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

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3                    JUDGE MACE: We are here today for the first  
4 prehearing conference in Docket No. UW-011576. This is  
5 Washington Utilities and Transportation Commission  
6 against Meadows Water System, LLC. This is an inquiry  
7 into whether or not tariff provisions proposed by  
8 Meadows Water System resulting in an increase in  
9 revenue of approximately \$58,000, or 23 percent  
10 annually, are just and reasonable.

11                    My name is Theo Mace, and I'm the  
12 administrative law judge who has been assigned to hold  
13 this hearing. Today is March 21st, 2002, and we are  
14 convened in a hearing room at the commission's offices  
15 in Olympia, Washington. Just to give you a rundown of  
16 what we are going to do today, I will take appearances  
17 and give you some instruction about how to give your  
18 appearance. I will deal with petitions to intervene,  
19 if there are any; any procedural motions or matters  
20 that need to be brought to my attention; the need for  
21 protective order; for invoking the discovery rule;  
22 discussion of any issues or stipulations that the  
23 parties have entered into or will expect to enter into,  
24 and to deal with the schedule of proceedings, one of  
25 the most important things we will deal with today.

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1           As far as appearances are concerned, this is  
2 what I would like to have you do. I would like to take  
3 appearances from all the parties. I will begin with  
4 Meadows, and I want you to state your full name,  
5 spelling your last name, state who you represent, your  
6 street address and mailing address, your telephone  
7 number, your fax number, and if you have one, an e-mail  
8 address. Please designate one representative for each  
9 party for purposes of service and communications.

10           I hope that's clear, and if you have any  
11 questions along the way, please feel free to call my  
12 attention to them, and I need to have you speak clearly  
13 and into the microphone so the court reporter can  
14 record what you are saying for the record. Would the  
15 company please begin giving their appearances?

16           MR. ADAMS: My name is Nicholas Adams. Last  
17 name spelled A-d-a-m-s. My mailing address is 7852  
18 Delphi Road Southwest, Olympia, Washington, 98512;  
19 phone number, (360) 791-3265; fax number,  
20 (360) 943-5685; e-mail, delphi7852@aol.com. I'm the  
21 comanager of the Meadows Water System, and my fellow  
22 comanager, Steve Harrington, will be the person that we  
23 will designate to receive the notice.

24           MR. HARRINGTON: My name is Stephen  
25 Harrington, S-t-e-p-h-e-n, H-a-r-r-i-n-g-t-o-n. I'm

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1 the comanager of the Meadows Water System, LLC. My  
2 street address is 3242 Capitol Boulevard, Suite B,  
3 Tumwater, Washington, 98501. Mailing address, same  
4 company name, P.O. Box 676, East Olympia, 98540.  
5 Telephone number is (360) 357-3277. Fax is (360)  
6 357-3758. E-mail address is steveh@thewaterco.net.

7 MS. TENNYSON: My name is Mary M. Tennyson,  
8 I'm a senior assistant attorney general. I'm  
9 representing commission staff in this proceeding. My  
10 street address is 1400 South Evergreen Park Drive  
11 Southwest, Post Office Box 40128, Olympia, Washington,  
12 98504-0128. My telephone number is (360) 664-1220.  
13 Fax number is (360) 586-5522. My e-mail address is  
14 mtennyso@wutc.wa.gov.

15 JUDGE MACE: Is there anyone on the  
16 conference bridge who wants to enter an appearance?  
17 Hearing nothing, let's proceed to petitions to  
18 intervene. I have received no petitions to intervene  
19 in this proceeding. Is anyone aware of any potential  
20 intervenors?

21 MS. TENNYSON: No.

22 JUDGE MACE: Let's turn next to the question  
23 of the discovery rule. Will the parties be engaging in  
24 discovery in this proceeding?

25 MS. TENNYSON: I believe we will. I would

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1 like to on behalf of staff invoke the discovery rule.

2 JUDGE MACE: The discovery rule has been  
3 invoked. The discovery process is outlined in WAC  
4 480-09-480. If there are any problems with discovery  
5 in this proceeding, please contact me, and we can  
6 consider those on an expedited basis. You may contact  
7 me by telephone if necessary.

8 MR. HARRINGTON: What is your telephone  
9 number?

10 JUDGE MACE: (360) 664-1285. The next matter  
11 has to do with the protective order, and I need to ask  
12 the parties whether or not there would be a need for a  
13 protective order in this proceeding? Protective order  
14 usually has to do with the protection of commercial  
15 information.

16 MR. ADAMS: Your Honor, procedurally if we  
17 were to invoke that, what would be our showing? Would  
18 we have a burden of proof of some kind?

19 JUDGE MACE: Primarily what we do right now  
20 is if the parties feel there may be commercial  
21 information that they want to have protected, we would  
22 go ahead and issue a protective order, and the  
23 protective order outlines the procedures that the  
24 parties would file if there were information that  
25 needed protection.

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1                   MR. HARRINGTON: We would like to invoke  
2 that.

3                   JUDGE MACE: I'll see to it that a protective  
4 order is issued. Is there any sense from the parties  
5 of what are the issues that divide them? What are the  
6 issues that will be dealt with in the hearing if there  
7 is a hearing?

8                   MS. TENNYSON: This is Mary Tennyson for  
9 staff. From the staff's perspective, the matter of the  
10 amount of salary paid by the company is an issue, and I  
11 believe from the company's perspective, the staff's  
12 treatment of the five companies, of which  
13 Mr. Harrington is one of the owners, the treatment of  
14 the five companies as combined is, for purposes of the  
15 salary and rate setting, an issue.

16                   MR. HARRINGTON: I'm not sure I clearly  
17 understand that issue. Could you elaborate on that,  
18 please?

19                   MS. TENNYSON: I'm explaining what I  
20 understand to be your issue.

21                   JUDGE MACE: This is not an effort to be a  
22 negotiating session. I want to get an idea of what  
23 issues will be addressed during the proceeding just in  
24 an outline form.

25                   MR. ADAMS: Your Honor, I didn't know staff

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1 would be stating the issues that we have, but one issue  
2 we have with the statement that was made is the  
3 treatment of five companies as combined. That is  
4 something we've never felt was relevant to this  
5 particular filing, in the sense of these others  
6 companies are different, independent companies with  
7 different ownerships, and staff has been the one  
8 bringing those into this filing, not us.

9 JUDGE MACE: And I understand that, and the  
10 purpose of this exercise is it's supposed to be a brief  
11 attempt to just get an idea of what the issues are that  
12 the parties have, and that may be an issue for staff.  
13 It may be something that you think is irrelevant, and  
14 we'll just have to deal with that. You'll deal with  
15 that in your negotiations with staff or on the record,  
16 but if staff feels it's an issue, it's an issue for the  
17 case, and I'm just asking basically since staff is  
18 primarily involved in investigating this particular  
19 rate request, then whatever issues they have may be  
20 something that will be addressed, and we just want to  
21 get an idea of issues. It's not intended to be  
22 argument at this point.

23 MR. ADAMS: Procedurally at what point would  
24 we raise the issues as to whether or not it's legally  
25 relevant?

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1           JUDGE MACE:  You would have an opportunity to  
2 cross-examine any evidence that staff provided about  
3 that, and you would also have an opportunity in briefs  
4 to address that issue.  You would have plenty of  
5 opportunities.

6           MR. HARRINGTON:  I may have misheard what  
7 Ms. Tennyson said, but I thought she said she was  
8 stating what she thought the company's issues are; is  
9 that correct?  That's what I thought I heard her say.

10          JUDGE MACE:  That's what I thought I heard  
11 you say.

12          MS. TENNYSON:  The issue of the salary is an  
13 issue for staff, and in setting that salary, staff has  
14 viewed the companies as combined for that purpose, and  
15 that is an issue the company contests.

16          JUDGE MACE:  These are salaries of executives  
17 or the salaries generally of staff?

18          MS. TENNYSON:  The salaries of the  
19 executives, the owners.  The "management" would be a  
20 better term.

21          JUDGE MACE:  Let me just turn next to the  
22 question that sort of derives out of this exercise,  
23 which is that I would encourage the parties to discuss  
24 whatever issues divide them and where possible to enter  
25 into stipulations of fact so that we don't have a whole

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1 panoply of contested issues before us and also to  
2 discuss possible settlement of the case, and I wonder  
3 if you have had any opportunity to discuss settlement.

4 MS. TENNYSON: There have been ongoing  
5 discussions.

6 JUDGE MACE: When you discuss scheduling, if  
7 you seek to do so, you could include settlement  
8 conference or other appropriate dates that would relate  
9 to discussion of the issues so that we could arrive  
10 either at a settlement or at the clearest statement of  
11 the contested issues in the case, and I will allow you  
12 to give yourselves opportunity to do that when we go  
13 off the record to discuss scheduling. Did you have a  
14 question?

15 MR. ADAMS: I had a question that the  
16 statement was the amount of salary paid by the company,  
17 and this morning about eight o'clock, we finally  
18 received staff's response to some information we  
19 provided last week, and this is an issue we've been  
20 discussing with staff off and on for two years,  
21 actually, but they came back and reduced --

22 MS. TENNYSON: If I might interject at this  
23 point, I'm concerned about -- we have been engaged in  
24 various discussions, and because you are the judge  
25 sitting on the case, I think it's inappropriate to get

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1 into any discussions of settlement matters.

2 MR. ADAMS: Please let me continue with the  
3 question, because I'm trying to find out what the issue  
4 is that last Thursday, we had agreed to an SMA  
5 allocation of about 97,000. This morning it was  
6 reduced to 84,000. Did that have anything to do with  
7 salaries or other issues?

8 MS. TENNYSON: I'm not going to get into the  
9 discussion of detailed numbers. The issue, and perhaps  
10 I stated it as overbroadly, but we are talking about  
11 the amount of salary to be included in rates, and  
12 that's as far as I want to state in terms of any issues  
13 at this point.

14 JUDGE MACE: Right now, and I'm not trying to  
15 foreclose you from discussing this issue, but for  
16 purposes of this proceeding this morning, we are  
17 basically here to outline issues that may divide the  
18 parties and then to discuss scheduling of the  
19 proceeding. You will have ample opportunity,  
20 Mr. Adams, to discuss with staff and clarify whatever  
21 adjustments that staff made and to contest those  
22 adjustments if you disagree with them, and the schedule  
23 will give you an opportunity to do that. I would  
24 prefer not to do that on the record at this point  
25 because the issues are not refined to the point where

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1 it's appropriate to bring it up on the record.

2 MR. ADAMS: Your Honor, I need clarification  
3 at this point. Staff has discussed salaries in two  
4 formats, one having to do with the amount paid by the  
5 company. That I understand. That has been an issue  
6 between us. The other issue staff brought up was the  
7 treatment of the five companies as combined. That I  
8 understand.

9 Another issue of salary that we've discussed  
10 in the past, and I don't know if it's resolved or if it  
11 is at issue, is salaries allocated in the SMA, and the  
12 reason I brought up the numbers is that last Thursday,  
13 we had a set number. This morning we get a different  
14 number. I don't know if the reason for that change is  
15 because of staff's concern about the salaries in the  
16 SMA or some other item that we don't even know is at  
17 issue yet.

18 JUDGE MACE: What I would ask you to do is  
19 after we go off the record today, discuss that with  
20 staff, because it's not something that we can resolve  
21 on the record today.

22 MR. ADAMS: Will we be precluded from raising  
23 issues later on though?

24 JUDGE MACE: No, you will not be precluded.  
25 Let us turn then next to the question of scheduling for

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1 the proceeding --

2 MR. ADAMS: Your Honor, we have other issues.

3 JUDGE MACE: Yes, go ahead.

4 MR. ADAMS: Again, Your Honor, we are  
5 operating somewhat at a disadvantage here because we  
6 were anticipating this information earlier this week,  
7 and as of last evening at 7:30 when we were meeting, we  
8 had not received it. We received staff's e-mail with  
9 their proposed pro forma this morning a little bit  
10 after eight o'clock and --

11 JUDGE MACE: Mr. Adams, I would like to  
12 interrupt you for just a minute. Again, I don't want  
13 to cut you off, but this is just a hearing that's  
14 preliminary. It's only to set a schedule for the most  
15 part. It's not a hearing on the merits, and you will  
16 have ample time to get further information from staff.  
17 You will have ample time to discuss that information  
18 with staff. You will have ample time to raise any  
19 issues that you want to raise about staff's position,  
20 but this is not the forum to do that.

21 If you need further information from staff  
22 along the lines of discovery, you will have time to get  
23 that information, but I would prefer if these are the  
24 kinds of issues you need to raise that you discuss them  
25 with staff first after this preliminary scheduling

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1 hearing takes place. I'm not foreclosing you from  
2 raising these issues, but this is not the place to  
3 raise them.

4 MR. ADAMS: Your Honor, as you indicated in  
5 the beginning, one of the reasons for this meeting was  
6 to discuss the issues so that we could perhaps settle  
7 them, and we also have to look at our scheduling. If  
8 we are unaware of some substantial issues or staff is,  
9 perhaps that would affect our scheduling.

10 I guess if we are not precluded, we can raise  
11 issues at a later time, but there was a major change  
12 that staff made, and we feel that it's an issue, and  
13 one is in terms of rate base and how it's structured,  
14 or our rate schedule and how it's structured. That was  
15 substantially changed from our last meeting, and we  
16 would feel that is an issue.

17 JUDGE MACE: Right.

18 MR. ADAMS: And I don't believe that raising  
19 issues is a matter of discussing the questions on the  
20 merits. I guess if we want to go ahead with  
21 scheduling, we will go ahead and do that.

22 JUDGE MACE: I would like to go ahead and do  
23 that. I recognize you have issues where you disagree  
24 with staff, but again, other than just getting an  
25 outline of the issues, I would prefer not to go into

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1 questions of needing more information or further  
2 discussing the issues with staff before we get to the  
3 merits.

4 MR. HARRINGTON: To keep it simple, what you  
5 are saying to me is that the counsel for the staff  
6 outlines what the issues are? We can't add to that  
7 list of issues?

8 JUDGE MACE: I didn't intend that. I didn't  
9 want to get into the question of needing more  
10 information from staff and needing to discuss issues  
11 with staff and the merits of the issues here. If rate  
12 base and how it's structured is an issue, then I've  
13 noted it, but just in a general sense, you are  
14 certainly not precluded from raising the issues about  
15 what adjustments staff makes.

16 MS. TENNYSON: Your Honor, if I might ask a  
17 clarifying question of Mr. Adams. When you refer to  
18 rate schedule and how it's structured, is this a matter  
19 of a rate base or rate design?

20 MR. ADAMS: Rate design.

21 JUDGE MACE: What I would like to do now is  
22 give the parties an opportunity to discuss scheduling.  
23 I would like you to also incorporate or indicate for  
24 the record at the end of the scheduling discussion what  
25 the actual suspension date is, how long we have for the

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1 case so that we have an idea of how long we have.

2 MS. TENNYSON: I believe I could do that at  
3 this point. The effective date of the suspension was  
4 January 1st, 2002, and that would mean that we would  
5 need a final order by November 1st, 2002, and the  
6 company does have the option of extending that date if  
7 we need more time.

8 JUDGE MACE: Hopefully, that won't be the  
9 case. I'll give you 20 minutes to discuss the schedule  
10 for proceedings. I think that will be enough, half an  
11 hour, 15 minutes.

12 MS. TENNYSON: 15 minutes, but it depends.  
13 We could even start with 10.

14 MR. ADAMS: We have to consult with our  
15 counsel.

16 JUDGE MACE: Why don't we start with 15  
17 minutes. If you need longer than that, I will be happy  
18 to give it to you. Let's go off the record now while  
19 the parties discuss scheduling.

20 (Discussion off the record.)

21 JUDGE MACE: The parties have discussed  
22 scheduling, and I forgot whether we put this on the  
23 record, but a final order needs to be entered on  
24 November 1st, 2002, based on the proposed effective  
25 date or suspension date of the tariffs. The company

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1 will file its direct testimony on April 29th. The  
2 staff will file on June 3rd of this year, 2002.  
3 Rebuttal will be filed on July 3rd. A hearing will be  
4 held on July 30th. We did not discuss how much time  
5 will be needed for the hearing. I'm referring now to  
6 the company, Mr. Harrington or Mr. Adams, how many  
7 witnesses do you think you will be bringing to the  
8 hearing?

9 MR. ADAMS: Your Honor, we are not sure of  
10 all the issues yet so we are not sure.

11 JUDGE MACE: Do you have any estimate?

12 MR. HARRINGTON: I can't imagine more than  
13 two.

14 JUDGE MACE: For staff, do you think one day  
15 of hearing will be enough, or should we block out more  
16 than one day?

17 MS. TENNYSON: I think we should probably  
18 block out more than one day. I think we may need one  
19 and a half, but let's schedule it.

20 JUDGE MACE: I'll block out two days then, so  
21 that would be July 30th and July 31st for hearing.

22 MR. HARRINGTON: Right.

23 JUDGE MACE: Simultaneous briefs will be due  
24 on August 28th. Is there anything else related to the  
25 schedule or of a preliminary nature before I conclude

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1 with some information about how to make filings and on  
2 some other housekeeping matters? Anything else?

3 MR. ADAMS: No.

4 JUDGE MACE: Let me indicate that as far as  
5 filings are concerned, we need to have an original plus  
6 11 copies for this proceeding for internal distribution  
7 at the commission. All filings must be made through  
8 the commission secretary either by mail to the  
9 secretary at WUTC, P.O. Box 47250, 1300 South Evergreen  
10 Park Drive Southwest, Olympia, Washington, 98504-7250  
11 or by other means of delivery to the commission's  
12 offices at the street address that I just recited.

13 We require that filings of substance -- that  
14 is, testimony, briefs, motions or answers -- include an  
15 electronic copy on a 3.5 inch IBM formatted  
16 high-density disk in PDF Adobe Acrobat format  
17 reflecting the pagination of your original. Also send  
18 us the text in your choice of Word 97 or later or Word  
19 Perfect 6.0 or later.

20 Service on all parties must be simultaneous  
21 with filing. Ordinarily, the commission does not  
22 accept filings by fax, so please don't rely on that  
23 unless you have my permission to do so. The commission  
24 will enter a prehearing conference order and a  
25 protective order. The prehearing order will include

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1 requirements for witness lists, and that will be the  
2 time you will have to determine who your witnesses will  
3 be, and exhibit lists to be submitted shortly before  
4 the evidentiary hearings.

5           The order will also remind the parties that  
6 the commission encourages stipulations both as to facts  
7 and to issues that can be resolved prior to settlement  
8 process or other means of alternative dispute  
9 resolution. The commission should be advised of any  
10 progress that you make, and again, I encourage you  
11 if -- we don't have a date for a settlement conference  
12 in here or for ADR, but those options are available.  
13 You can certainly talk amongst yourselves at any time  
14 about the issues and try to resolve them. If you would  
15 like to do so, we have the availability of mediation  
16 through use of a settlement judge, a judge other than  
17 myself that would be able to assist the parties to  
18 negotiate the issues.

19           MR. HARRINGTON: Does that happen  
20 simultaneously?

21           JUDGE MACE: Simultaneously. Probably what  
22 would happen is if you started to do mediation or got  
23 into settlement discussions that would preclude you  
24 from meeting dates in the schedule, we would probably  
25 suspend the schedule and allow you to go ahead with

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1 those discussions. We need to keep in mind that there  
2 is that 10-month statutory period that we need to  
3 observe, but we could address that if it got to the  
4 point where you were involved in discussions and needed  
5 the additional time.

6 MS. TENNYSON: I did have one point on the  
7 electronic copies. If we have exhibits that are in the  
8 form of spreadsheets in Excel format, then I think we  
9 should be looking at filing those in Excel format. You  
10 can't convert those to Word, and I don't know if one  
11 can convert those to PDF, but if we can say for  
12 electronic spreadsheets in Excel format.

13 JUDGE MACE: As far as I'm concerned, I  
14 think that's appropriate. I encourage the parties to  
15 discuss what is the best way that information can be  
16 exchanged and provided and also provided to the  
17 commission in the best way the commission can  
18 understand it, so that's fine. Anything else?

19 MR. HARRINGTON: You said an original and 11  
20 copies plus electronic. Can you do one original and  
21 everything else electronic?

22 JUDGE MACE: No. The actual filing  
23 requirements require 19 copies. What I've tried to do  
24 is consult with the commission to cut down that number  
25 to just meet the internal distribution list. I think

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1 eventually we may go to all electronic copies, but we  
2 aren't there yet. We are working on that.

3 MR. HARRINGTON: You got my vote.

4 JUDGE MACE: Anything else? Then we are  
5 adjourned. Thank you very much.

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7 (Prehearing conference adjourned at 10:51 a.m.)

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