cromwell on the phone to take over for Public
11 Counsel.
12
             JUDGE MOSS: Mr. Cromwell, are you there?
13
             MR. CROMWELL: I am here. I don't know if
14 you can hear me.
15
             JUDGE MOSS: Yes, I can.
16
             MR. CROMWELL: I am present, Your Honor.
17
             MR. FFITCH: I think I would just say, in
18 leaving, that we don't have any objection to any of
19 the procedural arrangements that have been described.
20 Our interest is, in general, to look at any
21 resolutions that may develop in these dockets for
   impact on core customers, but we're quite comfortable
23 with the direction that's shaping up right at the
24 moment in terms of the procedures.
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             JUDGE MOSS: Okay. Thank you. And I
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1 appreciate you being here to participate in person,
   Mr. ffitch, as I had indicated would be a requirement
   for today. And I think I did it off the record, so I
4 will just put on the record, for everyone's benefit,
5 that I'm making an exception to allow Mr. Cromwell to
6 continue Public Counsel's participation under the
7 circumstances via the teleconference bridge, and I
8 think that's warranted, given that Mr. ffitch did
9
   come in.
10
             MR. FFITCH: Thank you, Your Honor.
11 Actually, I appreciate your accommodation. We hadn't
12 been intending to ask that. But since you've allowed
13 that, we very much appreciate it.
14
             JUDGE MOSS: I understand, and I think
15
   that's best, under the circumstances. So I
16 appreciate you being here.
17
             MR. CROMWELL: Your Honor, Robert Cromwell,
18 I've not made a formal appearance in any of the
19 dockets involved herein.
20
             JUDGE MOSS: All right. Mr. Cromwell, we
21 will note your appearance. And all these dockets, I
22 understand Public Counsel will be participating in
23 all of them. And although Mr. ffitch has sometimes
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24 been able to be in two places at once, he's rarely 25 been able to accomplish three. So we'll probably see

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1 both of you as we move forward.
             MR. CROMWELL: Thank you, Your Honor.
             JUDGE MOSS: All right. Now, 735. What's
4 going on with that case? We had, in the original
5 round of process and procedural discussions, we had
6 decided to put that one on the -- shall we say the
7 slower track. Things may have changed in the
8 intervening time. What do we want to do with that
9 case? Have you all discussed it?
10
             MS. DAVISON: Yes, we have, Your Honor, and
11 Georgia Pacific would request that we continue that
12 case on the same time frame as the 1014 case. And to
13 the extent that that case does need to come to life,
14 we will certainly look at opportunities to
15 consolidate.
16
             JUDGE MOSS: Ah. That would be a welcome
17 development. Okay. Put you back into that case,
18 wouldn't it? So no real urgency about that one?
19
             MS. DAVISON: No, Your Honor.
20
             JUDGE MOSS: Okay. Anybody else have
21 anything to say on that one?
22
            MR. QUEHRN: No, Your Honor. That proposal
23 is fine with Puget Sound Energy.
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JUDGE MOSS: All right. Where would 45

25 days take us in the 1014 docket, what date?

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             MR. CAMERON: January 11th, Your Honor.
             JUDGE MOSS: So on or about January 11th,
3 you all will either have settled the case or will
4 need to have another prehearing; is that the basic
5 plan?
             MR. CAMERON: Yes, sir. Yes, sir.
             JUDGE MOSS: All righty. We'll continue
7
8 000735 and 1014 until January 11th, at which time we
   will schedule a prehearing conference. I won't set
10 it for that date. We'll schedule one about then.
11 We'll try to coordinate with the parties to find
12 something convenient.
             And let me just ask, generally, are the
14 afternoon sessions better for all of you all? I did
   this one purposely in the afternoon, thinking it
15
16 might be more convenient, since people were coming
17 from various locales.
18
             MR. QUEHRN: Yes, sir.
19
             MS. DAVISON: That's very helpful. I
20 appreciate that.
             JUDGE MOSS: Yeah, it's not a problem.
21
22 I'll do that. We'll set a date. I assume we can do
23 it on fairly short notice by coordinating with the
24 parties. We won't need to worry about seven-day
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25 notice or anything like that. Okay, fine.

1 I'm just pausing here to think. I think we 2 have resolved what we need to in the way of process. Now, what about discovery and protective order in 4 1521? Did we resolve that? 5 MR. CEDARBAUM: We had -- actually, we 6 didn't discuss it. 7 JUDGE MOSS: Because you all are going to 8 try to stipulate the facts. 9 MR. CEDARBAUM: Yeah, I think probably 10 because we all -- we didn't think it would be 11 necessary. 12 JUDGE MOSS: Let me know if you need 13 something in that way, and we can easily take care of 14 that. I can take care of it on the telephone, so just go forward, and in the good spirit of 16 cooperation, we'll anticipate good results and not 17 set things up for discovery. And I am encouraged by 18 what you all have told me today, that we'll be able 19 to get that one on a stipulated record, and probably 20 the 1616, as well, although we might get into some 21 interpretation questions that require us to have a 22 hearing, I guess. The others are in abeyance. I 23 guess that completes our business, doesn't it? MR. QUEHRN: Actually, Your Honor, I think

25 there was the issue of not having ruled on, and

00062 1 whether dumping the counterclaim makes a difference or not, so I think we do need to revisit that. MR. CAMERON: Is it dumped?

4 MR. QUEHRN: It has been. Dumped without 5 prejudice, mind you.

JUDGE MOSS: Well, where do we stand on 7 that? I'll just turn it back to you, Ms. Davison. 8 What do you think at this point?

9

MS. DAVISON: Your Honor, I guess I was 10 just working it through in my mind, and it seems to 11 me that our request to respond to the counterclaims, 12 we can withdraw that, since that's no longer 13 necessary, since the counterclaims have been 14 withdrawn by PSE.

We would still like the opportunity to 15 16 submit, in a very short time frame, a very short 17 reply. Again, I think it's not intended to 18 complicate matters, but simply to try to focus, at 19 least for the Commission's benefit, the positions of 20 the parties.

MR. QUEHRN: I don't have an objection to 21 22 that.

23 JUDGE MOSS: All right. Well, without an 24 objection, then I'll allow it.

25 MS. DAVISON: Thank you, Your Honor. 00063 JUDGE MOSS: You are intending to withdraw 2 the counterclaims, then? MR. QUEHRN: And I so moved on the record, 4 again, on the basis of the stipulation, to withdraw 5 it without prejudice to refile it. JUDGE MOSS: All right. It would be 7 satisfactory to the parties if I simply rule on that 8 and make that part of the prehearing order? 9 MR. QUEHRN: It would be satisfactory to 10 me, sir. 11 JUDGE MOSS: All right. Well, I'll rule 12 from the bench that the withdrawal was without 13 prejudice to claims being restated in this proceeding 14 or in another docket, as appropriate. I'll incorporate that in the prehearing order. 15 16 MR. CEDARBAUM: Do you want to set up a 17 date for the reply to come in? 18 JUDGE MOSS: Yeah, we probably should do 19 that. When do you want to have that ready, end of 20 the week? 21 MS. DAVISON: Is that tomorrow? JUDGE MOSS: It is. 22

MS. DAVISON: That was a little sooner.

MS. DAVISON: Actually, I had in my mind

JUDGE MOSS: A little quick for you?

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1 five days, which would be --
             JUDGE MOSS: Wednesday next week. Or do
   you want till Thursday?
             MS. DAVISON: That would be preferable, if
5 I could have till December 7th, Your Honor.
             JUDGE MOSS: A day that lives in infamy.
7
             MS. DAVISON: Yeah, maybe that's a bad
8 choice.
9
             JUDGE MOSS: It's also considered to be a
10 good luck day.
11
             MS. DAVISON: Oh, okay.
12
             JUDGE MOSS: The seven, anyway. All right.
13 Not being a superstitious sort, in any event, we'll
14 set December 7th as the day for the reply.
             MS. DAVISON: Thank you, Your Honor.
15
16
             JUDGE MOSS: Get the dockets straight.
17 That's 1616. And I'm confident that will be brief,
18 as we previously discussed.
19
             MS. DAVISON: It will, Your Honor.
20
             JUDGE MOSS: Not a brief, but brief. All
21 right. Perhaps simply because we have so much
22 business today, I have this lingering sense that
23 we're overlooking something, but I'm going to rely on
24 you all to bring that to my attention now. Is there
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25 anything we're overlooking that we need to resolve

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1 today? Yes, sir, Mr. Cameron. MR. CAMERON: This is not something to be 3 resolved today, but as we attempt to work through 4 issues, if we come up with something, I think we will 5 be looking to the Commission for guidance on how we

6 handle disputes prospectively. 7

Some issues that we've been talking about 8 today have clear regulatory implications that quite 9 properly are before the Commission. Some, depending 10 on point of view, might look like private disputes. 11 It would be good, both from the company's standpoint 12 and the customer's, presuming good faith on 13 everyone's part, to know with some precision in 14 advance how to handle disputes which inevitably arise.

We don't want to oust the Commission or 17 attempt to oust the Commission of jurisdiction over 18 dispute resolution, which we couldn't do anyway. On 19 the other hand, I think we're mindful of the fact 20 that we may be burdening the Commission with issues 21 that might better be handled through ADR. But it is just hard to say and hard to advise a client on 23 remedies that are both simple and efficient, I think, 24 without some guidance from the Commission on how it 25 would like this to be handled.

18

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JUDGE MOSS: Okay. I appreciate you coming 2 back to that point. It brings me back to the point 3 of ADR that I said we would talk about a little bit 4 today, and we haven't talked about it. So I 5 appreciate very much you bringing that up. First of 6 all, let me say, in direct response to what you have 7 raised, that I will take it upon myself to speak with 8 people in authority who can perhaps consider a forum of some sort during which these things can be 10 discussed.

You know, this sort of thing, the landscape 12 is shifting for the Commission, as well as for the 13 parties who appear before us. You know, we're in a 14 very dynamic period in the utility industries in the plural, telecom, gas, electric, all very dynamic. Certainly some curve balls have been experienced as 17 we've gone along the way.

And I agree with you and can say to you 19 that this has been a subject of some considerable 20 discussion internally and in our recent Bench and Bar 21 Conference in Seattle.

So I will raise this again, and we will 23 continue to work on this and try to provide our 24 constituency, our constituents some answers about 25 that. And I'm not sure how definitive it will be.

18

1 These things tend to be a little difficult in the abstract. We don't know what's coming. Our crystal ball is murky, but we do have one. We have some 4 sense of what's coming. So I will certainly take 5 that up. But let me then use that as a way to get 7 back into the question of ADR in these matters. And 8 one thing I want to do is to say to you that the 9 Commission stands ready to assist you in any way it 10 can to obtain the benefits of alternative dispute

11 resolution, whether that is by providing you a 12 mediator from within our own ranks, and we have a

13 number of people who are trained in that way,

14 recommending perhaps a list of private mediators,

facilitators, who have experience in dispute

16 resolution in your sector, that is to say, in this

17 instance, the electricity sector.

The Commission does have the option of 19 providing you a settlement judge, and the settlement 20 judge's role can take on various forms. And I would 21 say that typically those would be shaped largely by the parties themselves. I have sat in that role once 23 in the last three years. It's not something that --24 it's widely available, but not widely used, I guess I 25 might say. We have, I think, had one other case that

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1 we had a settlement judge in.

My approach in that context was to treat it just as I would a private mediation or facilitation, 4 work with the parties to shape both the process and 5 the outcome. It's a party-driven process by its 6 nature.

So I think if one or all of the parties in 8 one of these cases or all of these cases or just in this whole general ongoing business problem between 10 -- or among this particular group, the Commission 11 stands ready to aid you in any way it can. And I 12 encourage you to take advantage of that.

I have personally found it very useful to 14 engage the services of a mediator in complex disputes of this nature, and I've seen some good results come out of that. Sometimes it just is the one thing that 17 you need to get good faith negotiations beyond some 18 of those sticking points, somebody who can take a 19 more objective view and see a way to enlarge the pie, 20 rather than just focusing on more creative ways of 21 cutting it up.

And so, again, I just want to encourage you 23 to think about that. And I don't know what sort of 24 private mediation practice there is in this region of 25 the country, frankly, particularly in this area. I

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1 know it's been difficult to find people with what's
   perceived to be the necessary expertise in the
   substantive field, but I think we could probably find
4 somebody for you. Anything else? Did I address your
5 point adequately?
             MR. CAMERON: Yes, sir. Thank you.
7
             JUDGE MOSS: Any other business today? All
8 right. Well, thank you all very much, and we'll be
9 getting out a couple orders here in the next day or
10 two. Tomorrow's Friday. It will be next week. But
11 we'll get those out and we'll continue along as you
12 all have outlined. And I wish you all the best good
13 luck.
14
             MS. DAVISON:
                           Thank you, Your Honor.
             MR. CAMERON: Thank you, Your Honor.
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             MR. QUEHRN: Thank you.
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             (Proceedings adjourned at 3:59 p.m.)
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