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ALSO PRESENT:
MR. DOUG LARSON, Vice-President of Regulation,
PacifiCorp
MR. CLARK SATRE, Regional Community Manager,
PacifiCorp

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1 CHAIRMAN SIDRAN: Good evening and thank you
2 for coming to this public hearing. This is a public
3 hearing of the Washington State Utilities and
4 Transportation Commission. My name is Mark Sidran,
5 and I'm the Chairman of the Commission. And I'm
6 joined by one of my two colleagues, Commissioner
7 Philip Jones, who's on my right. Commissioner Patrick
8 Oshie, who in fact hails from Yakima, is unfortunately
9 ill and unable to join us. Although I know he will be
10 listening to this hearing, he will not be able to
11 participate this evening.

12 I also want to introduce our Administrative Law
13 Judge Ann Rendahl, who will be helping to conduct this
14 public hearing. She'll be explaining in just a moment
15 a process that we use here for taking public comment.
16 I was out in the hall, so I didn't hear the question,
17 but I take it from what Judge Rendahl had to say that
18 there was a question about why we were doing this on
19 an evening when it's difficult for people to attend,
20 which we appreciate. It was difficult to get here
21 from the west side of the mountains.

22 But we decided that was the best course of
23 action. And as Judge Rendahl mentioned, this is the
24 beginning of a process, and that process includes a
25 formal hearing that will be akin to a trial, and there

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1 will be opportunities up through that process, well
2 into early next year, during which the public can
3 submit comments in writing or by e-mail to the
4 Commission. And we have a representative here from
5 the Attorney General's Office that will be introduced
6 in a moment, and I'm sure that he would be happy to
7 facilitate comments from people who could not be here
8 tonight. All of those comments, whether they're made
9 this evening or submitted later, will be reviewed by
10 the Commission in reaching its decision in this case.

11 We do appreciate that you who are here made the
12 effort to come out tonight. We take seriously
13 comments received from the public in our
14 deliberations, which is why we have these public
15 hearings.

16 Now, with that, I'd like to again introduce Judge
17 Rendahl and ask her to explain the nature of this
18 evening's proceedings. And then there will be some
19 presentations from the parties, and we will then take
20 comments from members of the public. Thank you.

21 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
22 you, Chairman Sidran.

23 Can you hear me in the back? Okay, good. As
24 Chairman Sidran mentioned, we're having this public
25 comment hearing tonight as a part of our formal

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1 hearing process to consider PacifiCorp's request for a
2 rate increase. And the purpose of the hearing tonight
3 is to give the Commissioners information that they can
4 use in making their decision as to whether
5 PacifiCorp's request is fair, just, reasonable and
6 sufficient. And those terms are in the statute as the
7 basis for the Commission making its decision.

8 We're not here tonight to consider the proposed
9 merger of PacifiCorp with MidAmerican. There are no
10 public hearings scheduled on that at this time, but
11 the Commission will accept written comments on that
12 matter. There will be formal hearings the week before
13 Christmas, December 19th through the 22nd, in Olympia
14 on that, and you can contact the Commission or
15 Mr. ffitch.

16 Are you handling that case?

17 MR. FFITCH: Another attorney is handling
18 that for us.

19 ADMINISTRATIVE LAW JUDGE RENDAHL: You can
20 speak with Mr. ffitch about that. And he's with the
21 Public Council's office if you wish to make any
22 comments in that case.

23 All your comments this evening will be made under
24 oath. We have a court reporter here taking down the
25 hearing so we can read everything later, and it

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1 becomes a part of the record in this proceeding. So
2 make sure when you do speak, you speak up clearly.
3 Unfortunately we don't have as many microphones here
4 as we do in our hearing room in Olympia, so we'll be
5 playing microphone exchange to get everybody's voices
6 heard.

7 We do have some of the parties in the case here
8 tonight. We have the company and some representatives
9 of the company here. We have a representative of the
10 Staff of the Commission with the Attorney General's
11 Office, Judy Krebs. We have Mr. ffitch with Public
12 Council's office, also with the Attorney General's
13 Office.

14 They do have different roles in the case,
15 although they are both with the Attorney General's
16 Office. Mr. ffitch represents consumers and customers
17 and small business consumers of the company, and
18 Ms. Krebs represents the staff who take an advocacy
19 position in the case. They're a party in the case.
20 And even though they're employees of the Commission,
21 there's essentially a wall between the Commissioners
22 and their decision making process and the staff.

23 The other parties are the industrial customers of
24 Northwest Utilities. There may be some
25 representatives of that organization in the audience.

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1 The Energy Project is also a party, and there may
2 be representatives or members of that organization
3 here.

4 And also the Natural Resources Defense Council,
5 but they are not going to be here tonight.

6 After I give a short description of the case and
7 the schedule, I'm going to ask these representatives
8 to introduce themselves and, if they wish, to make a
9 short statement, and then it will be time to take your
10 comments.

11 So this case is about a rate increase.
12 PacifiCorp is asking at this point for a rate increase
13 of 18 percent, or about \$39.2 million, which would
14 result in an increase in customer or residential bills
15 of an average of about 15, 16 dollars a month.

16 The issues, there are several discrete issues in
17 the case, and they include first the company's
18 expenses and revenues and how to allocate those
19 expenses and revenues to customers in Washington
20 because PacifiCorp is a company that spans several
21 states in the west. So we have to allocate the
22 appropriate portion of their expenses and revenues to
23 the Washington customers.

24 Also an issue is the company's power costs and,
25 again, allocating the appropriate power costs to the

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1 customers in Washington.

2 The rate of return or the profit that the company
3 will earn is an issue.

4 And PacifiCorp has also asked for what's called a
5 power cost adjustment mechanism, which would allow for
6 changes in power costs to be reflected in rates
7 between rate cases, between general rate cases.

8 And they have also requested to have an
9 accounting treatment or to defer certain power costs
10 relating to low river flows on its hydroelectric
11 operations and the costs of that. So those are the
12 issues that are presented in the case right now.

13 Where the case is right now, PacifiCorp filed
14 this request in early May, and the company filed
15 several binders worth of written testimony about
16 stating their case. And then in I believe it was
17 October the other parties filed testimony, again
18 several binders worth of written testimony, responding
19 to what the company's case is. And the company will
20 have an opportunity to file its rebuttal testimony
21 next week on December 7th, and other parties will also
22 be filing testimony at that point.

23 What happens after that is we have a technical
24 hearing, an evidentiary hearing in Olympia, scheduled
25 to begin on January 9th. It will go through the 20th.

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1 It might not go that long. And essentially the
2 parties will cross examine each other on their
3 testimony and their evidence. So that's where they
4 are in the case.

5 And so as a part of that formal hearing process,
6 we're here to take the public's comments.

7 In addition to your oral statements tonight, you
8 or anyone else who's a customer can submit written
9 comments to the Commission by January the 17th, the
10 day after Martin Luther King's birthday holiday.
11 Mr. ffitch will talk a bit more about that. And if
12 you have questions, we have one of our consumer
13 affairs staff out in the hallway.

14 So I'm going to ask the counsel now to make their
15 formal appearances, and that means they're going to
16 state on the record who they are and who they
17 represent. And then I'm going to ask counsel to
18 introduce any representatives that might be with them.
19 So I'm going to begin with the company.

20 MR. KEYES: Good evening Commissioners and
21 Judge Rendahl. I'm Jason Keyes from Stoel Rives. We
22 represent PacifiCorp. And with me is Clark Satre, the
23 Regional Community Manager for Washington for
24 PacifiCorp, and Doug Larson, who's our Vice-President
25 of Regulation. And Mr. Larson would like to make a

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1 few comments.

2 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
3 you.

4 MR. LARSON: Would you like me to make those
5 now?

6 ADMINISTRATIVE LAW JUDGE RENDAHL: Yes. And
7 I'd like to thank Mr. Satre for being here to make
8 sure that this room was open for us to use, since we
9 were still stuck at the airport. So thanks to
10 Mr. Satre, we can use this room tonight.

11 Go ahead.

12 MR. LARSON: Thank you. Pacific Power
13 appreciates the opportunity to come tonight and have
14 an opportunity to hear from our customers. That's
15 very important for us and one of the tools that helps
16 us to, you know, hopefully do a better job in serving
17 our customers. So in advance I want to thank you for
18 the comments that you will make tonight.

19 We certainly acknowledge that any time the
20 company files for a rate increase, that that's not
21 anything that customers like to see. And frankly,
22 it's not anything that we like to end up filing with
23 the Commission, but it's just simply part of a process
24 of dealing with impacts on our business. And one of
25 the things that we try very hard to do is to minimize

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1 the impact of those rate increases and, at the same
2 time, be able to provide you as customers with
3 reliable electric service

4 This case that's in front of the Commission, as
5 Judge Rendahl said, is made up of a lot of components.
6 Some of the things that our company has been
7 experiencing and certainly have seen with your gas
8 bills and other things are increasing costs related to
9 fuel, natural gas and other things that have a big
10 impact on our company, as well as, you know, an
11 increase in investment each year.

12 Our company expends in the neighborhood of about
13 a billion dollars on capital investments for
14 distribution, transmission and new generating
15 resources in order to continue to serve customers, to
16 replace a plant that is old and retiring.

17 In addition, one of the opportunities that we
18 have as part of this process is to sit down with the
19 parties as part of the formal process and try to work
20 through issues related to the case, and we have had a
21 couple of those meetings with the parties that are
22 here tonight.

23 And as a result of those discussions, some of the
24 parties have entered into some agreements that
25 actually, when we filed our case, as Judge Rendahl

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1 mentioned, on December 7th, will result in a lowering
2 of the amount of that overall \$39.2 million general
3 rate case.

4 And my expectation is that that case, based on
5 updating some of the information that was included in
6 the case to actual data, as well as some of the
7 agreements that we've reached, will end up resulting
8 in what I would term as our rebuttal case or our
9 re-filed case to somewhere around five to seven
10 million dollars less than the original \$39.2 million.

11 So I guess if there is a piece of good news that
12 I'm delivering tonight, it is that our requested
13 increase will be less than the original filed
14 application when it's filed on December 7th.

15 So I'm frankly pleased that we were able to work
16 through some of those issues and some of the areas
17 where we thought costs were going to be a little
18 higher than what they were actually, were able to
19 adjust some of those.

20 I guess finally, in conclusion, I just want to
21 again thank you for taking the time on this extremely
22 cold and difficult to get out evening to come down and
23 share your comments about the company and provide us
24 hopefully some information or comments that can help
25 us to do a better job in serving you as customers.

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1 Thanks.

2 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.

3 Let's turn to Staff. Ms. Krebs?

4 MS. KREBS: Yes. Hi, Judith Krebs, and I am
5 representing the Washington Utilities and
6 Transportation Commission Staff. And let me talk a
7 little bit about what that means.

8 The Commission employs a team of accountants and
9 economists who independently review the rate filings
10 that come before the Commission independent of the
11 Commission itself. And as Judge Rendahl mentioned,
12 there's a wall between the Staff and the Commission,
13 and I'm one of the attorneys representing the Staff in
14 this matter as a party, one of six parties in the
15 matter, as was pointed out.

16 The Commission Staff has filed written testimony
17 in this matter and other evidence. And as you've
18 heard, in January there will be a hearing on that
19 evidence and the evidence of the other parties. The
20 Staff's analysis shows that PacifiCorp has not
21 justified its rate increase request and that the facts
22 actually show that a small decrease in rates is
23 warranted.

24 Perhaps the biggest issue in the case is how to
25 allocate the cost of PacifiCorp's system to

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1 Washington. As was mentioned, there are six states
2 served by PacifiCorp, and one of the significant, in
3 terms of growth, states is Utah. Utah has had fairly
4 significant growth, much faster than the area that is
5 served by Washington, including Yakima.

6 And so the question is, there are a number of new
7 generating facilities that were built to service Utah,
8 and whether or not Washington rate payors should have
9 to pay for any of those new generating facilities.
10 Obviously that's one of the proposals that the Staff
11 has rejected as being not used and useful or not good
12 for Washington rate payors. So essentially Staff
13 contends that the company has not demonstrated that
14 rate payors should pay these costs.

15 The Commission Staff has also looked at other
16 costs that are proposed by the company, like pension
17 cost, medical cost, wage and salary, to ensure that
18 these are set at fair and normal operating levels, and
19 there's been some proposals for adjustment made in
20 these.

21 Staff has also proposed removing charitable
22 contributions and other club memberships and other
23 costs that are not beneficial to rate payors as rate
24 payors.

25 The goal of the Commission is to set fair, just

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1 and reasonable rates. And from the Commission's Staff
2 perspective, the company has not demonstrated that
3 another large increase in rates is warranted.

4 Ultimately it would be the Commission's job to
5 determine the appropriate rate levels, and we're happy
6 to be here today and we look forward to your testimony
7 on this matter. Thank you.

8 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
9 And now Mr. ffitch, who is also with the Attorney
10 General's Office, but represents a different client.

11 MR. FFITCH: Thank you, Judge Rendahl and
12 Commissioners. Good evening, everyone.

13 As the Judge has indicated, my name is Simon
14 ffitch, and I'm an Assistant Attorney General. I'm
15 ahead of the Public Council Department of the Attorney
16 General's Office, and we are a separate unit of the
17 AG's office. We're located in Seattle. And our
18 mission is to represent the consumers before the
19 Washington Utilities Commission in cases involving the
20 regulated telecommunications companies, the electric
21 company and the gas companies. And so we are involved
22 in this case, as we also get involved in cases
23 involving Qwest, Verizon, Puget Sound Energy and other
24 utilities.

25 We have hired expert witnesses, experts in

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1 accounting and financial and other issues, to take a
2 look at the PacifiCorp request in this case. And I'm
3 happy to say that the conclusions that our folks have
4 reached in looking at the company's request and
5 looking at their books are very similar to what the
6 Commission Staff has arrived at in this particular
7 case. And that is that, if all of our recommendations
8 are accepted, we don't believe a rate increase is
9 warranted here.

10 This is not always the case. We don't always
11 agree with Commission Staff. Sometimes we find
12 ourselves disagreeing over different kinds of
13 recommendations in cases, but in this case we really
14 are on the same wavelength and don't see a
15 justification for a rate increase.

16 In addition to those mentioned by Ms. Krebs,
17 another issue that we've identified is what's called
18 the return on equity, or it's essentially the investor
19 profit margin. In this case, PacifiCorp has proposed
20 that the return on equity or the return for investors
21 is I believe 11.1 percent. Our expert witness who
22 analyzed the company's financial situation is
23 recommending a 9.125 percent return on equity.

24 And that doesn't sound like a lot, just a couple
25 percent. That actually makes by itself a \$12 million

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1 difference in how much money they would be entitled to
2 in a rate increase. So just with that one particular
3 adjustment that we're supporting, that reduces the
4 rate increase by 12 million. So that's another issue
5 that we think is important in the case.

6 We're also concerned -- Just stepping back from
7 the technical issues for a moment, we're aware that
8 this is the second PacifiCorp rate case in the last
9 two years, and we think that creates a special
10 obligation on all of us, a special obligation to take
11 a very hard look at this request, a special obligation
12 on the company to meet their burden of proof to show
13 that another rate increase is warranted in such a
14 short period of time, especially when folks are
15 dealing with a lot of hard economic hits from a number
16 of different quarters. So that's another reason why
17 we're putting quite a lot of resources into this case.

18 We also will be presenting evidence and expert
19 witnesses at the hearings in January. And as the
20 Judge mentioned, one of the things that we'll be doing
21 is we'll be gathering up all of the public comments
22 that have been offered to the Commission and
23 presenting those as a formal exhibit, so that the
24 Commission can review those. And that includes any
25 written letters that were received by the Commission,

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1 any e-mails, any comments that come to our office, and
2 any written statements that are submitted at the
3 hearing tonight. So we'll be packaging all of that up
4 and formally offering it at the hearing so it can be
5 available for review.

6 The Judge also mentioned that there is a
7 PacifiCorp merger case currently pending before the
8 Commission and that is not before the Commission
9 tonight at this hearing. However, we are also
10 participating in that case.

11 I think there's some public interest issues
12 raised by that proposed acquisition of PacifiCorp.
13 That's going to hearing this month in a couple of
14 weeks. I'd be happy to talk with you about our
15 position there. We're also participating in that case
16 on behalf of consumers.

17 So I'll be here afterwards. And if anyone would
18 like to stop by and talk, I can discuss further our
19 participation of the cases. So thank you very much.

20 Thank you, Your Honor.

21 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.

22 Thank you, Mr. ffitich.

23 And again, Consumer Affairs Specialist from the
24 Commission, Gail Griffin-Wallace, who may have helped
25 you sign in, is outside and has information about the

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1 Commission's process. So if you have questions for
2 her or for Mr. ffitich or Mr. Krebs or the company
3 afterwards, I'm sure they would be happy to speak to
4 you.

5 But now we want to hear from you. And thank you
6 for bearing with us through all these introductory
7 comments. First, experience has shown us that each
8 speaker in a public comment proceeding should really
9 limit their comments to about three minutes, so we can
10 get to everyone.

11 Now, I have a feeling we'll be able to get to
12 everyone in the time allotted tonight. So those of
13 you who have spoken in public before know that you can
14 say quite a lot in three minutes. So if you're
15 running over time, I'll give you a little bit of
16 leeway, but I'll give you a little reminder it's time
17 to sum up.

18 If somebody that has spoken before you has said
19 what you want to say, you can just stand up and say, I
20 agree with what the previous speaker said, and you
21 don't need to repeat everything. But if you have
22 something to say, we're here to listen.

23 If you have any written materials after you're
24 done or after the hearing, if you want to hand those
25 to Mr. ffitich, he will be compiling those written

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1 materials as an exhibit to the Commission, as he
2 mentioned.

3 Before we start, I'd like each of you who want to
4 speak tonight, if you could stand up and raise your
5 right hand, I'm going to give an oath to all of you
6 altogether. Okay, if you can stand up and raise your
7 right hand.

8 Do you solemnly swear or affirm that the
9 testimony you're about to give in this proceeding is
10 the truth, the whole truth, and nothing but the truth,
11 so help you?

12 (ALL PERSONS RESPONDED IN
13 THE AFFIRMATIVE.)

14 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
15 Thank you.

16 And I have a list of your names as you signed in,
17 so please excuse me if I mispronounce your name. When
18 we call your name, if you can come to the podium, and
19 I think we can share one of these microphones. If you
20 can speak slowly and distinctly so the court reporter
21 can take down your comments, that would be great.

22 So the first person who has said they would like
23 to speak is Robert Ponti. Is Mr. Ponti here?

24 Okay. If you could state your name and spell
25 your last name for the court reporter, please.

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1 MR. ROBERT PONTI: My name is Robert Ponti.
2 My last name is spelled P-O-N-T-I.

3 ADMINISTRATIVE LAW JUDGE RENDAHL: Are you
4 here representing yourself or on behalf of an
5 organization?

6 MR. ROBERT PONTI: On behalf of the
7 Northwest Community Action Center in Toppenish.

8 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
9 And is there an address for the Action Center?

10 MR. ROBERT PONTI: Yes. 706 Rentschler in
11 Toppenish.

12 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
13 Thank you. So go ahead, please.

14 MR. ROBERT PONTI: I'm program director for
15 Northwest Community Action Center, which is an
16 affiliate of the Yakima Valley Farm Workers Clinic,
17 and we're the program site.

18 The Farm Workers Clinic provides medical and
19 dental services for underserved populations via 18
20 clinics in Washington and Oregon.

21 I supervise energy assistance, home
22 weatherization and seasonal child care programs. And
23 our service area is the Greater Yakima Valley area
24 south of Union Gap, mostly the rural areas of the
25 county.

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1 We administer the LIHEAP program, which I think
2 you're familiar with, which is the Low Income Home
3 Energy Assistance Program. We serve approximately
4 2,200 households with the benefit through the winter
5 months. We handle crisis situations for people that
6 have disconnects with that budget.

7 We also administer PacifiCorp's LIBA, Low Income
8 Bill Payors Assistance program, which provides
9 discounted services to approximately an additional
10 1,073 households. That's a sliding scale discount
11 based on income.

12 Our total resident population that we touch is
13 approximately 13,000 folks. Our priority areas are to
14 serve the disabled, the elderly and people with kids
15 under the age of five.

16 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
17 Before you go on, LIHEAP, is that L-I-H-E-A-P?

18 MR. ROBERT PONTI: Correct.

19 ADMINISTRATIVE LAW JUDGE RENDAHL: And LIBA,
20 L-I-B-P-A?

21 MR. ROBERT PONTI: L-I-B-A.

22 ADMINISTRATIVE LAW JUDGE RENDAHL: L-I-B-A.

23 MR. ROBERT PONTI: Uh-huh.

24 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.

25 And if you're going to be reading, if you can slow

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1 down a bit, because you always tend to speak faster
2 when you're reading.

3 MR. ROBERT PONTI: Okay. Thank you.

4 We feel as a company that the impacts of any rate
5 increase tend to hit the poor population
6 disproportionately. Utility costs hit very hard
7 during the heating season. Our clients tend to not be
8 on any kind of a monthly payment plan, so that when
9 the big bills come, they are very impressive. Those
10 are the bills that we see from the folks that walk in
11 the door needing our assistance.

12 Quite often they're in arrearage, and we deal
13 with that system also. It's our feeling that any
14 increase in the rates are going to just compound the
15 number of folks that are headed towards the disconnect
16 process.

17 Winter months in the Yakima Valley are
18 historically the months of unemployment or less
19 employment for the folks involved in agriculture. And
20 Yakima County has one of the higher unemployment rates
21 in the state. We have entire school districts in the
22 Yakima Valley that have the entire student population
23 on reduced fee or free breakfast and lunch programs.

24 We're able to serve about 18 percent, which is
25 the same as the national average for the folks that

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1 probably qualify for our program, due to the funding
2 that's available. So we're turning away 80 percent
3 minimum of the folks that really need some help.

4 I attended the UTC meeting in September, the
5 workshop, and Diana Pearce's presentation there with a
6 little bit different look at the poverty level was
7 interesting to us. And we were able to take the
8 figures for Yakima County and, through our
9 caseworkers, determine that those were fairly accurate
10 figures.

11 The cost of housing in the Yakima area is not
12 cheap. And so with the additional factor that we deal
13 with, the seasonal child care system or program, we're
14 able to really see the true costs that are faced by
15 folks with low income.

16 I also administer the home weatherization
17 program. We weatherize approximately 125 homes per
18 year. And we work closely with PacifiCorp, who
19 participates in that program. And I want to
20 compliment PacifiCorp actually here because we have an
21 outstanding relationship, our agency does, with both
22 Portland and the Yakima offices for cooperative effort
23 and genuine concern with what we're trying to do here.

24 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay. If
25 you can sum up a bit, that would be great.

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1 MR. ROBERT PONTI: I'm ready to do that.

2 ADMINISTRATIVE LAW JUDGE: Okay.

3 MR. ROBERT PONTI: Obviously the need
4 exceeds the resources, which is common in most
5 programs like this. And we would hope that there
6 would be some consideration, if there were to be a
7 rate increase, or so forth, that the population that
8 we serve be -- or that there be resources directed
9 towards the population that we serve to better serve
10 that need.

11 And our goal is to serve more folks. We're not
12 asking to hit a home run with every person that's in
13 trouble, but we think we have more people that are
14 headed towards the disconnect cycle.

15 ADMINISTRATIVE LAW JUDGE RENDAHL:
16 Mr. Ponti, just one question. Is your organization
17 affiliated with the Energy Project?

18 MR. ROBERT PONTI: Yes.

19 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
20 And they have filed testimony on that issue with the
21 Commission, just so that folks in the audience know
22 that. Thank you.

23 MR. ROBERT PONTI: Thank you.

24 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay. Is
25 Doug Hester here? I hope I pronounced that correctly.

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1 MR. DOUG HESTER: Yeah, you did.

2 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.

3 Could you state your name and spell your last name for
4 the court reporter.

5 MR. DOUG HESTER: Doug Hester, H-E-S-T-E-R.

6 ADMINISTRATIVE LAW JUDGE RENDAHL: And are
7 you a PacifiCorp customer?

8 MR. DOUG HESTER: I'm representing Boise
9 Cascade out of Wallula, which is a PacifiCorp
10 customer.

11 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
12 And why don't you give your position and your address
13 with Boise, please.

14 MR. DOUG HESTER: My position is I'm a
15 process control and electrical superintendent for the
16 Wallula paper site. And our address is 31831 West
17 Highway 12, Wallula, 99363.

18 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
19 you. Please go ahead.

20 MR. DOUG HESTER: A little bit nervous here.
21 I'm not used to standing up, especially with all this
22 gray matter, pretty smart people standing around here.

23 Again, like I said, I'm representing Boise
24 Cascade Corporation at Wallula. We operate in Walla
25 Walla County. We've been there for about 50 years

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1 now. We have an employment of approximately 630
2 people at our site.

3 Our power use or electrical bill is one of our
4 top ten operating expenses within the mill. We're
5 here because of our concern on this proposed rate
6 increase and how it impacts an industry, which I'm
7 sure all of you, if you're from the Pacific Northwest
8 and you turn your TV on at all, you know the impact of
9 the pulp paper industry and products industry over the
10 years. Because of various issues, we operate on very
11 thin profit margins. So we're very concerned about
12 this.

13 Our primary impacts over the years again has been
14 energy. Not only electrical, but also fossil fuels.
15 Other impacts to us is the high cost of chemicals,
16 rate increases and that sort of stuff.

17 The issue that we deal with is in many cases
18 we're unable to pass those increases on to our
19 customers because they're in the same position we are.
20 They're operating on very thin margins.

21 We spend a lot of time combatting these issues.
22 We have reduced our work force to a minimum. We're
23 spending capital dollars on automation. So we are
24 doing what we can to pony up to the challenge, if you
25 will.

0070

1 To give you some examples of some of the energy
2 reduction projects we've encountered or we've
3 installed, in '05 we put in two and a half million
4 dollar greater refiner project to reduce our energy.
5 We've also spent over \$300,000 just this year alone in
6 the installation of energy efficient motors to reduce
7 our costs of electricity.

8 In '06 we have on the docket right now a little
9 less than a million dollar project to install a modern
10 air compressor system which should reduce our energy.
11 We're also looking at dollars spent to improve our hog
12 fuel system, which would move us more to biomass and
13 get us off fossil fuels.

14 Our frustration is we spend that kind of capital
15 dollars and we turn around and we have to pay that
16 savings to the power company, and a little bit of a
17 frustration.

18 We're now paying about \$17 million a year. The
19 impact of a 17 percent increase, quick math, is about
20 \$3 million a year, \$250,000 a month.

21 We have reviewed the UTC Staff's position on
22 this, along with Public Council. We would like you to
23 take that into strong consideration. We obviously
24 concur with it.

25 Another issue that I'd like to talk about briefly

0071

1 is PacifiCorp's quality of the power that they provide
2 us. Maybe a little bit off subject, but it is an
3 impact to us. Since July of 1998 our mill has had 22
4 power disruptions, caused for various reasons.

5 Now, folks in this office or in this building may
6 not think of a power interruption as very much. The
7 lights go out for a few minutes, the emergency power
8 comes on. No big deal. The lights come back on and
9 everybody is happy.

10 When you have a power interruption in the pulp
11 and paper industry, a huge integrated process like
12 ours, it can take anywhere from ten minutes to 24
13 hours to get the process back running.

14 We have calculated roughly -- Since July of '98,
15 we've calculated roughly \$2 million in losses because
16 of those interruptions. In the first three months of
17 '04 by itself we had three interruptions, which were
18 about a half a million dollars worth of losses just in
19 that three months.

20 ADMINISTRATIVE LAW JUDGE RENDAHL:

21 Mr. Hester, can you sum up a little bit?

22 MR. DOUG HESTER: Okay. I'm trying to get
23 there.

24 ADMINISTRATIVE LAW JUDGE RENDAHL: I know.

25 And we do appreciate your speaking. I know it's a

0072

1 little bit hard.

2 MR. DOUG HESTER: The final part of it is on
3 issue relative to our sensitivity to the quality of
4 power that we receive. We're a very sophisticated and
5 sensitive operation. We need a firm power system.

6 Let's see. I guess the last point I'll make
7 before I close is our payroll is roughly \$36 million a
8 year. It creates a trickle down effect of roughly
9 another \$10 million. So those types of things impact
10 us and impact the community around us. So I'll quit
11 there.

12 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay. So
13 thank you very much.

14 MR. DOUG HESTER: All right.

15 ADMINISTRATIVE LAW JUDGE RENDAHL: Dave
16 Kepley or Dale Kepley?

17 MR. DALE KEPLEY: I'm Dale Kepley,
18 K-E-P-L-E-Y.

19 ADMINISTRATIVE LAW JUDGE RENDAHL: And are
20 you a --

21 MR. DALE KEPLEY: Just a PP&L customer.

22 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
23 And are you speaking on your own behalf or on behalf
24 of an organization?

25 MR. DALE KEPLEY: My own behalf.

0073

1 ADMINISTRATIVE LAW JUDGE RENDAHL: State
2 your address for the court reporter.

3 MR. DALE KEPLEY: 690 East Branch Road,
4 Toppenish.

5 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
6 you. Go ahead.

7 MR. DALE KEPLEY: I urge the Utility
8 Commission to take a real hard look at this increase.
9 Folks like myself, and there's lots of them, who have
10 a pension that has not increased, and I worked for a
11 utility a number of years ago, not the power company,
12 my pension has not increased in ten years. And I
13 don't look forward to it to increase again.

14 My gas costs me just as much as that person
15 that's working every day, my bread costs me just as
16 much, and my gallon of milk costs me just as much, but
17 I have no increases. We have Social Security
18 increases, but that has all gone towards Medicare.

19 So I don't know where this is going to end, but
20 people that are on a fixed income have no way, unless
21 they delete something that's necessary, no way to keep
22 up with this increase. So I urge you again to take a
23 very hard look at this.

24 The gas company just increased theirs. It's a
25 horrendous amount of money in that increase. And I do

0074

1 not know -- Fortunately I don't have that gas or I'd
2 be really screaming. But I don't know how people can
3 afford to take care of the gas, the increase that it
4 was, and now have to have an increase in the power.

5 So, again, I urge you to take a real hard look at
6 this with the idea that people that are on a fixed
7 income or a pension that doesn't raise, I don't know
8 where it's going to go. But someplace along the line
9 it has to slow down or stop, at least one of those
10 two, because we can not keep finding money to keep
11 pouring money into this sort of thing. Thank you.

12 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
13 you. We're going to take a short break. There are a
14 number of people in the audience who are Spanish
15 speaking and we are going to arrange for an
16 interpreter. So we'll just take a short break and
17 we'll be right back.

18 (A SHORT RECESS WAS HAD).

19 CHAIRMAN SIDRAN: I just wanted to take a
20 brief break because regrettably we did not arrange for
21 a Spanish language interpreter. And when
22 Spanish-speaking customers showed up requesting to
23 testify, I wanted to make sure that, although they are
24 on the sign-up sheet as last, I wanted to know when
25 they actually appeared, because there might have been

0075

1 a delay making arrangements for translation. So I
2 wanted them to have the opportunity to testify in the
3 order in which they actually appeared this evening.
4 So I thank you for your indulgence. We've done that
5 now and we can move down the list.

6 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
7 The next person who signed up to speak was Rhonda
8 Workman.

9 MS. RHONDA WORMAN: Worman.

10 ADMINISTRATIVE LAW JUDGE RENDAHL: Worman,
11 excuse me.

12 MS. RHONDA WORMAN: Okay.

13 ADMINISTRATIVE LAW JUDGE RENDAHL: And can
14 you state your name and spell your last name for the
15 court reporter.

16 MS. RHONDA WORMAN: Yes. My name is Rhonda
17 Worman, and that's W-O-R-M-A-N.

18 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
19 you. And are you here on your own behalf?

20 MS. RHONDA WORMAN: No. I am here
21 representing OIC of Washington, which is a nonprofit
22 organization, Community Action Council associated with
23 the Energy Project, and I am here representing the low
24 income population of Yakima County.

25 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.

0076

1 And why don't you give a work address, then.

2 MS. RHONDA WORMAN: 815 Fruitvale Boulevard,
3 Yakima, Washington, 98902.

4 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
5 you. Please go ahead.

6 MS. RHONDA WORMAN: Okay. I am here -- Bob
7 Ponti services the lower Yakima County, so I'm not
8 going to repeat a lot of what he does because we
9 duplicate a lot of those services.

10 We also do the LIHEAP, which is the Low Income
11 Heating and Energy Assistance Program. We also
12 administer Pacific Power & Light's Low Income Bill
13 Assistance Program, which is the LIBA.

14 We also administer some other Pacific Power &
15 Light educational programs. We're doing an in-school
16 program with them with sixth grade class students, and
17 that's very successful. And in advance I want to
18 commend Pacific Power in working with us and what a
19 great relationship we've had with them for several
20 years.

21 They support our weatherization programs. They
22 also are doing a pilot adult education program with us
23 that this is our first year into it, and so far it's
24 been very successful at this point. And we anticipate
25 finishing that up around the end of December. So

0077

1 that's a good thing.

2 On the other flip side of it, the increase would
3 be drastically devastating to the population we serve.
4 Currently, November 28th, we actually signed people up
5 for that LIHEAP program. I had it scheduled for two
6 days. By noon the first day we had booked I do
7 believe about 1,500 appointments. And we currently
8 have over 300 people on a waiting list and we're
9 waiting to see if there will be additional funds after
10 January.

11 There's definitely a need for more funds for the
12 low income, for the heating bills, but there's also
13 those people who just fall right over those income
14 guidelines that will be very devastatingly impacted by
15 this increase.

16 The people that we're dealing with live in
17 substandard housing. That's a real health and safety
18 issue. By an increase, they have a choice of paying
19 rent or eating or heating their home. By heating
20 their home, if they can't pay their rent, they have no
21 home to heat. That's going to increase the homeless
22 population in this county, which is already increasing
23 at this point.

24 Currently we're seeing about 40 to 50 people a
25 day walking in our office who have disconnect notices

0078

1 or who have been shut off because of the high cost
2 already and they cannot keep up with the bills.

3 We had a warm winter last year. This year
4 they're getting hit harder because it's gotten colder
5 earlier and an increase again would be devastating.
6 It is devastating at this point to us and our programs
7 and the people that we have lined up.

8 We'll be taking approximately five emergency
9 walk-ins a day. We have 50 people walking in right
10 now, so we'll only be able to serve five of those 50
11 on top of the people who are already booked and
12 scheduled. So you can see what kind of impact a 17.9
13 percent increase would do next year to these programs.

14 And I anticipate in another two weeks we'll be
15 well over 500 on our waiting list of people that are
16 underserved. And with a rate increase, that would
17 just decrease who we're serving at this point.

18 ADMINISTRATIVE LAW JUDGE RENDAHL: Can you
19 sum up at this point?

20 MS. RHONDA WORMAN: Yeah, I can real
21 quickly.

22 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.

23 MS. RHONDA WORMAN: That's pretty much it.
24 Bob's covered a lot of it, so I will go ahead and
25 close on that note.

0079

1 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay. I
2 think Mr. Jones has a question.

3 COMMISSIONER JONES: I just want to clarify
4 a couple of things. The sign-up that you talked about
5 referred to both the LIHEAP program, which is federal,
6 and the PacifiCorp program as well.

7 MS. RHONDA WORMAN: Just the LIHEAP program.

8 COMMISSIONER JONES: Just the LIHEAP
9 program.

10 In what percent of the households that you serve
11 through that program are electrically heated and
12 roughly what percentage would be heated by gas? Do
13 you have any idea?

14 MS. RHONDA WORMAN: Well, I do. I do have
15 that. I would say approximately 75 percent of the
16 households we served last year were electrically
17 heated, and probably, I'm going to say, about 20
18 percent gas. That's pretty close.

19 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
20 Thank you.

21 MS. RHONDA WORMAN: Thank you.

22 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
23 The next person who signed up is John Tierney.

24 If you can state your name and spell your last
25 name for the court reporter, please.

0080

1 MR. JOHN TIERNEY: John Tierney,
2 T-I-E-R-N-E-Y. And I reside at 835 Fourth Street Loop
3 in the City of Selah. That's 98942.

4 And I am here as a concerned citizen about the
5 rate increase, and would preface that with the comment
6 that I am a pro business fiscal conservative, but I'm
7 adamantly opposed to this rate increase by Pacific
8 Power.

9 Those before me have already spoken about the
10 impact on low income families in Yakima County and on
11 people with fixed incomes here in Yakima County. We
12 are different here than western Washington. We are
13 different here than the northeast portion of the
14 state.

15 This county does not have a robust economy. A
16 lot of people are living at the poverty level or less.
17 And any increase that PacifiCorp gets from the
18 Utilities and Transportation Commission will have an
19 adverse effect not only on individual pocket books
20 here in Yakima County and those people having to make
21 choices between food or heat, but for each household
22 that you take \$180 a year out of, talking about a \$15
23 a month increase, is \$180 per household per year that
24 you take out of the Yakima economy, and we cannot
25 afford that.

0081

1 The cost of living here is not substantially less
2 than other places in the state, but the income levels
3 are far less. Substantially less.

4 One of the things that I get concerned about is
5 the fact that all utilities, whether it be the gas
6 company or the electric companies, are all coming in
7 and pleading for a viable return for their investors.

8 Well, I'm an investor. And when I lost money in
9 the stock market in the last two and three years when
10 some of my stocks tanked, I didn't have the
11 opportunity to come to a state commission and ask to
12 get my money back. And I don't feel like we have an
13 obligation to those holders of equity.

14 It is a risk when you invest. We all know that.
15 And if it's a risk that you're willing to take, so be
16 it. But if you lose money in it, don't come crying to
17 the rest of the public and ask us to bail you out. I
18 don't feel I have an obligation, nor do I feel anybody
19 in the state of Washington feels an obligation to pay
20 for power transmission processes in the state of Utah.
21 If Utah is expanding, let them pay the freight. It
22 should not be our responsibility.

23 The rate increase that's being asked for, it's
24 not fair, it's not just and it's certainly not
25 reasonable. And if it comes to the point where UTC

0082

1 feels they have to allow a rate increase, I would urge
2 you to consider locking that rate increase to a CPI
3 index for the specific area of service. Don't base it
4 on the Seattle Puget Sound area CPI. Base it on the
5 CPI of Yakima County, base it on the CPI of Franklin
6 County, base it on the CPI of Wahkiakum County. That
7 way, if you do have to make an increase, it will at
8 least have less of an impact on the community than
9 what you're having proposed before you.

10 With that, I want to thank you for the
11 opportunity to speak before you, Chairman Sidran,
12 Commissioner Jones. Thank you, Your Honor.

13 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank you
14 very much.

15 Okay. The next person who signed up to speak is
16 Jar Arcand. I don't know if I pronounced it
17 correctly. And if you can state your name and spell
18 your last name for the report, please.

19 MR. JAR ARCAND: Jar Arcand, A-R-C-A-N-D,
20 111 East Yakima Avenue. Representing myself as a user
21 of Pacific Power.

22 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
23 you. Please go ahead.

24 MR. JAR ARCAND: First to point out the
25 error in notification of the public hearing, Monday

0083

1 December 1st, that date does not exist and could be
2 easily confused such as the first Monday of December.
3 This error underscores the validity of a public
4 hearing and I think Pacific Power should mail
5 correction notices and have a continuance of this
6 hearing or an opportunity for people that in error are
7 not here this evening.

8 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
9 you.

10 MR. JAR ARCAND: Pacific Power entered into
11 a five-year agreement in which the first three years
12 they would allow rate increases with the rate freezes
13 in years four and five. Pacific Power has failed to
14 honor this agreement.

15 Last year Pacific Power appealed and was granted
16 an increase. Not to cover costs, but to deliver a
17 higher investment return to its investors.
18 Investments are risks. Returns are preferred, but not
19 guaranteed, and it is unfair to gouge the consumers
20 for the profit.

21 I protest this current increase proposal, 20.3 in
22 this statement, and it violates the previous agreement
23 to grant consumers a rate freeze. Pacific Power
24 states their request is based upon rising costs of
25 power and capital investment. Last year's rate

0084

1 increase rightfully should have been applied to any
2 rising costs, but none were declared. The investors
3 should be covering their costs of their capital
4 investments. Truly this is a scheme of a win-win for
5 the investors at the expense of consumers.

6 Over the past five years, what has been the
7 compounded effect upon consumers by Pacific Power?
8 Rate increases. And has that been justified?

9 It's become a common practice of energy companies
10 to artificially inflate their cost in scheming to
11 conceive and deceive consumers while extorting record
12 profits. In the best interest of the citizens of
13 Washington State regarding consumer protection, the
14 WUTC must deny Pacific Power of its proposed rate
15 increase. And it would be furthermore justified that
16 last year's granted increase be abated and refunds
17 granted to the consumers. Thank you.

18 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank you
19 very much. The next person who's signed up to speak
20 is Louise Schneider.

21 MS. LOUISE SCHNEIDER: My name is Louise
22 Schneider. It's S-C-H-N-E-I-D-E-R. And my address is
23 150 Fink Road, Post Office Box 67, Selah, 98902.

24 I'm here to object to the proposed 20.3 percent
25 price increase for not only residential, but for

0085

1 irrigation. My husband and I own a ranch in the Wenas
2 Valley raising hay and cattle. We irrigate
3 approximately 225 acres of land using three pumps.
4 One is 50-horsepower and two are 15. Because of the
5 climate in the Wenas Valley, it is impossible to farm
6 without irrigation. It is a difficult even now with
7 the present rates to farm and make a profit. If these
8 increases are accepted, it will be next to impossible.

9 We cannot increase our prices for hay and cattle.
10 We can't just go and say we're arbitrarily going to
11 raise our rates on the cattle 20 percent or our hay 20
12 percent. There's absolutely no way we can pass on
13 these proposed increases to our customers.

14 Farmers are also faced, of course it's been
15 testified, with increased levels of costs, including
16 machinery, irrigation equipment, repair costs, labor
17 costs, fuel costs to operate our machinery. And then
18 of course we recently received a statement from
19 Pacific Power for a three-phase annual loan size
20 charge due December 2nd. This is in addition to the
21 bills we've already paid for electricity. It does not
22 go on to next year's bills. It's just in addition.
23 And this amounted to almost \$1,000 for our three
24 pumps. And that's quite a bit of extra money. And
25 that's not what we bumped, but somehow or other they

0086

1 figure out the peaked period, she told me. I called
2 down there. And then they base this increase on that.
3 And how it's really figured out, I don't know.

4 I also wanted to talk to you about residential
5 because we're stuck with that, too. And we feel that
6 it's going to be really hard for us to have that
7 increase, and that's 20.3 percent. We have a house
8 that's about 100 years old. We heat with electricity,
9 propane and one wood stove, and course we keep the
10 electricity going with the lights and the frig and
11 freezer and domestic water pump.

12 I would hate to have to start hauling water out
13 of the creek and lighting the kerosene lanterns, but
14 it might get to that at this rate. So I ask each of
15 you members of the Washington Utilities and
16 Transportation Commission to consider thoughtfully the
17 full impact of these proposed rate increases. It
18 gouges the residential customer as well as the farmer,
19 who of necessary at this time farms with electric
20 irrigation pumps. I ask you not to grant these
21 increases.

22 I also, when I called down to Olympia, found out
23 that Pacific Power is owned by Scottish Power, which
24 is a foreign company, and they are negotiating with
25 MidAmerican, which is an American company. So I

0087

1 thought, well, maybe they want these increases to make
2 their company look better so they get a better price
3 for the selling. I don't know. But that's what I
4 wondered. Thank you.

5 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
6 you. And if you have a written statement you'd like
7 to submit to Mr. ffitich, you can go ahead and do that.

8 MS. LOUISE SCHNEIDER: Okay. It doesn't
9 have all my comments, but you have what I've got.

10 MR. FFITCH: All your comments are taken by
11 the court reporter, so.

12 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
13 Thank you very much.

14 The next person who wishes to speak is Fran
15 Feusner.

16 MS. FRAN FEUSNER: Feusner.

17 ADMINISTRATIVE LAW JUDGE RENDAHL: Feusner.
18 Sorry about that.

19 And again, if you'd state your name and spell the
20 last name for the court reporter.

21 MS. FRAN FEUSNER: I'm Fran Feusner. I'm
22 speaking on behalf of my husband, John Feusner. And
23 it's F-E-U-S-N-E-R.

24 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
25 you. And are you speaking on -- Well, on behalf of

0088

1 yourself and your husband as individual customers?

2 MS. FRAN FEUSNER: Yes. My husband couldn't
3 be here tonight, so he wrote a letter and I'm going to
4 read that.

5 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
6 And just on behalf of yourselves, not as a part of an
7 organization?

8 MS. FRAN FEUSNER: No. Just ourselves.

9 ADMINISTRATIVE LAW JUDGE RENDAHL: And could
10 you state your address for the record, please.

11 MS. FRAN FEUSNER: 10680 North Wenas Road,
12 Selah, Washington, 98942.

13 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
14 you. And as you read, if you can read a bit slowly
15 for the court reporter. And you can also give the
16 letter to Mr. ffitch at the end.

17 MS. FRAN FEUSNER: Sure. I'm writing this
18 letter in protest of the proposed rate increase by
19 PP&L. Residential rates would increase by 20.3
20 percent, irrigation rates by 22 percent. These rates
21 are out of line. I believe that they do not represent
22 a realistic cost of doing business increase.

23 It seems to me that ever since PP&L was bought
24 out, there have been numerous rate increases. These
25 increases are much more than the annual inflation

0089

1 rate. The economic effects on business in
2 agricultural will be harmful.

3 We irrigators already pay a demand charge at the
4 end of the season on our pumps. I have yet to
5 understand or receive an explanation as to these
6 charges.

7 Those of us in farming have been motivated to
8 change our irrigation methods in order to conserve
9 water, maintain the stream flows for fish and enhance
10 riparian areas, riparian habitat. Consequently, we
11 have changed our watering methods by converting to
12 electrical power for sprinkler irrigation. Such a
13 rate increase, if approved, would be disastrous to
14 production of agriculture.

15 With rising oil prices, farmers are faced not
16 only with high fuel prices, but higher fertilizer
17 prices as well. It is a never ending spiral of high
18 costs and low prices. I can understand that a rate
19 increase may be necessary for PP&L to maintain a
20 profit profile, but such a large increase is totally
21 out of line.

22 My suggestion would be to make gradual increases
23 over a period of time to lessen the burden on all rate
24 payors. Thank you for allowing me to voice my
25 concerns regarding this proposal. Sincerely, John

0090

1 Feusner.

2 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
3 you. Thank you very much.

4 Okay. The next person who signed up is John
5 Klingele or Klingele.

6 MR. JOHN KLINGELE: You got it right the
7 first time.

8 ADMINISTRATIVE LAW JUDGE RENDAHL: All
9 right. I should have stopped while I was ahead.
10 It looks like you have some of the stuff we had.

11 MR. JOHN KLINGELE: Yes.

12 ADMINISTRATIVE LAW JUDGE RENDAHL: If you
13 can state your name and spell your last name for the
14 court reporter, please.

15 MR. JOHN KLINGELE: John Klingele,
16 K-L-I-N-G-E-L-E. I speak for myself. And I am a
17 former Yakima City Councilman, and I have been
18 following utilities for many years now. And I sit and
19 participate in Pacific Power and Cascade Natural Gas'
20 lease cost planning programs, so I have substantial
21 information over the years.

22 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay. If
23 you could state your address.

24 MR. JOHN KLINGELE: 1312 West Walnut Street
25 in Yakima.

0091

1 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
2 you. Please go ahead.

3 MR. JOHN KLINGELE: Having reviewed the
4 materials that Pacific filed with their initial rate
5 case, I find that confidential and proprietary
6 information really provides a major handicap for
7 citizens to review the numbers to identify, you know,
8 what numbers are real and how much are really
9 accounting acrobatics.

10 I expect price increases. They're part of the
11 nature of increases across the country. Following
12 fuel prices, following the cost of doing business,
13 those are going up, but no 20 percent. Five, maybe
14 ten is what I could expect.

15 Last year the Commission granted Pacific Power
16 some rate increases, and I disagreed with some of
17 those rate increases as far as how they were applied.
18 For instance, in the residential use, the first 600
19 kilowatt hours per month did not see an increase, and
20 I thought there should have been at least a small
21 increase there and not just have it apply to the
22 kilowatt hours over 600.

23 I also reviewed what Pacific has to file with
24 FERC each year, and I notice this last year they
25 reported a \$29 million loss, which follows on losses

0092

1 from previous years, and since 2000 have reported a
2 \$627 million loss. Companies can't survive doing that
3 continuously, and the public loses confidence when
4 they do show losses on a regular basis.

5 One of the things that adds confusion is how to
6 allocate costs. And one of the things that the
7 Commission is destined to decide this year, and I hope
8 they will decide, is to adopt the revised protocol so
9 that in the future we only will have two binders of
10 stuff instead of three, so we can get rid of Mr. David
11 Taylor's testimony for future filings.

12 One of the things I think that citizens around
13 here have lost with Pacific Power's operations is that
14 they no longer have people in an office here to assist
15 in taking money and in dealing with their problems as
16 far as payments. Many people around here come from a
17 background where they deal in person. They deal with
18 cash. They have that tactical need in dealing with
19 their finances. And I think the loss has been
20 compounded by having all that stuff being done by
21 remote control, if you will, through telephone.

22 So I see some of the problems that Pacific has
23 with its customers is it no longer has the personal
24 physical identification that a customer can have with
25 a representative. You know, they can go and see Tom

0093

1 down in the office and give their story and such and
2 work out arrangements. Someone they can identify that
3 they will see in stores or they may see on the street
4 someplace and recognize that as someone who works for
5 Pacific Power and will help them when they need help,
6 I think that is a social loss that Pacific Power has
7 had when they consolidated all their operations to
8 Portland.

9 Those are the kinds of things I see right now
10 that you need to hear. Any questions?

11 ADMINISTRATIVE LAW JUDGE RENDAHL: Not from
12 me at this point.

13 CHAIRMAN SIDRAN: No. Thank you.

14 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank you
15 very much.

16 And just for those of you in the audience, the
17 three binders are the materials that the company filed
18 to justify their initial case. And then the other
19 parties have filed maybe not as much per party, but we
20 have maybe three or four binders. And we'll be
21 getting more on the seventh. So that's what we take
22 in from the parties to evaluate, along with this
23 hearing and the hearing in January. Thank you

24 Okay. Mr. Hicks, did you want to speak or was
25 that a no?

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1 MR. HICKS: No.

2 ADMINISTRATIVE LAW JUDGE RENDAHL: A no,
3 okay. John Probst?

4 MR. JOHN PROBST: John Probst. I'm
5 representing the Diocese of Yakima Housing Services.
6 The address is 5301 Tieton Drive, Suite C, Yakima,
7 98908.

8 ADMINISTRATIVE LAW JUDGE RENDAHL: And are
9 you here on your own behalf?

10 MR. JOHN PROBST: I'm representing the
11 Diocese of Yakima Housing Services.

12 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
13 you.

14 MR. JOHN PROBST: Basically I'm here because
15 of our low income housing projects. We have 125 units
16 in Yakima County, all served by Pacific Power. And
17 the situation we find ourselves in is that we're
18 operating rent restricted properties, and those rents
19 are set by the State, and they don't move beyond a
20 certain level. And so if we're looking at a 20
21 percent increase, I'm looking at a \$4,500 increase in
22 utility bills per project and no way to increase my
23 revenue. And that really is the crux of the matter.
24 And that's just for the dwelling units themselves.
25 And then we're also responsible for all the common

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1 areas, the outdoor street lights and that sort of
2 thing.

3 So we oppose the increase at least from the
4 standpoint of how it impacts rent restricted
5 properties because there is no recourse for us to
6 bring in additional revenue. We're generally running
7 about 98 percent occupancy, so there's very little
8 wiggle room for us to bring in any additional revenue
9 just from rents.

10 The State limits us to a two and a half percent
11 maximum rent increase annually, and so this will take
12 us eight years to get to where we can just break even.
13 We've got about \$18 million invested in these units.
14 And if we can't operate at a break even and we go
15 under, the State loses an \$18 million investment.
16 Somebody else might come in and pick it up, but
17 there's going to be a heavy cost to bear.

18 So it's just simply a matter of economics for us.
19 You've heard OIC and some other folks that are on
20 limited and fixed incomes and the burden that that
21 places on folks. We're not different. So in many
22 ways it's the same song in about the ninth verse.
23 Thank you very much for your time.

24 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
25 you.

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1 The next person who wishes to speak is Juan
2 Aguilar. And if you can state your name and spell
3 your last name for the court reporter, please.

4 MR. JUAN AGUILAR: My name is Juan Aguilar.
5 Aguilar, A-G-U-I-L-A-R.

6 ADMINISTRATIVE LAW JUDGE RENDAHL: Are you
7 here on your own behalf or on behalf of an
8 organization?

9 MR. JUAN AGUILAR: Actually I'm going to
10 speak on my own behalf.

11 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
12 And you are a PacifiCorp customer?

13 MR. JUAN AGUILAR: Yes, I am.

14 ADMINISTRATIVE LAW JUDGE RENDAHL: And can
15 you state your address, please.

16 MR. JUAN AGUILAR: 661 Swan Road, Sunnyside.

17 ADMINISTRATIVE LAW JUDGE RENDAHL: Great.
18 Please go ahead.

19 MR. JUAN AGUILAR: I'm going to speak on my
20 own behalf as a customer and also as a person who
21 provides a service. A part of my job is actually
22 funded through a PP&L grant, in which I teach
23 underserved populations on how to read the power meter
24 and how to read the power bill, so that there's no
25 surprises when that power bill actually gets to their

0097

1 home.

2 The folks that I'm dealing with are people that
3 are below the federal poverty line, limited English
4 speaking, undereducated, and oftentimes destitute. So
5 the folks that we're trying to reach -- And I have to
6 commend PP&L for investing first of all, in doing
7 this. I'm opposed to the rate increases personally,
8 but I have to commend them for taking the step.

9 The reason I'm here tonight is to share with all
10 of you that there are other utilities, the gas
11 utilities, the water utilities, Bonneville power, a
12 variety of different groups that come before you and
13 ask for rate increases.

14 When they come, I would encourage all of you to
15 explore if any of those other companies are doing what
16 PP&L is trying to do, invest in the underserved
17 populations.

18 Today, for example -- I'm going to give you one
19 quick story -- after teaching my class I kind of
20 tested them a little bit and I wanted to see if they
21 actually absorbed some of the material. So I asked
22 this gentleman or asked the class, Did anybody go
23 home, read the power meter and then wake up this
24 morning before class and read it again and see how
25 much he used last night, just last night, in power.

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1 Well, one of the guys raised his hand and he said,
2 Hey, I did that. And he had his little kit with him
3 and he had the little numbers and everything, and so
4 we were able to on the wall write down exactly how
5 many kilowatts he used yesterday, in one day. It was
6 40 kilowatts. So 40 times a nickel per kilowatt, and
7 we figured out that he used two dollars in electricity
8 in one day.

9 Now, I'm teaching him and his family how to do
10 this with their children and kind of make a game out
11 of it with their kids. You know how kids love games.
12 And they love playing with their parents. So the kids
13 go out there and do this thing, so the kids are
14 learning how to read this meter.

15 Now, if we can do this with electricity and the
16 power bill and we can do this with the water bill and
17 the gas bill, we're starting to raise the level of
18 consciousness on how we're going to use direct use of
19 all kinds of power.

20 I have to commend PP&L for taking this step. I
21 can see the future benefits. And I'm hoping that you
22 will also share with all the other utilities this is a
23 great opportunity.

24 I know PP&L is a company trying to make money,
25 just like everybody else. But if it's at the expense

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1 of the poorest and the most underserved populations,
2 it's a very bitter pill to swallow. So I hope you
3 take that all into consideration. Thank you.

4 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank you
5 very much.

6 There were other folks who had signed up to speak
7 who have decided not to. Is there anyone who said
8 they didn't want to speak who wishes to make a
9 statement now?

10 Please come up. Thank you. And if you can state
11 your name and spell your last name, please.

12 MR. JIM JACOBSON: Jim Jacobson,
13 J-A-C-O-B-S-O-N. And I'm here on behalf of Longview
14 Fibre Company here in Yakima, Washington. We are a
15 direct competitor of Boise in Wallula, and we very
16 much understand costs. And we have also spent several
17 million dollars investing in equipment to kind of
18 maintain our market share, and these are not costs
19 that we can pass on. It just helps us retain the
20 position that we have.

21 If we were to increase our prices, we would
22 probably lose market share. And that of course in the
23 trickle down theory, we could lose some of the 150
24 jobs that we are providing to the community. So there
25 is a negative impact to a rate increase of this size.

0100

1 Thank you.

2 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.

3 And if you can maybe tell us your position with the
4 company and the work address, that would be great, for
5 the court reporter.

6 MR. JIM JACOBSON: 2001 Longfibre Avenue
7 here in Yakima. And again, I'm the plant manager.

8 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
9 Thank you very much.

10 Is there anyone else in the audience who wants to
11 make a statement at this time?

12 Please come up, sir.

13 MR. ROBERT DAWSON: He's my competitor. My
14 name is Robert Dawson, D-A-W-S-O-N.

15 ADMINISTRATIVE LAW JUDGE RENDAHL: And which
16 company are you here on behalf of?

17 MR. ROBERT DAWSON: Well, actually I work
18 for Boise Cascade, LLC with Mr. Hester. I'm the union
19 president.

20 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay. So
21 you're here representing the union?

22 MR. ROBERT DAWSON: That's correct. And the
23 same address 31831 Highway 12, Wallula, 99363.

24 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank
25 you. Please go ahead.

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1 MR. ROBERT DAWSON: I don't have anything
2 for you. I just wrote some notes.

3 MR. FFITCH: Okay.

4 MR. ROBERT DAWSON: I did want to thank you
5 for letting me speak. As I said, my name is Bob
6 Dawson, and I'm president of Local 69 of the
7 Association of Western Pulp and Paper Workers Union.

8 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
9 And if you're reading, you need to slow down because
10 we all read a lot faster than we talk.

11 MR. ROBERT DAWSON: Oh, I'm sorry.

12 The Union represents 313 of the workers at the
13 Boise Cascade Wallula paper mill in Walla Walla
14 County. These workers live in both the Tri-Cities and
15 the Walla Walla areas and contribute to the economies
16 of all of these areas.

17 I've worked at that mill for 25 years. The
18 average employee has been there approximately 17
19 years. And we're all working in an industry that has
20 been hit hard over the past few years by declining
21 demand for white paper, along with rising costs of all
22 forms of energy, as well as materials and freight
23 rates. And I believe that the gentleman from Longview
24 Fibre could probably say the same thing about his
25 company.

0102

1 In order to combat these substantial increases in
2 operating costs and remain competitive, Wallula has
3 reduced the workforce by layoffs and automation. Our
4 workers have been asked to do more with less and they
5 are stepping up to the challenge.

6 A potential 20 percent electric rate increase, it
7 raises concerns about Wallula's ability to remain
8 competitive in an industry with low profit margins,
9 especially since our power rates have gone up by 17
10 percent since January of '02.

11 Such a large increase in power rates would do
12 more than affect our parent company, Boise Cascade,
13 LLC. It would affect the livelihood of all of us who
14 work in the mill, as well as the communities.

15 I also don't think the Wallula mill in Washington
16 State should have to cover the cost of power plants
17 the company is building to service customers in Utah.
18 Those plants won't help us or improve the reliability
19 of our service.

20 Mr. Hester covered part of this. In 2004 alone
21 power outages cost the mill \$500,000 in lost
22 production.

23 Please make sure that the companies, Washington
24 customers are not forced to pay for power that will be
25 used to serve customers and possibly competitors in

0103

1 Utah. Wallula has done its part to control costs and
2 energy consumption. We ask that you make sure that
3 Pacific Power has done its part to control the cost,
4 too, before you approve any type of a rate increase.

5 And I thank you for listening to me and taking
6 this time. I did want to make one more statement.
7 The mill has approximately 2,200 electric motors.
8 They go from less than one horsepower to well over
9 1,000 horsepower. And Boise Cascade, LLC right now
10 today pays \$1.3 million a month for their electricity.
11 Thank you.

12 ADMINISTRATIVE LAW JUDGE RENDAHL: Thank you
13 very much. And if you have a written statement you'd
14 like to submit --

15 MR. ROBERT DAWSON: No. It's just a note I
16 gave myself.

17 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay.
18 You can submit them to Mr. ffitch.

19 Is there anyoneelse in the audience that wishes
20 to speak tonight?

21 Okay. Please come up, sir.

22 MR. JAMES STEWART: I'm not sure if I want
23 to or not.

24 ADMINISTRATIVE LAW JUDGE RENDAHL: Well,
25 this is your opportunity.

0105

1 Well, thank you very much.

2 Is there anyone else that's who wants to make
3 comments tonight?

4 (NO RESPONSE).

5 ADMINISTRATIVE LAW JUDGE RENDAHL: Okay. If
6 not, I think we're close to adjourning the hearing.
7 The company's representatives and the Staff and Public
8 Council's representatives and our Consumer Affairs
9 representative from the Commission are here if you'd
10 like to speak to them.

11 We really do appreciate your coming out on such
12 inclement weather, and we're happy to be here. So I
13 encourage you, if you know someone who wasn't able to
14 be here tonight, you can have them submit written
15 comments to the Commission and they will get to
16 Mr. ffitich for submission in the record.

17 So thank you very much for coming tonight, and
18 this hearing is now adjourned. Thank you very much.

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20 (HEARING CONCLUDED AT

21 7:27 P.M.)

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C E R T I F I C A T E

As Court Reporter, I hereby certify that
the foregoing transcript is true and accurate
and contains all the facts, matters and
proceedings of the hearing held on:

DORENE BOYLE

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