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 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

 2

 COMMISSION

 3

 WASHINGTON UTILITIES AND )

 4 TRANSPORTATION COMMISSION )

 )

 5 Complainant, )

 )

 6 vs. ) DOCKETS NO. UE-090704

 ) UG-090705

 7 PUGET SOUND ENERGY, INC., ) Volume II

 ) Pages 32 - 49

 8 Respondent. )

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 A public hearing in the above matter was held

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 on December 7, 2009, at 6:00 p.m., at 345 Sixth Street,

11

 Bremerton, Washington, before Administrative Law Judge

12

 ADAM TOREM, Chairman JEFFREY GOLTZ, Commissioner PHILIP

13

 JONES, Commissioner PATRICK OSHIE.

14

15 The parties were present as follows:

16 WASHINGTON UTILITIES AND TRANSPORTATION

 COMMISSION, by MICHAEL FASSIO, Assistant Attorney

17 General, 1400 South Evergreen Park Drive Southwest,

 Post Office Box 40128, Olympia, Washington 98504;

18 telephone, (360) 664-1188

19 PUGET SOUND ENERGY, INC., by SHEREE STROM

 CARSON, Attorney at Law, Perkins Coie, 10885 Northeast

20 Fourth Street, Suite 700, Bellevue, Washington 98004;

 telephone, (425) 635-1400.

21

 PUBLIC COUNSEL, by SIMON J. FFITCH, Assistant

22 Attorney General, 800 Fifth Avenue, Suite 2000,

 Seattle, Washington 98104; telephone, (206) 389-2055.

23

24 Kathryn T. Wilson, CCR

25 Court Reporter

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

 2 CHAIRMAN GOLTZ: Good evening. Thank you for

 3 coming this evening. My name is Jeffrey Goltz. I'm

 4 the chairman at the Commission. To my right is

 5 Commissioner Pat Oshie, and to his right is

 6 Commissioner Phil Jones, and to my immediate left is

 7 Administrative Law Judge Adam Torem, and he will be

 8 presiding at the public hearing tonight as he will be

 9 assisting in this case in the future hearing as well.

10 Judge Torem will get to the procedures for

11 tonight and the order of witnesses and so forth and

12 what's to be expected and the time limits and all that,

13 and a little bit more about the schedule for the

14 hearing as we go forward. There will be some

15 evidentiary hearings in Olympia regarding this rate

16 proceeding in January, and this is a little bit

17 different; although, the witnesses tonight will be put

18 under oath, but this is to get a perspective that I

19 find to be very helpful to get an individual

20 perspective of the small business consumer of Puget

21 Sound Energy.

22 It also gives me an opportunity to really

23 focus on some important issues in the case, and I'll be

24 taking notes, and I'm sure the commissioners will be as

25 well, not only for what is said, but as we get ideas

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 1 that will help us develop lines of questions for the

 2 Company witnesses and other witnesses that we will hear

 3 from the in the evidentiary proceedings that will be

 4 held in Olympia in January.

 5 So with that to get on with tonight's public

 6 hearing, I'll turn it over to Judge Torem, and thank

 7 you very much also for coming out tonight. I know it's

 8 a very cold night and it might be warmer in your house

 9 tonight, but thank you very much for coming out.

10 JUDGE TOREM: Thank you, Chairman Goltz.

11 First, let me formally identify the case. This is the

12 Puget Sound Energy rate case which has two docket

13 numbers. There is UE-090704 for the electric rates,

14 and UG-090705 for the natural gas rates, and this

15 evening, we are convened at the Norm Dicks Government

16 Center in Bremerton, Washington. Today's date is

17 Monday, December 7th, 2009. It's a little bit after

18 six.

19 My role is to facilitate your public comments

20 tonight, and the commissioners will be listening and

21 taking notes. The court reporter to my left will be

22 talking down your comments, so if you can speak at a

23 nice, slow deliberate pace and use the microphone at

24 the stand, she and all of us up here will appreciate

25 that immensely.

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 1 The public hearing is a formal hearing

 2 process. We will be considering PSE's proposed

 3 revisions to their tariffs, which is WN U-60. The

 4 Commission had previously suspended the proposed rate

 5 increases, and they had determined it's going to take

 6 that full evidentiary hearing back in May that it was

 7 suspended.

 8 The hearing will be Tuesday, January the

 9 19th, next year in 2010, and the hearings will continue

10 the balance of that week, so Tuesday through Friday,

11 January 22nd, and if necessary, they will continue and

12 conclude Monday, January 25th. There will be another

13 public comment hearing Thursday night this week in

14 Kirkland, and there will be another final public

15 comment hearing from twelve noon to 1:30 in the

16 afternoon on the first day of the evidentiary hearing.

17 Again, that's Tuesday, January 19th, 2010.

18 For some numbers in the case, the original

19 request here was that PSE wanted to have additional

20 revenues of 148.1 million dollars, or about 7.4 percent

21 rate increase on its electric rates, and a 27.2 million

22 dollar, or about 2.2 percent increase to natural gas

23 rates. That was the original filing in the beginning

24 of May. In August, PSE updated those numbers, and they

25 are slightly higher. The electric request is now 153.6

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 1 million dollars, or a rate increase of 7.7 percent, and

 2 the natural gas revenue requirement is now 30.4 million

 3 dollars, or two-and-a-half percent.

 4 The other parties to this case recently filed

 5 their responses just last month, and they are arguing

 6 for a much smaller rate increase, or in the case of

 7 Public Counsel, actually a rate reduction. Now, the

 8 Commission's hearing process is one where we take

 9 technical testimony from expert witnesses. Parties

10 that appear before us present their experts in a

11 variety of areas, but we also take your public

12 testimony tonight. You are the ones that pay these

13 bills as proposed by the Company and eventually

14 approved to be at a certain level by the Commission, so

15 we do want to hear from you.

16 The commissioners are going to get

17 information to use, as the chairman said, that help

18 them decide what is a fair, just, and reasonable rate

19 for customers, but what's also a sufficient amount of

20 revenue for the Company to meet its needs to continue

21 serving you. So again, the comments tonight will be

22 under oath. They will recorded, and your comments are

23 part of the formal record in the case that they will be

24 deciding after January's hearing.

25 I'm going to ask the counsel who are seated

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 1 at the table at the right to give their formal

 2 appearances at this time. They are going to state who

 3 they are and who they represent on the record. There

 4 are two different representations from the attorney

 5 generals office, but each of them has a separate

 6 interest and a separate client.

 7 Let me begin with the Company and ask

 8 Ms. Carson to introduce herself and any company

 9 officers present tonight.

10 MS. STROM CARSON: Good evening. My name is

11 Sheree Strom Carson. I'm an attorney representing

12 Puget Sound Energy, and also here tonight is Tom

13 DeBoer. He is the director of federal and state

14 regulatory affairs for Puget Sound Energy. We also

15 have a few other PSE representatives who are here

16 tonight and will be available to answer any questions

17 after the meeting if you have individual questions.

18 JUDGE TOREM: Public Counsel?

19 MR. FFITCH: Thank you, Your Honor. Good

20 evening. My name is Simon ffitch, and I'm assistant

21 attorney general with the Washington State Attorney

22 General's office, and I'm with the public counsel unit.

23 We are the representative in this case of the Puget

24 Sound Energy residential and small business customers.

25 We are presenting evidence in the case. We have

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 1 prepared an informational handout which is available by

 2 the front door if you would like to pick one of those

 3 up. That will give you an overview of what our

 4 positions are in the case at this point. I will be

 5 available after the public testimony portion of the

 6 hearing is over if you would like to stop by and visit

 7 with me or ask any questions.

 8 JUDGE TOREM: Commission staff?

 9 MR. FASSIO: Thank you, Your Honor,

10 Commissioners. My name is Michael Fassio. I'm an

11 assistant attorney general and I'm representing the

12 Commission staff in this case. The Commission staff is

13 a party in this case and operates separately and

14 independently from the commissioners. I will also be

15 available after the public comment portion of this

16 hearing if you would like to ask me questions.

17 JUDGE TOREM: I don't think any of them are

18 present tonight, but to give you an idea of just how

19 wide the interests that are presenting witnesses to the

20 Commission are, there are seven other intervening

21 parties. The Industrial Customers of Northwest

22 Utilities, the Northwest Industrial Gas Users, and as

23 you can guess from those two names, those parties

24 represent large purchasers of natural gas or electric

25 from the Company. The Seattle Steam Company is also a

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 1 party as are the Federal Executive Agencies.

 2 There is another party who represents

 3 typically low-income groups, The Energy Project. There

 4 is Cost Management Services, and finally, the Northwest

 5 Energy Coalition. So we have the government

 6 representatives as well as the Company itself here

 7 tonight, and I do encourage you to take advantage of

 8 the attorneys and their other representatives here to

 9 have some informal discussion about any questions you

10 have about what impact any rate increase, if it's

11 approved, might have on your bill or why they are

12 asking for things. They are going to be able to answer

13 questions after. The commissioners really can't answer

14 questions tonight. They can't get into a one-on-one

15 discussion with you. Those folks that just introduced

16 themselves though, they can, and they would be more

17 than willing to do so.

18 Tonight is your opportunity to offer comments

19 concerning the rate increase, and we recognize you

20 might also want to come up with additional comments

21 later. We will set a deadline of January 25th, 2010,

22 for you to submit any written comments, and those can

23 come in the old-fashioned way with a stamp and an

24 envelope but also electronically on our Web site, and I

25 will give you both the mailing address and the Internet

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 1 address for comments at the end of the hearing today.

 2 My experience is typically three to four

 3 minutes is plenty of time to give your comments. As

 4 far as I know, I have 11 people that signed in but only

 5 four that said they want to give comments. We will be

 6 pretty generous with time, but I will let you know if

 7 you have exceeded three to four minutes and give you

 8 some signal so we make sure everyone gets in.

 9 The custom typically is if you hear something

10 you agree with and you are a follow-on speaker, you can

11 say you agreed with Mr. Smith or Ms. Jones on that

12 point and you don't have to repeat that point, so you

13 can step up and skip that part of your prepared notes

14 if you have some, but otherwise, if you have written

15 comments with you, you can also read excerpts or the

16 entire comment, whatever suits your style, or you can

17 just hit the highlights and turn in a copy to

18 Mr. Shutler who is in the back. He's the one that

19 helped you sign in, and that written comment will also

20 become a part of the record, and we will have a chance

21 to review that in full detail later this evening or in

22 the week.

23 I think we are now ready to take your

24 comments. So what I would like to do is have those

25 folks that said they do want to comment and have signed

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 1 in to stand up and raise your right hand. I will give

 2 you an oath of witness that says "I do" to affirm that

 3 you take the oath, and then I will call your name up to

 4 the podium

 5

 6 Whereupon,

 7 THE PUBLIC,

 8 having been first duly sworn, were called as a witness

 9 herein and testified as follows:

10

11 JUDGE TOREM: I'm going to ask that Douglas

12 Rauh come up to the microphone first, and I'm going to

13 ask you to state your name and what city you live in

14 and confirm if you are a customer of the Company or

15 not, and then if you are representing a group, state

16 that as well and go on with your comments.

17 MR. RAUH: My name is Douglas A. Rauh,

18 R-a-u-h, 12266 Kenneth Place Northeast, Bainbridge

19 Island, Washington 98110, and I'm an electric customer

20 of Puget Sound Energy.

21 I have three primary concerns. The first one

22 has to do with the Puget Sound Energy capital spending

23 or capacity for growth. Puget Sound Regional Counsel

24 has indicated that 2005 to 2006 growth was 1.8 percent;

25 2006 to 2007 was 1.7 percent; 2007 to 2008 was 1.4

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 1 percent; 2008 to 2009 is 1.2 percent.

 2 During the merger, they talked about adding

 3 additional customers. Currently at 1.2 percent, this

 4 is a growth rate of 42,000 a year plus a thousand a

 5 week, so over the period of the 2020, we are not going

 6 to reach a million people.

 7 If you continue to spend at the rate of a

 8 billion a year as was discussed in the merger for the

 9 next five years with a million customers, if we don't

10 grow a customer base, that will be a thousand dollars

11 for each customer at the end of five years they will

12 have spent five thousand dollars in new capacity.

13 My second point would be I agree with

14 everything I've read in the newspaper and on line with

15 what Simon ffitch has recommended for reduction in the

16 rates and changes. The third point would be I believe

17 that Puget Sound Energy should bring natural gas to

18 Bainbridge Island instead of spending money for

19 additional electric capacity, the reasoning being that

20 most of the electricity on Bainbridge Island is used

21 for hot water heat or space heat. Apparently what they

22 are doing is converting natural gas to electricity --

23 converting it back to heat. On a day like today, we

24 may exceed our two-substation capacity at 50 megawatts,

25 and if we do that, we trip the circuits and we are all

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 1 in trouble.

 2 What is happening is the heat pumps become

 3 very inefficient before 36 degrees or so. It would be

 4 better to invest, instead of more electricity, in

 5 natural gas and bring it to the islands and bring the

 6 gas to the island, and then we wouldn't have so much of

 7 a problem with outages due to limbs falling on the

 8 lines. Thank you.

 9 JUDGE TOREM: Thank you. The next speaker

10 will be Mr. Sheldon Levin, and he will be followed by

11 Hazel Witte. So Mr. Levin, if you will state and spell

12 your name for the record.

13 MR. LEVIN: My name is Sheldon Levin. I live

14 in Port Orchard, Washington, and I'm a PSE electric

15 customer. My last name is spelled L-e-v-i-n. My first

16 name is S-h-e-l-d-o-n.

17 I'm speaking in opposition to PSE's request

18 for an electric rate increase, any increase, not even

19 the smaller increase that Commission staff has

20 recommended. In fact, there are good reasons to

21 require PSE to lower its electric rates.

22 I went on the Commission's Web site and

23 looked up electric rates for various companies here in

24 the state of Washington. PSE's electric rates are 23

25 percent higher than Avista's. Avista serves Spokane

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 1 and much of Eastern Washington. PSE's electric rate is

 2 44 percent higher than Pacific Power's electric rates,

 3 and they serve Vancouver, Washington; Yakima, and other

 4 cities in Eastern Washington.

 5 PSE's electric rate is 47 percent higher than

 6 Seattle City Light's. PSE's electric rates are 37

 7 percent higher than Tacoma Light's rates. PSE gets 20

 8 percent of its electric generation from natural gas.

 9 When the price of natural gas went down earlier this

10 year, why didn't the price of electricity go down? Did

11 PSE pocket the money? Why didn't the Commission

12 require PSE to pass on the savings by lowering electric

13 rates along with gas rates?

14 There are ways PSE can lower electric rates.

15 PSE can cut its electric rate by cutting its rate of

16 return on equity. 10 percent return is outrageous, let

17 alone anything above that. PSE can cut its electric

18 rates by lowering dividends it pays on its stocks.

19 Rates can be decreased by ending the customer charges

20 for PSE's so-called conservation program. It's nothing

21 more than a welfare program for contractors.

22 Earlier this year, I wanted to put more

23 insulation in my attic. Simple matter of buying some

24 insulation at the hardware store and rolling it out. I

25 called up PSE to ask them if I could make use of their

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 1 conservation program. I would provide them a receipt

 2 for the insulation. I could not do that. The only way

 3 I could get insulation in my attic is to hire a

 4 contractor and pay that contractor a fee that absorbs

 5 every single penny that PSE would have given me for the

 6 insulation. It's a waste of money and it is only a

 7 welfare program for contractors. Everyone else is

 8 tightening their belts in these economic times, but not

 9 PSE.

10 Finally, I think it's time for Kitsap County

11 to form a public utility district and stop

12 unrealistically counting on this commission to protect

13 customers and public counsel and stop being subjected

14 to the corporate greed of Puget Sound Energy, which is

15 now a foreign-owned company. Thank you.

16 JUDGE TOREM: Thank you, Mr. Levin. Our next

17 speaker is Hazel Witte, and Dave Payne will follow.

18 MS. WITTE: My name is Hazel Witte. I live

19 in Illahee, Washington, and I believe there should be

20 no price increase to PSE customers in the near future.

21 I don't believe that an increase is justified at the

22 current time. We have actually been in a period of

23 deflation for the months of March through October of

24 this year, but most of January and February showed

25 inflation under one quarter of a percent, while the

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 1 figures for November and December are not yet in.

 2 Some pensions, Social Security payments and

 3 wages are frozen for next year. In addition, in spite

 4 of our Wall Street stocks, Main Street is in a serious

 5 depression. Rate increases would put more financial

 6 stress on the middle class and fixed-income customers.

 7 Living in Illahee, I have experienced more power

 8 outages than anywhere else I've ever lived. Past price

 9 increases have not improved service in my area. I do

10 live in an area that's very tree'd. There is lots of

11 trees there.

12 A rate increase would be a benefit to the

13 Company shareholders, but I see no benefit to

14 customers. Thank you.

15 JUDGE TOREM: Thank you, Ms. Witte.

16 Mr. Payne?

17 MR. PAYNE: My name is Dave Payne. I live in

18 Port Orchard. The spelling of "Payne" is P-a-y-n-e.

19 I guess what I'm going to do is try to make an appeal

20 to avoid the increase. In order to get this in better

21 perspective, I need to give you a little history. I

22 work for the state, and as a result, I've only realized

23 a two percent pay increase, and in the end

24 analysis, it wound up being ten dollars less a month

25 than I realized on my paycheck, and yet what I'm

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 1 hearing here is they want ten percent more.

 2 I'm kind of curious as to how I'm supposed to

 3 fabricate this money. Everything else is going up but

 4 my pay. If we have to tighten our belts in order to

 5 manage our finances, why can't they? That's really all

 6 I've got to say. It's real frustrating for me to see

 7 everything else go up and my pay goes down. Thank you.

 8 CHAIRMAN GOLTZ: Mr. Payne, when you say you

 9 had a two-percent increase but your check went down,

10 that's because you have to pay more for health care

11 costs?

12 MR. PAYNE: You've got it.

13 JUDGE TOREM: Those are the four names that I

14 had on the sign-in list that indicated they definitely

15 wanted to speak and took the oath in the beginning.

16 Are there any other folks that are gathered here

17 tonight -- I know there are at least a dozen and a half

18 more out there -- who want to take the opportunity now

19 to give your comment to the commissioners?

20 Sir, let me swear you in, and come on up to

21 the microphone.

22

23 Whereupon,

24 RALPH MARSHALL,

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

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 1 herein and testified as follows:

 2

 3 JUDGE TOREM: Can you state your name, and

 4 speak directly into the microphone?

 5 MR. MARSHALL: Ralph Marshall. I live in

 6 Bremerton, and last month -- I'm on a pension, limited

 7 income. Last month, my PSE bill was $58. Got my bill

 8 today, it doubled to $121 in one month, so now you want

 9 to raise it again, so thank you.

10 JUDGE TOREM: Any other comments from members

11 of the public? Let me give you the information as

12 promised as to where to send comments if after hearing

13 tonight your fellow citizens make comments you want to

14 go home and write something up or go onto the Web site.

15 The written comments, as long as they are

16 postdated by Monday, January 25th, 2010, or

17 electronically received by that date, can be accepted,

18 so you have a month and a half, the Commission's

19 address is PO Box 47250 in Olympia, Washington, and the

20 ZIP code is 98504. So again, the PO Box is 47250 in

21 Olympia, and the ZIP code is 98504. The Web site

22 allows you to make comments directly. It's

23 www.utc.wa.gov.

24 If you can, make an indication that these are

25 comment about the PSE rate case, and if you would like

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 1 to be specific, the docket numbers again, the electric

 2 case is UE-090704, and for natural gas customers,

 3 UG-090705. Please make sure you indicate at the very

 4 least that your comment relates to the PSE rate

 5 increase proposal, and we will make sure it gets to the

 6 right files and is distributed to the commissioners and

 7 the appropriate parties. Commissioners, any closing

 8 comments tonight?

 9 CHAIRMAN GOLTZ: Just one brief one or two.

10 Thank you all for coming out and thank you for the

11 thoughtfulness of your comments. We will take those in

12 consideration as well as the comments we hear at the

13 other public hearings.

14 I would reiterate what Judge Torem said. If

15 you have questions about your bill or some of the

16 prices, some of these things can be complex, I

17 encourage you to stay and ask some of the attorneys

18 here. For example, Mr. Levin, you may wish to talk to

19 Mr. ffitch about the interplay of natural gas and the

20 price of electricity. It is rather complicated, and

21 thank you again for coming.

22 JUDGE TOREM: Thank you all for your

23 attendance tonight. The public comment hearing is

24 adjourned.

25