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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION	)	
	)	
Complainant,	)	
	)	
vs.	)	DOCKETS NO. UE-090704
	)	UG-090705
PUGET SOUND ENERGY, INC.,	)	Volume II
	)	Pages 32 - 49
Respondent.	)	

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A public hearing in the above matter was held on December 7, 2009, at 6:00 p.m., at 345 Sixth Street, Bremerton, Washington, before Administrative Law Judge ADAM TOREM, Chairman JEFFREY GOLTZ, Commissioner PHILIP JONES, Commissioner PATRICK OSHIE.

The parties were present as follows:

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, by MICHAEL FASSIO, Assistant Attorney General, 1400 South Evergreen Park Drive Southwest, Post Office Box 40128, Olympia, Washington 98504; telephone, (360) 664-1188

PUGET SOUND ENERGY, INC., by SHEREE STROM CARSON, Attorney at Law, Perkins Coie, 10885 Northeast Fourth Street, Suite 700, Bellevue, Washington 98004; telephone, (425) 635-1400.

PUBLIC COUNSEL, by SIMON J. FFITCH, Assistant Attorney General, 800 Fifth Avenue, Suite 2000, Seattle, Washington 98104; telephone, (206) 389-2055.

Kathryn T. Wilson, CCR

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 be 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

18 MR. RAUH: My name is Douglas A. Rauh,  
19 R-a-u-h, 12266 Kenneth Place Northeast, Bainbridge  
20 Island, Washington 98110, and I'm an electric customer  
of Puget Sound Energy.

21

22 I have three primary concerns. The first one  
23 has to do with the Puget Sound Energy capital spending  
24 or capacity for growth. Puget Sound Regional Counsel  
25 has indicated that 2005 to 2006 growth was 1.8 percent;  
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 ffitich 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](http://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