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1                   BEFORE THE WASHINGTON UTILITIES AND  
2                   TRANSPORTATION COMMISSION

3

4 Washington Utilities and                   )Docket No. UW-001928  
  Transportation Commission,            )Volume I  
5                   Complainant,            )Pages 1-22  
  )  
6                   v.                        )  
  Meadows Water System, LLC,            )  
7                   Respondent.            )  
  \_\_\_\_\_)

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10                   A hearing in the above matter was  
11 held on May 17, 2001, at 1:36 p.m., at 1300 Evergreen  
12 Park Drive Southwest, Olympia, Washington, before  
13 Administrative Law Judge KAREN CAILLE.

14                   The parties were present as  
15 follows:

16                   MEADOWS WATER SYSTEM, LLC, by Nicholas  
17 Adams, Attorney at Law, 606 Columbia Street, N.W.,  
18 Suite 104, Olympia, Washington 98501, and Stephen  
  Harrington, General Manager, P.O. Box 676, East  
  Olympia, Washington 98540.

19                   THE COMMISSION, by Mary M.  
20 Tennyson, Senior Assistant Attorney General, 1400  
  Evergreen Park Drive, S.W., P.O. Box 40128, Olympia,  
  Washington 98504-0128.

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24 Barbara L. Nelson, CSR

25 Court Reporter

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1           JUDGE CAILLE: Let's go on. We are here  
2 today for the first prehearing conference in the  
3 proceeding in Docket Number UW-001929. This is  
4 Washington Utilities and Transportation Commission  
5 versus Meadows Water System, L.L.C., and it is a  
6 general rate filing by Meadows Water System  
7 requesting an annual increase in revenues of \$45,000,  
8 or 20 percent.

9           MS. TENNYSON: Excuse me, Your Honor. Did  
10 you say 0929? It's 28.

11           JUDGE CAILLE: It's 28. Oh, thank you.  
12 Okay. Excuse me. Let the record reflect it's 1928.

13           MS. TENNYSON: Yes.

14           JUDGE CAILLE: My name is Karen Caille, and  
15 I'm the presiding Administrative Law Judge in this  
16 proceeding. Today is May 17th, 2001, and we are  
17 meeting in the hearing room at the Commission's  
18 offices in Olympia, Washington.

19           Our basic agenda for today would be to take  
20 appearances, if there are any, petitions to  
21 intervene, any other motions, and discuss then  
22 process, including the protective order, discovery,  
23 discussion of issues, a procedural schedule, and any  
24 other business.

25           At this time I'd like to start by taking

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1 appearances. I will ask that you state your name,  
2 spelling your last name for the court reporter, who  
3 you represent, your street address and mailing  
4 address, telephone number, facsimile number, and if  
5 you have one, an e-mail address. And if we could  
6 begin with the company.

7 MR. HARRINGTON: Okay. My name is Stephen  
8 L. Harrington, last name H-a-r-r-i-n-g-t-o-n,  
9 representing Meadows Water System, L.L.C. Our street  
10 address is 3242 Capitol Boulevard, Suite B, Tumwater,  
11 Washington, 98501. Our mailing address is same  
12 company name, P.O. Box 676, East Olympia, 98540.  
13 Office phone, 360-357-3277. Fax, 360-357-3758.  
14 E-mail address, lower case, thewaterco@aol.com.

15 JUDGE CAILLE: Mr. Harrington, did you say  
16 98540?

17 MR. HARRINGTON: Yes.

18 JUDGE CAILLE: I have 98504.

19 MR. HARRINGTON: That's the state zip code,  
20 yeah.

21 JUDGE CAILLE: Four zero, 40. And what was  
22 the Tumwater --

23 MR. HARRINGTON: Address?

24 JUDGE CAILLE: -- zip?

25 MR. HARRINGTON: 98501.

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1 JUDGE CAILLE: Thank you. And for  
2 Commission Staff.

3 MS. TENNYSON: My name is Mary Tennyson,  
4 T-e-n-n-y-s-o-n. I am a Senior Assistant Attorney  
5 General representing Commission Staff. My mailing  
6 address is Post Office Box 40128. Street address is  
7 1400 South Evergreen Park Drive, S.W., Olympia,  
8 Washington, 98504-0128. Telephone is 360-664-1220.  
9 Facsimile number is 360-586-5522. My e-mail address  
10 is mtennyso@wutc.wa.gov.

11 JUDGE CAILLE: Thank you. Is there anyone  
12 else appearing today? Yes.

13 MR. ADAMS: Yes, Your Honor, here's my  
14 notice of appearance. I'm Nicholas Adams, appearing  
15 for the Meadows Water System, L.L.C.. My address is  
16 606 Columbia Street, N.W., Suite 104, Olympia,  
17 Washington, 98501. My phone is 360-943-5079,  
18 extension 206. My fax is 360-943-5685. And my  
19 e-mail is delphi7852@aol.com.

20 JUDGE CAILLE: Thank you. And Mr. Adams,  
21 usually we have just one person receiving notices, so  
22 would it be going to you, rather than to Mr. --

23 MR. ADAMS: Yeah.

24 JUDGE CAILLE: Okay. So you would be the  
25 lead. Let the record reflect there are no other

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1 appearances. Are there any petitions to intervene?  
2 It doesn't look like there are any. Any preliminary  
3 motions or any other comments?

4 MR. ADAMS: Your Honor, we would like to  
5 amend our test year period from the year ending  
6 September 30th, 2000, to year ending June 30th, 2001.

7 JUDGE CAILLE: So just to make sure I  
8 understand, your filing, as it currently stands,  
9 states that the test year will end September 30th,  
10 2000, and you want to change it to June 30th, 2001?

11 MR. ADAMS: Yes, and I can give you a  
12 little bit of background as to why we're making that  
13 motion, if you wish.

14 JUDGE CAILLE: All right.

15 MR. ADAMS: Basically, our previous rate  
16 increase was adopted in October of 1999, and at that  
17 time we were planning on installing water meters,  
18 electronic water meters for our 800 connections,  
19 approximately, but they were not yet installed, they  
20 were not known and measurable, so Staff suggested  
21 that we come back for a future filing and file for  
22 that purpose. And the filing that's before us is  
23 basically for that primary purpose, and that's to get  
24 rate base for those meters.

25 In the process, and we just had a meeting

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1 with Staff on Monday. Staff is -- and this is  
2 traditional, I guess. The beginning year, end of the  
3 year treatment of the installation of meters would  
4 reduce our rate base by about \$60,000, and year  
5 ending June 30th would give us one full year with the  
6 meters installed.

7           And you know, although it's possible, I  
8 guess, to argue that forward-looking situation once  
9 the meters were installed, everybody benefited at  
10 that point in time forward, but in our case here,  
11 since we weren't able to work that out, we feel that  
12 it would be beneficial to the Staff and to us, in  
13 terms of saving time, if we, instead of withdrawing  
14 our filing today, just to go ahead and amend the test  
15 year period, continue on the process, and that would  
16 probably end up with a reduced cost to Staff and to  
17 us and, ultimately, of course, to the ratepayers, and  
18 I think would reduce the confusion to the ratepayers  
19 as we try to explain why we're dropping a filing and  
20 then coming back with one in a couple months.

21           JUDGE CAILLE: Staff.

22           MS. TENNYSON: Well, I think Staff would  
23 object to that, to amending a test year to, at this  
24 point, end a period which has not yet been completed.  
25 We don't even have -- we don't have known and

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1 measurable results for -- that would be going six  
2 weeks forward from this date. We don't have  
3 expenses. We would unlikely have the company's  
4 closed books for that period of time by the time that  
5 we were looking at a hearing.

6 Our recommendation would be that the filing  
7 be withdrawn and refiled, and I think a compromise  
8 position might be that if we were to start the time  
9 clock on this proceeding from July 1st of 2001, going  
10 forward 10 months, then our objections might be less  
11 strenuous. But at this point, when we have a filing  
12 that is to be effective January 8th, it is  
13 inconceivable that we would start with a test period  
14 that ends six months after that date.

15 JUDGE CAILLE: Would the company agree to  
16 starting the clock running on July the 1st, 2001?

17 MR. ADAMS: Well, I think we would agree to  
18 extending the time so that we could take care of the  
19 process here. I'm not sure if we want to push it  
20 that far out, and I'd have to confer with my client.  
21 If I understand that, that would mean that the rate  
22 increase would -- what would be the effective date of  
23 the rate increase if we came in with an amended test  
24 year ending June 30th of 2001, and the process  
25 continues on for another 10 months? I gather that

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1 the effective date of the rate increase, if there is  
2 one, would not be until sometime in 2002.

3 I don't think we mind adding some time, but  
4 we already have Staff asking us for information from  
5 an affiliated company for end of the year, so that  
6 they're already kind of going beyond the test period.  
7 And I'm thinking, adding on, you know, just dealing  
8 with the whole thing now, we could address some of  
9 the concerns Staff has already raised and --

10 JUDGE CAILLE: Well, I'd like for everyone  
11 to keep in mind that when we work out the schedule,  
12 we're going to begin two and a half months -- I will  
13 have to have, I think, briefs, isn't that usually two  
14 and a half months prior to this, but in order to do  
15 an initial order and then have the Commission review  
16 that, so we would need to push it out some, you know,  
17 in order to accommodate that.

18 Already, we can -- I mean, if we don't have  
19 those figures as of July, you know, for the end of  
20 June, it just seems like we're starting -- we're  
21 delaying it by at least six weeks here.

22 MS. TENNYSON: Yes, Your Honor, if I might.  
23 My just calculations of times needed in order to get  
24 even a hearing two and a half months before the date,  
25 you would need, unless the company would waive the



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1 10-month period, is we would need to have the  
2 company's testimony by the end of this month or the  
3 6th of June, so I would find it very difficult to do  
4 that.

5 I mean, I guess the other issue is I don't  
6 know this company's practice about when they close  
7 the books. I know, in prior cases, I have had  
8 substantial difficulty with the company not closing  
9 the books on any particular year. I don't even know  
10 whether you use a fiscal year, standard calendar  
11 year, or what the fiscal year is, but many times they  
12 don't close the books for three to four months after  
13 the close of their fiscal year, so it wouldn't have  
14 final numbers.

15 JUDGE CAILLE: Well, when does the company  
16 close its books?

17 MR. HARRINGTON: Calendar year.

18 JUDGE CAILLE: Calendar year, so that's the  
19 end of --

20 MR. HARRINGTON: December.

21 MS. TENNYSON: But then we would have six  
22 months of books that were not -- we're in the middle  
23 of the calendar year if we ended it June 30th or when  
24 the books close, because often the company will end  
25 its calendar year -- or end its year the fiscal year,

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1 but then doesn't close the books till several months  
2 later.

3           MR. ADAMS: Well, Your Honor, we're not --  
4 I mean, obviously, if we were to withdraw our filing  
5 and come back and file on July 1st, it would be 10  
6 months. I'm not saying that we should have  
7 additional time. I'm saying that since we're already  
8 involved in the process, do we need a full additional  
9 10 months or can we agree to a lesser amount of time  
10 to, you know, push this thing through.

11           Our last -- our current filing, we had a  
12 period ending September 30th. We were able to get  
13 information to folks. And knowing the importance of  
14 time, I'm sure we could get our books up-to-date and  
15 everything and have that information available  
16 sometime later in July and go from there.

17           The other approach is for us to perhaps  
18 have Staff stipulate that we could go with the end of  
19 the year on our meters, the test year period, go to  
20 -- have the Staff stipulate that we could use the end  
21 of the year basis for the meters, rather than  
22 beginning and end of the year. And I think there's  
23 some ability to do that again.

24           This is something where the meters, once  
25 installed, and they were installed back -- completely

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1 installed in June of last year, that everybody  
2 benefited from that point in time.

3 JUDGE CAILLE: When you say end of year,  
4 Mr. Adams, are you saying -- is that December 31st,  
5 2000, or 2001?

6 MR. ADAMS: Well, typically, our fiscal  
7 year is a calendar year, so our end of the year -- I  
8 may have misspoke, but in our current filing, our  
9 test year period ends September 30th of 2000.

10 JUDGE CAILLE: Yes.

11 MR. ADAMS: And what we're asking for is a  
12 test year period ending June 30th, 2001.

13 JUDGE CAILLE: So when you were referring  
14 to the -- if we could just back up. Could you read  
15 the statement before he answered my question?

16 (Record read back.)

17 MS. TENNYSON: Perhaps I could clarify for  
18 you. Normally, when we look at a company's assets,  
19 we do a beginning and end of year average, and the  
20 company has expressed an interest, I think here, in  
21 going -- calculating their assets as of the end of  
22 the year, meaning after these additional costs were  
23 incurred and assets put into the company.

24 JUDGE CAILLE: And again, end of year, is  
25 that December 31st, or is that the end of whatever

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1 we're designating as the test year?

2 MR. ADAMS: I think the test year is  
3 probably what --

4 JUDGE CAILLE: That's what I'm confused  
5 about.

6 MS. TENNYSON: I don't know.

7 MR. ADAMS: I think in terms of Staff is  
8 proposing an averaging from the beginning of the test  
9 years to whatever the value was to looking at the end  
10 of the test year when you take the average.

11 JUDGE CAILLE: Okay.

12 MR. ADAMS: I guess our argument is,  
13 obviously, right now, with the current test year,  
14 there was zero value, because the meters were not yet  
15 installed. Once the meters were installed and there  
16 was a value of 185,000, if you average that out, you  
17 get half that number. And we basically lose that  
18 half in determining our return on rate base.

19 JUDGE CAILLE: I see. So in other words,  
20 what you're trying to do is adjust the test year so  
21 that you can incorporate that into --

22 MR. ADAMS: Yes, Your Honor.

23 JUDGE CAILLE: -- your filing.

24 MS. TENNYSON: Your Honor, to me, I mean,  
25 we're really getting into the issue of some of the

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1 issues in the case and it is really something  
2 appropriate to maybe consult with an accounting  
3 adviser on those issues once we presented testimony.

4           Our position at this point, I mean, we  
5 certainly do not believe it is appropriate to use --  
6 to go with an end of year time frame. Beginning and  
7 end of year is the appropriate and normal way that we  
8 do handle assets of companies in rate cases. The  
9 Staff's position is that we would strenuously object  
10 to an amendment of the test year to June 30th, 2001,  
11 as it is in the future, unless -- and we believe the  
12 company should withdraw the filing, unless, as I  
13 indicated earlier, unless we start the time clock  
14 over again as of July 1.

15           JUDGE CAILLE: Would Staff -- assuming that  
16 the company would waive the statutory deadline and  
17 move it out, I assume that's something that the  
18 company could do, would that -- it almost seems like  
19 that would have the same result as refiling on July  
20 the 1st. Am I not following?

21           MS. TENNYSON: Well, if the company would,  
22 in fact, waive it going forward from that date. I  
23 mean, normally the company will file, there's 30 days  
24 for the Commission to act --

25           JUDGE CAILLE: I see.

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1 MS. TENNYSON: -- on that. So we  
2 essentially have 11 months from the date we have the  
3 data until the end of the suspension period. We  
4 would not be looking at -- well, I don't know what  
5 the company's intent might be about how long -- we've  
6 had some companies say we'll waive it by 30 days.  
7 That certainly is not adequate.

8 Our concern, again, is that we don't -- we  
9 would not have final numbers from the company as of  
10 June 30th, even. There's still going to be  
11 outstanding receipts, other things coming in. We're  
12 not going to have closed books on June 30th, as of  
13 July 1. So it is not a simple process, looking at  
14 all of the details of it from an accounting  
15 perspective, which is why, again, we'd prefer the  
16 refiling, because then the burden is clearly on the  
17 company to come up with the good numbers, solid  
18 numbers, and justification on a going forward basis.

19 JUDGE CAILLE: Well, it seems to me that  
20 you're going to have to get some kind of resolution  
21 of this in order to do a schedule. So maybe I can  
22 ask a little bit about the issues in this rate case.  
23 Since there was just recently a rate case, is  
24 everything up for review in this rate case or is it  
25 pretty much limited to this electronic metering

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1 issue?

2 MR. ADAMS: Well, our hope when we went in,  
3 Your Honor, was that it be pretty much limited, and  
4 that was kind of our understanding from the Staff,  
5 that it would be, but I guess Staff's philosophy has  
6 evolved and there is a major issue regarding  
7 salaries, especially salaries for the officers. And  
8 if Your Honor didn't know, I should bring that out  
9 now. I'm also one of the officers in Meadows Water  
10 System. And the only reason I'm here today is in  
11 terms of facilitating this, because Mr. Finnigan, our  
12 primary counsel, is tied up with another meeting.

13 MS. TENNYSON: Your Honor, basically, with  
14 what we had, the company's indicated their intention  
15 may have been to have a single item filing, but they  
16 did propose changes to numerous other expenses within  
17 the filing.

18 JUDGE CAILLE: I am inclined to ask the  
19 company to, since you want to move your test year out  
20 to June 30th, to refile. And you know, if this were  
21 -- even with this being -- even if this were just the  
22 electronic filing, I do think that Staff has made  
23 some good arguments about not having the materials  
24 until really after June 30th. And -- unless I can  
25 leave the room and you folks can come up with some

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1 other solution.

2           MR. ADAMS: Well, with something short of  
3 10 months -- I mean, Your Honor, one of our arguments  
4 is, in terms of benefits to Staff and to us, since  
5 we're already involved, we're hoping it wouldn't take  
6 a full 10 months from the time the information is  
7 received, and if we can maybe agree to a lesser time,  
8 with the understanding that if we do get tied up with  
9 issues, that we'll obviously have to look at the  
10 schedule and make sure everybody has their due  
11 process, but --

12           JUDGE CAILLE: I can't think of a way,  
13 unless you start doing discovery on the other issues  
14 in the case and then set this out further, and I  
15 really -- I really am opposed to that kind of  
16 scheduling. I don't know if Staff is, but I find it  
17 very difficult to --

18           MS. TENNYSON: I would agree. It's very  
19 difficult to work with. I agree that it is possible,  
20 if the company refiled, since we have had some  
21 discussions, that there may not be significant  
22 objections to the filing, it's possible we wouldn't  
23 go through the suspension period. We don't know. We  
24 don't know what those numbers are going to look like  
25 at this point. But I couldn't -- I don't feel I



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1 could commit in advance to say we could do this case  
2 in six months or eight months or whatever, because we  
3 don't know what numbers will come out.

4 JUDGE CAILLE: So in other words, because  
5 the filing really isn't complete now, Staff couldn't  
6 even propose any kind of settlement if they wanted  
7 to; is that right? I mean, you don't have -- you  
8 don't have all the materials.

9 MR. ADAMS: No, Staff has -- last week,  
10 Staff requested a data request from an affiliate  
11 asking for end of the year calendar year report on  
12 utility management services, and that report isn't  
13 required by UTC until June 1st, so we're already  
14 getting into the situation, even though this thing  
15 started in December of last year, we're still getting  
16 data requests from Staff now for information that's  
17 not yet prepared, has not yet been required.

18 So yes, it's hard for us to say, I guess,  
19 where Staff will be in terms of issues that they may  
20 raise, too. That's been part of the difficulty here.  
21 We were somewhat surprised by some of the issues that  
22 were raised, but there may be others.

23 JUDGE CAILLE: Well, is everyone finished  
24 with what the arguments they have on --

25 MR. HARRINGTON: It's just like a sentence

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1 long. The meters were put in and completed in June  
2 of 2000 and --

3 MS. TENNYSON: Your Honor, I mean, I  
4 thought we were in a position of argument at this  
5 point, and if Mr. Harrington is going to testify, I  
6 think we're in a different situation.

7 MR. HARRINGTON: I was simply going to make  
8 a statement about why the test year date being moved  
9 may be irrelevant if --

10 MS. TENNYSON: I think that's testimony.

11 MR. HARRINGTON: Okay, fine.

12 JUDGE CAILLE: Well, it would seem to me  
13 that it would make more sense for the company to  
14 refile. I mean, if you want the benefit of this test  
15 year, it would seem to me you just can't have it both  
16 ways. And not only is it Staff that has to look at  
17 this material and look at it from a date where it's  
18 pretty much complete, but, as I said, I also have to  
19 look at it from the Commission's viewpoint and the  
20 time that they're going to need to review the initial  
21 order and the time it takes me to also get out the  
22 initial order and for you folks to respond.

23 So my recommendation would be for the  
24 company to refile. This is -- if you want to have a  
25 test year ending June 30th, 2001, I think you should

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1 refile so that we have -- and you know, perhaps we  
2 could -- I'm very willing to work as quickly as  
3 possible, so -- but I just find it becomes more  
4 difficult if we don't work at this in an efficient  
5 way. But as I said, I'm very willing to try to speed  
6 up my end of it, if you folks can also, you know,  
7 work on getting your testimony in as quickly as  
8 possible and get the turnarounds and get the  
9 turnaround in discovery, but I have no interest in  
10 stringing it out 10 months if it doesn't need to be.  
11 And certainly, if you can come to some kind of  
12 settlement on some of the issues and narrow the  
13 issues, you know, that makes it -- even a partial  
14 settlement of issues would certainly encourage a  
15 quicker turnaround.

16 MS. TENNYSON: Your Honor, on behalf of  
17 Staff, I mean, I could also represent we're willing  
18 to work more quickly. We don't have to start with  
19 the last date the order has to be entered and set our  
20 time lines from that, certainly. We could look to  
21 expedite it. I know in the last several months,  
22 there have been a lot of scheduling issues in the  
23 Commission that have caused us not even to set this  
24 hearing sooner.

25 JUDGE CAILLE: Yeah, and I'm thinking, very

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1 conservatively saying, that it seems like things in  
2 the Commission are slowing down a little bit, so that  
3 hopefully, you know, the Attorney General's office  
4 and the judges and the Commissioners are available.

5 Well, why don't we go off the record and  
6 try to discuss a schedule. Let's go off the record.

7 (Discussion off the record.)

8 JUDGE CAILLE: Let's go back on the record.  
9 Okay.

10 MR. ADAMS: Well, Your Honor, I want to  
11 thank Staff for their efforts in trying to work out a  
12 schedule, but after considering it, we decided that  
13 we would like to withdraw our filing.

14 JUDGE CAILLE: I think normally you need to  
15 write some kind of a letter in order for me to then  
16 do a --

17 MR. HARRINGTON: Request to withdraw?

18 JUDGE CAILLE: Yeah.

19 MS. TENNYSON: Right. And Staff would not  
20 object to withdrawal. We can put that on the record.  
21 We do have a consideration that Staff, in the order  
22 noting or the matter suspending this filing, that  
23 Staff is authorized by the Commission and is alerted  
24 that we may seek costs of an investigation. That  
25 still is a possibility in this case, we'll be seeking

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1 costs in this case.

2 JUDGE CAILLE: Okay. I have not  
3 encountered something like that before, so does Staff  
4 need to make some kind of a counting or --

5 MS. TENNYSON: My understanding of the  
6 procedure is essentially what we would do is to  
7 present the information to the Commission, the  
8 Commission would determine whether or not it would be  
9 authorized. The Commission would send a notice of  
10 assessment of costs and the company would have an  
11 opportunity for a hearing on that, so it would be  
12 basically a separate proceeding.

13 JUDGE CAILLE: Okay. One of these days,  
14 I'm going to do a water rate case.

15 MS. TENNYSON: Well, hopefully, we'll  
16 resolve this one without you having to preside, but  
17 --

18 JUDGE CAILLE: Okay, okay. I do want to  
19 thank you for coming in, thank you for reaching the  
20 agreement that you did and, as I said, I do look  
21 forward to hearing a water case sometime. And will  
22 Mr. Finnigan be filing that letter or will it come  
23 from you, Mr. Adams?

24 MR. ADAMS: I'm not sure. I'll try to  
25 reach Mr. Finnigan. We'll see how we would do that,

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1 but I imagine we'll try to get it to you by the end  
2 of the week, I guess tomorrow.

3 JUDGE CAILLE: All right. Thank you very  
4 much.

5 (Proceedings adjourned at 2:20 p.m.)

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