

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

3 In the Matter of the Proposal by)
4 PUGET SOUND POWER & LIGHT)
COMPANY)
5) DOCKET NO. UE-951270
to Transfer Revenues from PRAM)
6 Rates to General Rates.)
-----)

7 In the Matter of the Application)
of)
8)
PUGET SOUND POWER & LIGHT)
9 and)
WASHINGTON NATURAL GAS COMPANY) DOCKET NO. UE-960195
10) VOLUME 7
For an Order Authorizing the) Pages 952 - 995
11 Merger of WASHINGTON ENERGY)
COMPANY and WASHINGTON NATURAL)
12 GAS COMPANY with and into PUGET)
SOUND POWER & LIGHT COMPANY, and)
13 Authorizing the Issuance of)
Securities, Assumption of)
14 Obligations, Adoption of)
Tariffs, and Authorizations)
15 in Connection Therewith.)
-----)

16
17 A hearing in the above matter was held on
18 October 11, 1996, at 1:30 p.m. at 1300 South Evergreen
19 Park Drive Southwest, Olympia, Washington before
20 Chairman SHARON L. NELSON, Commissioners RICHARD
21 HEMSTAD and WILLIAM R. GILLIS and Administrative Law
22 Judge JOHN PRUSIA.

23
24 Cheryl Macdonald, CSR
25 Court Reporter

1 The parties were present as follows:

2 WASHINGTON UTILITIES AND TRANSPORTATION
3 COMMISSION STAFF, by ROBERT CEDARBAUM, Assistant
4 Attorney General, 1400 South Evergreen Park Drive
5 Southwest, Olympia, Washington 98504.

6 FOR THE PUBLIC, ROBERT F. MANIFOLD,
7 Assistant Attorney General, 900 Fourth Avenue, Suite
8 2000, Seattle, Washington 98164.

9 PUGET SOUND POWER & LIGHT COMPANY, by JAMES
10 M. VAN NOSTRAND, Attorney at Law, 411 - 108th Avenue
11 NE, Bellevue, Washington 98004.

12 WASHINGTON NATURAL GAS COMPANY, by MATTHEW
13 R. HARRIS, Attorney at Law, 6100 Columbia Center, 701
14 Fifth Avenue, Seattle, Washington 98104.

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I N D E X

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

2 JUDGE PRUSIA: Let's be on the record. The
3 hearing will come to order. This is a hearing before
4 the Utilities and Transportation Commission for the
5 purpose of taking testimony from members of the public
6 for docket No. UE-960195, which is the application of
7 Puget Sound Power and Light Company and Washington
8 Natural Gas Company for an order authorizing the
9 merger of Washington Energy Company and Washington
10 Natural Gas Company with and into Puget Sound Power
11 and Light Company and authorizing the issuance of
12 securities, assumption of obligations, adoption of
13 tariffs and authorizations in connection therewith.
14 My name is John Prusia. I'm an administrative law
15 judge with the Commission assigned to these
16 proceedings. To my right are the members of the
17 Commission, Chairman Sharon L. Nelson.

18 CHAIRMAN NELSON: Good afternoon.

19 JUDGE PRUSIA: Commissioner Richard Hemstad.

20 COMMISSIONER HEMSTAD: Glad to see you.

21 JUDGE PRUSIA: And Commissioner William
22 Gillis.

23 COMMISSIONER GILLIS: Good afternoon.

24 JUDGE PRUSIA: This hearing was set by a
25 notice of hearing dated October 1, 1996. Today is

1 Friday, October 11, 1996. The time is approximately
2 1:35. The hearing is being held at Commission
3 headquarters in Olympia.

4 I will begin by taking appearances so that
5 the members of the public will know who the attorneys
6 are who are representing parties, who are present
7 today. I will begin with the companies, Mr. Van
8 Nostrand.

9 MR. VON NOSTRAND: Thank you, Your Honor.
10 On behalf of Puget Sound Power and Light Company,
11 James Van Nostrand.

12 JUDGE PRUSIA: Mr. Harris.

13 MR. HARRIS: On behalf of Washington
14 Natural Gas, Matthew Harris.

15 JUDGE PRUSIA: For Commission staff, Mr.
16 Cedarbaum.

17 MR. CEDARBAUM: My name is Robert
18 Cedarbaum, representing Commission staff.

19 JUDGE PRUSIA: For public counsel.

20 MR. MANIFOLD: My name is Rob Manifold.
21 I'm an assistant attorney general. I appear here
22 representing public counsel.

23 JUDGE PRUSIA: Are any of the other
24 parties, intervenors attending today or represented
25 today? Just for the record there are a number of

1 other intervenors involved in this proceeding. They
2 were not required to be at this hearing today. They
3 have appeared and have participated and will be
4 participating during other stages of the proceeding.
5 Generally we begin by having public counsel give us a
6 summary describing the proceedings and I will ask Mr.
7 Manifold to do that at this time.

8 MR. MANIFOLD: Let me -- can you hear me
9 okay if I talk like this? What I want to do is tell
10 you a little bit about what we're going to do today,
11 tell you a little bit about the case and the process
12 today and then be quiet and sit down and let you have
13 your say. As you know, this is a proposed merger
14 between Puget Sound Power and Light Company, electric
15 company, and Washington Natural Gas, a gas company.
16 There are 22 formal parties in this case. There are
17 proceedings that are going on with expert witnesses
18 and employees of the company and parties filing
19 testimony and being cross-examined. Part of the
20 process with the commissioners who will be deciding
21 the case is for them to hear what members of the
22 public think about this proposal and about the
23 proposals on the table. That's the purpose of this
24 hearing and two more hearings on Monday in Bellingham
25 and Kent.

1 In addition, people can send letters,
2 either to the Commission itself or to my office and
3 those letters, copies will be made and entered into
4 the record as an indication of what public views on
5 this are. So if you're here today and don't feel like
6 getting up and saying something but have some views
7 you want to express, please feel free to write a
8 letter. The addresses for that are on the handout on
9 the table back there.

10 A couple of things about the merger. The
11 companies are proposing what's being structured as a
12 merger primarily as a matter of saving money. They
13 estimate that they will save on the order of \$370
14 million over the next ten years. That represents
15 about two percent of the combined gross revenues of
16 the two companies based on current revenues.

17 The staff of the Commission, who appears as
18 an independent party in these parties, and public
19 counsel have each put forward testimony in support of
20 a merger with a number of conditions on it. As of
21 today, the company will be responding to that
22 testimony and proposing what they think ought to
23 happen as a result of having read that. The other
24 parties in the case also have proposed various things
25 which I will not deal with a lot today, but if you're

1 interested in it we can either talk about it later or
2 they're in that letter.

3 One of the main issues of course is what
4 are the rates going to be for all sorts of customers
5 if this merger were to transpire, and part of that
6 issue is what would the rates be if the merger didn't
7 happen. All of that requires forecasting the future,
8 something about which one can hire a lot of experts
9 but it all comes down to forecasting the future.

10 Hearing what citizens' views on that are is one of the
11 things the Commission is interested in doing. In
12 general, the companies have proposed that residential
13 customers -- that there would be a five-year rate plan
14 and during that five years residential customers
15 basically would get a one percent a year electric rate
16 increase plus whatever happened with this thing that's
17 called BPA exchange credit that's worth about a penny
18 a kilowatt hour on your bill now. The staff of the
19 Commission has recommended that there be a decrease in
20 electric rates of .2 percent a year for the five years
21 for a total of about minus one percent over the five
22 years, plus whatever changes occur in the BPA credit.
23 Public counsel has proposed that there be no change in
24 residential electric rates no matter what happens to
25 the BPA residential credit based on estimates that the

1 credit may increase rates by as much as 14 to 20
2 percent.

3 The Commission this week approved a large
4 reduction in rates for large industrial customers.
5 That, therefore, is probably no longer in this case.
6 Other customers' rates are proposed in the range of
7 between the ones I've just mentioned. On the gas side
8 the parties seem to be in relative almost, almost,
9 agreement in that the costs of the gas company itself
10 as opposed to the costs of gas it purchases would
11 either be flat during those five years or would go
12 down by that total of one percent that the staff has
13 recommended.

14 One of the big issues if there is a five-
15 year rate plan is what happens to the quality of
16 service over that period of time. As many of you may
17 have read in the papers, there has been much concern
18 about the quality of telephone service over the last
19 several years while there was a rate plan in effect.
20 As a result the companies have proposed that there be
21 a service quality program under which a customer for
22 whom an appointment was missed or under certain other
23 circumstances would receive a \$50 credit for the
24 inconvenience of that, and if based upon surveys or
25 complaints to the Commission the service quality

1 degraded below a certain level and there wasn't a good
2 reason for it there could be a fine of the company of
3 as much as \$750,000.

4 A consultant for my office, public counsel
5 section, has recommended a different service quality
6 index, one in which the staff Commission has
7 concurred. Under that service quality index there
8 would be a fairly elaborate 10 point index judging
9 such things as how quickly is a telephone answered,
10 how often are appointments made, how much does the
11 power go out for people, and a total amount at risk of
12 7.5 million dollars on the companies which is
13 equivalent to about one half of one percent of all
14 revenues.

15 There's a number of other conditions that
16 are proposed that I don't think are important to go
17 into in detail now. If you have interest in those,
18 please let me know and I will attempt to get those to
19 you at some other time. The big question is, is this
20 proposed merger in the public interest and what does
21 it mean to be in the public interest. Many of these
22 issues can boil down to are there going to be savings,
23 what are the costs of these two utilities going to be
24 with or without the merger and if there are savings
25 who should get those. Should the stockholders of the

1 company get them, should the large industrial
2 customers get them, should residential customers get
3 them, should other customers get them. How should
4 they be shared among those various people.

5 The process today is that about seven
6 people have signed up so far and there will be a call
7 for others if you wish. I will call your name, you
8 can come forward, and you have a choice. You can
9 stand at the lectern here, which I think is most
10 people's choice, or you can sit over there at the
11 microphone, as you wish. The administrative law judge
12 will swear you in. I will then ask the withering
13 cross-examination questions of your name, your
14 address, whether you're a customer of one or both or
15 either of the companies, whether you're representing
16 anybody in particular other than yourself and, believe
17 me, there's no need to be representing anybody other
18 than yourself. It's just if you are representing on
19 behalf of an organization, we would like to know. And
20 then we would ask you to make your comment. Nobody
21 bites, feel free to take your time. Make your
22 comments succinctly but make them. When you've
23 finished your comment do not run back to your seat,
24 please, because there may be a question. Somebody may
25 want to know more about something that you said or may

1 not have understood what you said and want to ask you
2 something about it. So that is an opportunity for any
3 of the commissioners or my colleagues here along this
4 table to ask questions, just in case there's something
5 that wasn't understood. It is not a forum in which
6 the commissioners or us either for that matter can
7 answer questions on the record. Sometimes people
8 desire that and sometimes that would be quite
9 desirable, I can imagine, but that's not the forum for
10 this particular proceeding. So with that we'll get
11 under way.

12 JUDGE PRUSIA: Thank you, Mr. Manifold, for
13 the summary. We'll now move to the public testimony
14 portion. The witnesses who will testify will be put
15 under oath. They will be sworn in. In order to get
16 everyone's comments in today I ask that you do try to
17 be brief. We don't have an arbitrary time limit but
18 if it goes on too long we may try to rush you along.
19 As Mr. Manifold indicated, the members of the public
20 also are submitting letters to the Commission either
21 directly to the Commission or to Mr. Manifold's
22 office, and if any of you would prefer to submit a
23 letter and submit your testimony in that form you're
24 welcome to do that rather than testify in person.
25 Those letters will be part of an exhibit that will be

1 a record in the case. So go ahead and present the
2 public witnesses now, Mr. Manifold.

3 MR. MANIFOLD: The first person signed up
4 is Daniel Walters.

5 JUDGE PRUSIA: I might add that actually we
6 have three choices since there's so few choices here.
7 You can either stand or sit at one of the two
8 microphones.

9 Whereupon,

10 DANIEL WALTERS,
11 having been first duly sworn, was called as a witness
12 herein and was examined and testified as follows:

13

14 DIRECT EXAMINATION

15 BY MR. MANIFOLD:

16 Q. Please state your name and spell it.

17 A. Daniel Carl Walters, W A L T E R S.

18 Q. And your address?

19 A. 3742 Goldcrest Heights Northwest right in
20 Olympia.

21 Q. And you're a Puget Power customer?

22 A. Yes, I am a resident of both.

23 Q. You're a customer of both?

24 A. Gas and power, yes, I am.

25 Q. Are you speaking for any one in particular

1 today?

2 A. Just a family of five.

3 Q. Please go ahead.

4 A. I first want to thank the Commission. This
5 is my first time to address you publicly so this is
6 all new for me. I am a professional forester by trade
7 and I think the question that we're all here for is to
8 merge or not to merge. I just want to set some basics
9 down here. First, realistically, I think the merger
10 is well under way and for the past few years and is
11 here basically except for some formalities like we're
12 going through right now.

13 Several reasons, I will list them briefly
14 here. When you look at the work force reductions, the
15 amount of experienced people that have been left,
16 they're laid off from both companies, is substantial.
17 You also look at the consolidations of facilities,
18 selling of recreational properties and holdings in the
19 millions of dollars accumulated for that has also
20 happened over the past recent years here and also the
21 merging of the offices. Good example in Olympia here,
22 the gas company moved from Pacific Avenue right in
23 with Puget Power, so I think in reality it's here,
24 well under way, everyone is placed and merged and work
25 force reductions to me is, I think, important because

1 I look at weekend positions of both companies to
2 handle other situations. I will get into those
3 momentarily here.

4 I want to briefly touch on what you did
5 very, very well on rate reliability and
6 responsibility. It's a big task right here. You have
7 a lot of challenge in getting to work like we're doing
8 now is going to pay off. I want to touch on reduced
9 rates. I think that the proposals that were out then
10 and that the company has proposed is out of line as
11 far as increases go. The annual here, 1995 annual
12 report is full of 48 pages, and I didn't find one page
13 in there that would give any indication of any rate
14 increase whatsoever. I don't know where they're
15 coming up with their numbers. It lists cost control
16 activities, reductions in fuel costs, cost savings of
17 new technologies and opportunities in retail business.
18 All very rosy, all very good information. And yet
19 they want to increase. It doesn't make any sense.
20 The joint billings of the 250,000 customers will save
21 millions alone even in postage over the years. So
22 it's good. There's a lot of good stuff going on here.
23 Please understand that with the \$357 million net
24 savings you described it's another issue as well. I
25 think that's conservative. I think that that is a

1 real conservative estimate. I guess when you're going
2 into a ballgame you want to place your bids high and
3 then work down from there. That's my understanding of
4 that.

5 Also, too, you want to look at the great
6 economy that we have here. I think if you have a
7 monopoly, especially a gas and electric in this
8 booming area here, you have to do pretty bad to lose
9 your monopoly or to go downhill from there. So I
10 think with the posing of that scenario I think that
11 especially with the new technology out there prices
12 should be coming down.

13 Reliability, briefly I will touch on those.
14 Example is the best way to talk about reliability. As
15 you all know, the '95 storm, the small storm that we
16 have created a lot of problems communication wise with
17 a lot of folks here. One instance that was documented
18 real well was a tree in a power line of a family and
19 gave communication to the power company that indeed
20 there was a tree in the line and what has happened is
21 that the trees were not patrolled or the lines were
22 not patrolled properly and a line was energized, and
23 that can cause a lot of problems, and luckily this go-
24 around no one was hurt on that. That's just an
25 example. There's many more out there.

1 Another instance that happened recently in
2 my own neighborhood was I was coming home and turned
3 around a corner and there was a gas leak. I saw it,
4 I smelled it, saw it coming around out of the ground.
5 Talked to my neighborhood with a hose who says, well,
6 we called an hour ago. So I called 911, fire
7 department was there in four minutes. It took another
8 hour before anyone was there to take care of the gas
9 leak. This isn't a good situation. And I think two
10 hours is a little long. People came from Chehalis.
11 So I think there's some -- and that's a good example
12 of the merger that has already occurred here when you
13 look at the work reductions, and there are safety
14 issues involved not only for people but from people
15 out there working on the power lines, on the gas lines
16 and they're not familiar with the areas and that is, I
17 think, real important when you really look at where
18 we're at right now and where we need to go.

19 I will elaborate a little more on that.
20 Today, we depend on our power. It is, I think, a
21 little past a luxury stage in our age and other energy
22 resources, we really depend on our power. Don't have
23 a year's supply of grandma's preserves in the root
24 cellar. We don't cook and eat on wood stoves. We
25 need our energy resources. Reliability is very

1 important. Some of the provisions that you already
2 have, I believe, already set up need to be looked at a
3 little further. Emergency services also take a bad
4 hit.

5 Responsibility, I will briefly touch on
6 that as well. Looking at the responsibility of what's
7 going on here, the big people in the big players are
8 the investors and stockholders and corporate
9 executives that decided to have this merger go on.
10 It's a private company, they want to do it. I'm a
11 stockholder of Puget Power. I have a lot of money in
12 Puget Power, but let me sincerely say, I want to be on
13 record as saying that the stockholders and executives
14 are responsible for this merger and also must assume
15 the risk. Not the common family household out there
16 trying to make a go of it. The big players need to
17 take the responsibility. We need to look at that a
18 little bit harder.

19 Let me go to the newspaper here.
20 Previously this was in the other day's paper. This is
21 the Olympian. I hope everyone was quoted here right.
22 I don't know. Gentleman by the name of Mr. Lott had
23 said about the merger, "The essential difference is
24 who shares the benefits of the merger," which you had
25 mentioned. Who shares. I say the risks, the risks

1 are what we have and we're all playing with the risks
2 right here. Another individual, Mr. Dunn, hope he was
3 quoted right, said, Puget Power wants to use savings
4 of from the merger to offset future costs when it must
5 buy power. Well, yeah, there's going to be future
6 costs. We're going to be buying power. Look at the
7 growth in the area. More people are going to be
8 hooked up between these lines. Flip a switch. It's a
9 growing area. You're going to do well in a growing
10 area.

11 The other part that really confuses me more
12 than anything is Mr. Dunn also stated -- and I am just
13 reading from the paper now -- "expected losses as it
14 loses its monopoly and its customers can choose a
15 power supplier." Okay. Losing its monopoly, I can't
16 see how that could possibly happen. Competition works
17 both ways. Right now I think there's a smoke screen
18 out there on this competition. When you look at a
19 monopoly in an area already set up, if they lose their
20 monopoly, whose fault is it? It's not going to
21 happen. The monopoly and its power company, gas
22 company will get bigger. I think -- I can't see it
23 happening any other way. I mean, when you look at the
24 wholesale power, retail power, wheeling of power, I
25 think that issue needs to be looked into further as to

1 how much competition is it really going to bring in.

2 Let's see. The other area as well as
3 competition too, I can remember those gas commercials.
4 "Gas makes sense." They made a believer in me. I
5 love those commercials. They're not going to happen
6 any more. Competition between the two, the
7 advertising expenses, whatever, working as a team,
8 that's good. But the costs of advertising, they're
9 gone. I also look at what's going around in the area
10 too. I'm a firm believer in private -- I've worked
11 for myself contracting, I've worked for private
12 industry and I've worked for the state. I have a good
13 understanding of how all three of those entities work
14 and I've had many different jobs in these arenas, and
15 I believe that private industry can do a very good job
16 and better in some cases, especially when they're
17 motivated by profit. So I know that they will be
18 doing real well as far as that regard goes.

19 Pretty much I covered the ground that I
20 wanted to. If we are to allow the biggest private
21 monopoly of power to be born in the northwest I think
22 we really need to sharpen our pencils more, look at
23 what we've proposed so far, dig a little deeper.
24 That's what I feel needs to happen here. Why don't we
25 have a rate savings schedule 48 for the common

1 household family of five. I mean, we're out there
2 slugging it out like anybody and I think we really
3 need to take a real hard look at the -- at people out
4 there, the backbone of our society out there. Many
5 questions need to be answered. I think what would be
6 beneficial to all here would be to interview people in
7 both utilities, get some real answers from those who
8 are still hanging on to their jobs, career employees,
9 retirees, and those laid off. Dig deep, talk to the
10 people. Talk to -- you might have some people here
11 talking about what's it like to work on the lines
12 right now. What was it like a few years ago. How is
13 it working with the two guys you used to work with not
14 working next to you any more.

15 Those are some real issues that are
16 teetering here. If they have an Inaugural Day storm
17 now I think it's going to have quite a bit more
18 problems and chaos out there. Communication of this
19 '95 storm between the company, the workers and the
20 residences out there was atrocious. You guys probably
21 heard enough about that. That's just an example.
22 That's where we're at now. I think it's dangerous in
23 some situations not to merge these companies because
24 both of them are teetering right now. They're poised
25 to merge. I think it needs to happen. But I think

1 also when I look at your -- whether you approve the
2 merger as filed or reject the merger I think we need
3 to go to option No. 3 on your hand-out here, reject
4 the merger and authorize a merger under different
5 conditions and terms which I am presuming and hoping
6 that you all do in this situation by the companies.

7 Let's see. Couple of more things real
8 briefly here. True equity must be found for
9 significant utility rate reductions here. There's
10 countless reasons. There's 48 pages right here.
11 Ensuring utility service reliability and assessing and
12 assigning true responsibility and risk to the
13 stockholders -- here's a finger pointing at me -- and
14 executives. The common household -- and folks
15 shouldn't be left in the dark. I really appreciate
16 the opportunity to talk here and I will be happy to
17 answer any questions that you have. Questions?

18 JUDGE PRUSIA: Thank you, Mr. Walters. Do
19 any of the attorneys have questions for this witness?

20 Do any of the commissioners have questions
21 for this witness?

22 COMMISSIONER HEMSTAD: Thank you.

23 CHAIRMAN NELSON: Thank you.

24 JUDGE PRUSIA: I might ask that the other
25 witnesses -- this witness covered quite a lot of

1 territory and if he said something that you agree with
2 you might just indicate that you agreed with those
3 comments and not repeat and then we can move along
4 more quickly. Next witness, please.

5 MR. MANIFOLD: Bob Franzen.

6 Whereupon,

7 ROBERT FRANZEN,

8 having been first duly sworn, was called as a witness
9 herein and was examined and testified as follows:

10 THE WITNESS: My name is Bob Franzen. I
11 live at 6008 Seventh Avenue Southeast in Lacey, and I
12 am both a Washington Natural Gas and Puget Power
13 customer.

14

15 DIRECT EXAMINATION

16 BY MR. MANIFOLD:

17 Q. F R A N Z E N?

18 A. F R A N Z E N.

19 Q. And are you speaking on behalf of any
20 organization?

21 A. No, sir.

22 Q. Please go ahead.

23 A. As a resident, I believe that -- I've
24 worked as a resident with both companies requesting
25 service and help from them. I was one of the last

1 homes to have power restored at the last major storm,
2 and even though I was four or five days in getting
3 power I placed a call to Puget Power, explained my
4 situation, my location, and they in turn explained to
5 me the dynamics of having to bring companies in from
6 all over the northwest. They stayed in contact with
7 us, and gave us a timetable as to when they would be
8 there. Realizing that they couldn't have enough
9 utility trucks there to fix every person at the same
10 time, they had a priority. I was at the low end of
11 that priority. But they were very responsive to my
12 needs. I think that that speaks well of a company.

13 In my opinion as a business person I think
14 that when a company like Puget Power and Washington
15 Natural Gas merges there is going to be, as Mr.
16 Walters mentioned, there's going to be reduction in
17 the redundancy of operations of different departments,
18 and that can only go to make them more efficient and
19 to allow them to save some money which hopefully will
20 be passed on to the ratepayers, according to the
21 program. I find it hard to believe that two companies
22 who have -- that are as community-minded and are as
23 good corporate citizens as they are, should they
24 merge, would all of a sudden become this sinister
25 being. I believe that they have shown good faith to

1 this community, to the residents, the ratepayers, both
2 commercial and residential, and I find it hard to
3 believe that this is going to all of a sudden turn
4 them into this terrible giant. With the onset of
5 competition to come into this marketplace I find that
6 they are only going to be more keenly aware of their
7 need to be responsive to the customer, whether it's
8 commercial or residential, and so I think that the
9 Commission should okay this merger.

10 JUDGE PRUSIA: Thank you. Are there any
11 questions from the attorneys for this witness? From
12 the commissioners?

13 THE WITNESS: Thank you.

14 MR. MANIFOLD: Doug DeForest.

15 Whereupon,

16 DOUGLAS DEFOREST,
17 having been first duly sworn, was called as a witness
18 herein and was examined and testified as follows:

19 THE WITNESS: My name is Douglas DeForest,
20 D E F O R E S T. I reside at 3028 Steamboat Island,
21 Olympia, 98502. I'm a customer of Puget Power only.
22 And I am speaking solely on behalf of myself.

23 MR. MANIFOLD: You've got it down.

24 THE WITNESS: Well, we learn as we go
25 along. I am here to urge the counsel to adopt option

1 No. 1, that is, to approve the merger as filed for the
2 following reasons. Number one, I feel that
3 fundamentally when private enterprise or quasi private
4 enterprise has opportunity to achieve savings which
5 are then passed on to the consumers that they should
6 be allowed to do so. I note that both the company and
7 the staff are pretty much in agreement on the
8 magnitude of those savings and I think they should be
9 allowed to achieve it. Number two, I believe that
10 through the UTC itself adequate protection exists for
11 the ratepayers. I think that the plans filed
12 essentially mean stable rates to the users for the
13 next five years. I do think that they should be
14 allowed to take into account the BPA credit because we
15 don't know how that one will work out.

16 Number three, at least for some of us there
17 really isn't any competition anyway. Natural gas is
18 not an option for us, but even if it were I think that
19 this merger between two very public minded companies
20 is in the best interests of the citizenry as a whole.
21 And number four, I think that the plan filed to
22 provide quality of service by the company and
23 concurred in by the staff is the one that should be
24 adopted and provides adequate service and adequate
25 protection for the public. I think that the public

1 counsel's recommendation, with all due respect, simply
2 adds an awful lot of bureaucracy and is going to add
3 to the paperwork jungle rather than reduce from it.
4 Frankly, I was one of those two that was at the end of
5 the line on priorities in the last storm. Steamboat
6 Island is pretty well down the end of the stream. We
7 were kept informed just as the previous person
8 testified and recognize that when you live at the end
9 of the line that that's the last ones that are going
10 to get there, but they kept us advised and we were
11 pleased with that. Thank you very much.

12 JUDGE PRUSIA: Do any of the attorneys have
13 questions for Mr. DeForest?

14 MR. MANIFOLD: Just one question.

15 DIRECT EXAMINATION

16 BY MR. MANIFOLD:

17 Q. Maybe I misspoke when I was doing my intro,
18 but on the service quality you said you liked the one
19 proposed by the company and endorsed by staff and not
20 the one that my office proposed. I wanted you to know
21 that the staff had endorsed the one we proposed so I
22 take it you're endorsing the one that the company
23 proposed?

24 A. And I am in error on the staff. That's
25 right.

1 JUDGE PRUSIA: Do any of the other
2 attorneys have questions for the witness? Excuse me.
3 Mr. DeForest, do any of the commissioners have
4 questions for Mr. DeForest?

5 CHAIRMAN NELSON: No. Thank you.

6 MR. MANIFOLD: David Schaffert.

7 THE WITNESS: It's pronounced Shaf-ert,
8 S C H A F F E R T. I live at 4418 26th Avenue
9 Southeast -- excuse me -- Northeast, Lacey,
10 Washington. I'm a Puget Power customer.

11

12 DIRECT EXAMINATION

13 BY MR. MANIFOLD:

14 Q. Washington Natural?

15 A. No, just a Puget Power customer.

16 Whereupon,

17 DAVID SCHAFFERT,

18 having been first duly sworn, was called as a witness
19 herein, and was examined and testified as follows:

20 Q. Now you've done my job and his job. Do
21 you want to do the court reporting too?

22 A. I've never quite understood how those work.
23 Someday maybe I will. I will keep my comments very
24 brief. Some individuals who had testified before me
25 have already covered the areas which I wanted

1 to discuss. I am in support of the merger as proposed
2 by Puget Power and Washington Natural Gas -- I guess
3 that would be your option No. 1 today -- for three
4 fundamental reasons, and I am speaking very general.
5 First off, I believe it will maintain or keep to a
6 certain degree constant rates, and outside of any
7 other external factors which may influence those in
8 the short or long-term, I believe the companies by
9 combining their resources will have a better
10 opportunity to hold those rates fairly flat to the
11 consumer.

12 A little discussion about customer service,
13 and I want to ask you to look back at the storm of
14 last year. I've always been happy with the service
15 provided me by Puget Power, although I must say I
16 don't like paying my bill every month but I really
17 appreciate the service. I had no difficulties when
18 the storm hit. My power was only out for about 24
19 hours, and I think that amount of trucks and vehicles
20 out on that road when I came to work following the
21 storm the morning after was remarkable. I was very
22 impressed by it.

23 And thirdly, it was touched on briefly by
24 Mr. Franzen, and I believe community service -- one
25 thing happened, I think, in utilities business whether

1 it be phone, power, gas, is that their ability to stay
2 within the communities and be involved with either
3 social, civic entities within local communities is at
4 jeopardy, and that is because of dwindling resources.
5 I believe this merger will assist Puget Power in being
6 able to continue its role, and it has been a
7 significant one within the communities it has served,
8 to maintain that presence and have a good
9 understanding of what the business is and residents
10 need within their service area. That concludes my
11 remarks.

12 JUDGE PRUSIA: Thank you. Do any of the
13 attorneys have questions for this witness? Do any of
14 the commissioners have questions for this witness?

15 COMMISSIONER HEMSTAD: No.

16 JUDGE PRUSIA: Thank you.

17 MR. MANIFOLD: Jeff Owen signed up with an
18 uncertain. Joseph Fernandes.
19 Whereupon,

20 JOSEPH FERNANDES,
21 having been first duly sworn, was called as a witness
22 herein and was examined and testified as follows:

23 THE WITNESS: My name is Joe Fernandes. I
24 live at 12527 Northeast 117th Place, Apartment 4,
25 Kirkland, Washington 98034. I'm both a customer of

1 Puget Power and of Washington Natural Gas.

2

3 DIRECT EXAMINATION

4 BY MR. MANIFOLD:

5 Q. I'm just dying to ask why you came here
6 instead of going to Kent on Monday.

7 A. I will be there also.

8 Q. Well, go ahead. Give us the first half of
9 your comment then.

10 A. My concern with the merger -- I'm for it
11 basically. I started with Washington Natural Gas in
12 1955, May of 1955, when they were merging from Seattle
13 Gas with the other gas company into Washington Natural
14 Gas. I spent a great time there. It was an enjoyable
15 time working for them. I retired recently, but I
16 still have a great interest in their work and how they
17 do things. I spent 40 years with them, 36 years in
18 customer service. My talking today has to do with
19 safety. In the customer service department we came in
20 close contact with people. I work nights most of
21 those years so I was the person that responded to
22 emergencies, and most emergencies had to do with
23 safety. The gas company sends out brochures every
24 year through the residential customers and probably to
25 the commercial customer -- I'm not too sure -- and

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1 they tell the customer to have their heating equipment
2 examined on a yearly basis before the heating season.

3 We did a lot of it, but with increasing
4 customers naturally you can't take care of all of it,
5 and naturally the private dealership comes into the
6 play. And I think there's nothing wrong with having
7 dealers take over and do some of the work but I wish
8 they were more properly trained. Washington Natural
9 Gas has thousands and -- I shouldn't say this --
10 hundreds of thousands of conversion burners installed
11 in old furnaces in the customers' homes. Now, these
12 furnaces basically were coal furnaces, old oil
13 furnaces that already were in the customer' homes over
14 some years, and the gas company came along and
15 installed a conversion burner and the furnace may be
16 10, 20, 30 years old. After the initial inspection
17 between when you put the burner in that day by a
18 dealer, I would go out and inspect the furnace, make
19 the burner safe, the flame safe. Then we would not
20 hear from the customer or make any inspection or
21 adjustment until the customer called in again, and
22 that could be years. When the customer called it
23 would be an odor complaint or a noise complaint, those
24 are the two usual ones. The odor complaint could be
25 of a nature that the burner was producing carbon

1 monoxide. The noise complaint could be of a serious
2 nature. I won't bother to explain that. The gas
3 company, I feel, should have established the policy
4 many years ago, and when this merger goes in you
5 people should make sure not necessarily by the
6 tracking of the complaints, it should be sure that
7 they make periodic inspections of these lease
8 conversion burners in the customers' homes. How
9 often? At least probably every couple of years would
10 be a good start and if the tracking shows any problems
11 go to say a three-year period or four-year period, but
12 it should be a regular standard inspection service
13 just as they sent out in their brochures to have the
14 customer check his regular new furnace or a five year
15 old furnace. They should make an inspection of these
16 old, old furnaces and the burners.

17 I don't know how they feel about it, but I
18 felt that I was trained by Washington Natural Gas, had
19 the equipment, and so I believe that probably a policy
20 ought to be put in that only Washington Natural Gas
21 trained personnel -- trained because there's a lot of
22 Washington Natural Gas personnel not trained in
23 adjustment of conversion burners. You have to know
24 what you're doing.

25 I will make a comment that private dealers

1 have service personnel that go out and do a lot of
2 work on gas appliances. They advertise and they sell
3 them. They will maintain them for a service policy
4 and these are basically fairly new furnaces. But in
5 the old furnaces would you trust a plumbing/heating
6 company that hires a person, goes out and fixes your
7 toilet one day, may have to come back and fix your
8 furnace the next day. Does he know enough about these
9 older furnaces and the flame characteristics of a
10 conversion burner.

11 I will tell you a story that's close to me.
12 I came to work one day. In the late '60s I believe
13 the gas company started putting a lot of burners in.
14 I just started in that department in 1960, and went
15 out and started initially inspecting these conversion
16 burners. Few months later four people died in Seattle
17 as a result of a private dealer installing a
18 conversion burner and since there was no policy of
19 inspection that day it was put in without adjustment
20 of the burner and the inspection of the mechanics in
21 the furnace. Four people died. The dealer is still
22 around. He's got a shop right around the corner from
23 where I live. He's still there. Where are the
24 people? Where is the safety concerns? Why? Why
25 wasn't it done? After that date, the woman with the

1 burner was put in, one of those night people went out
2 and made sure that burner was burning correctly.

3 One other comment on leased equipment that
4 Washington Natural Gas has in restaurants,
5 laundromats, they install leased water tanks. Now, if
6 you've ever been in a kitchen of a restaurant or in
7 the back room of a laundromat, the housekeeping is not
8 too good. Yet there's no periodic -- and I can lay
9 whatever you want as far as time factor -- periodic
10 inspection of this equipment to make sure that it's
11 burning properly. It probably takes about 15 minutes
12 to 20 minutes to go into a restaurant or laundromat to
13 examine the burner, make sure it's burning properly
14 and safely. We don't have a regular program of that.
15 Should be. Should be mandated.

16 In your brochure on page 3 you say you have
17 a staff recommending a comprehensive service quality
18 program to protect us on our complaints. Conversion
19 burners in people's home, the customer will eventually
20 call. In a restaurant when they call they may be shut
21 down for a period of time while you clean the water
22 tank and make some adjustments on it. I did this for
23 36 years. I felt very sorry for the restaurant people
24 because the certain scale that comes out of a water
25 tank in a restaurant takes time, it doesn't help them

1 to run their business. So these two great things
2 ought to be looked at by the staff and the Commission
3 to make sure that you mandate periodic inspections of
4 their leased equipment, the leased equipment.

5 I guess that's all I have.

6 JUDGE PRUSIA: Thank you, Mr. Fernandes.

7 Do any of the attorneys have questions for this
8 witness?

9 MR. VON NOSTRAND: No.

10 JUDGE PRUSIA: Do any of the commissioners?

11 CHAIRMAN NELSON: Thank you.

12 JUDGE PRUSIA: Thank you, Mr. Fernandes.

13 MR. MANIFOLD: Kirk Mandlin.

14 Whereupon,

15 KIRK MANDLIN,

16 having been first duly sworn, was called as a witness
17 herein and was examined and testified as follows:

18

19 DIRECT EXAMINATION

20 BY MR. MANIFOLD:

21 Q. Why don't you state your name and spell it
22 for the record.

23 A. My name is Kirk Mandlin, M A N D L I N. I
24 live at 8024 Mountain Aire Court Southeast in Lacey.

25 I'm here representing myself and I am a customer of

1 Puget Power -- Washington Natural Gas on my private
2 side and on my business side, Puget Power. Thank you
3 very much. I am here to urge you to adopt this as
4 proposed by the company for a couple of very specific
5 reasons. Number one, this is the evolution of the
6 free enterprise system, which is simply to be more
7 effective, more efficient in the producing and
8 delivery of goods and services by using ingenuity, and
9 I think that it is remarkable that two companies as
10 large with as many vice-presidents and egos as are
11 dealing in these two companies can get together and
12 decide that one of them is going to come out on top,
13 one of them is going to be merged and a lot of
14 vice-presidents are going to go away, and I think for
15 them to do that it just shows that what they want is
16 what's best for the customer and that's me.

17 Secondly, by doing this there will be an
18 elimination of duplication. We've seen this in many
19 different mergers. Costco and Price Company in
20 particular, just a local company where they had two
21 personnel departments, went to one. Two purchasing
22 departments, went to one, and those returns come down
23 to the consumer. They may go to the shareholders, and
24 the first person that testified said the shareholders
25 should bear the risk, and they do. They're not in

1 front of you asking for negotiated return over the
2 next five years. But the ratepayers are going to get
3 something that's exactly what they want. The
4 shareholders are accepting all the risk on this.

5 It also will lead to better service at less
6 price. It may not be that there is a reduction in
7 rates, but there is not a reduction in inflation.
8 We're running at about 3 percent inflation rate and if
9 they can hold my power costs to 1 percent, to me
10 that's a 2 percent savings per year compounded for
11 five years. That's a substantial amount of money
12 personally and professionally. With that decrease in
13 expenses they can do several things. One, they can
14 pay off their debt further which then will free up
15 more capital, which they then can reduce rates, they
16 can reduce the debts, they can increase dividends.
17 They can do a lot of things that they can't or may not
18 be able to do right now, so it will free up capital to
19 which they can do those kinds of things.

20 On a different note, on customer service,
21 personally we were building a new house, my line, my
22 gas line was cut. The first person that testified
23 said it took a number of hours. The gas company beat
24 the fire department to my house. Very unusual. We
25 called 911. We didn't know what would happen but they

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1 the attorneys have any questions for this witness? Do
2 any of the commissioners have a question for the
3 witness?

4 CHAIRMAN NELSON: No.

5 JUDGE PRUSIA: Thank you, Mr. Mandlin.

6 MR. MANIFOLD: John Tierney.

7 Whereupon,

8 JOHN TIERNEY,

9 having been first duly sworn, was called as a witness
10 herein and was examined and testified as follows:

11

12 DIRECT EXAMINATION

13 BY MR. MANIFOLD:

14 Q. Why don't you give us your name and spell
15 it.

16 A. My name is John Tierney. That's T I E R N
17 E Y. I reside at 8015 Supreme Court Southwest in
18 Olympia, Washington. I am here representing myself as
19 a ratepayer for both Puget Power and also Washington
20 Natural Gas. I've been a ratepayer of Puget Power
21 since 1973 and a ratepayer for Washington Natural Gas
22 since 1992.

23 JUDGE PRUSIA: Excuse me for interrupting
24 you, Mr. Tierney.

25 (Recess.)

1 JUDGE PRUSIA: Proceed.

2 THE WITNESS: I'm a firm believer in the
3 American free enterprise system and American way of
4 life, and I guess I'm kind of in the minority here
5 today because I urge you to adopt option No. 2 and
6 that is, reject this merger. I'm a firm believer that
7 business success in this country is based upon not a
8 lack of competition but truly based upon the fact that
9 there is competition among entities. And that good
10 business is a result of that good competition. If
11 monopolies were such a good deal and such a good idea,
12 the United States government would have never broken
13 up the Standard Oil company and they would have left
14 AT&T alone. And the same with the courts, and that's
15 not the case. Competition is good for this country.
16 I think it's good for the ratepayers. I think it's
17 good for the companies.

18 As a homeowner, I lived in an all-electric
19 home here in Thurston County for a number of years. I
20 listened to Puget Power adopt their conservation
21 policy. I did everything I could to conserve. I
22 turned down the heat. I added insulation. I added
23 storm windows and still my electric bill for my home
24 was approximately \$400 a month in the winter time.
25 That's lights, heat, the whole works. To deal with

1 that we thought we would put in gas. Gas wasn't
2 available in the neighborhood. The alternative to
3 that is to move into a new home. We did that six
4 years ago. Comparable size home, similarly insulated.
5 My gas and electric bill combined today, worst month,
6 \$150 a month. Now, there's a big disparity here in
7 these rates. And I think competition is what drove me
8 and my wife to make the move. The difference in rates
9 nearly made the difference in the house payment. I
10 truly do object to the merger because it will
11 eliminate the competition, and I really feel that in
12 the long run there are going to be higher rates to
13 pay.

14 As far as what the companies can do they
15 can probably do what those of us in the private sector
16 have done for the last several years and that is
17 continue to trim the fat, contract out services, and
18 do more with less. As far as the risk for
19 stockholders -- and though I am not directly a
20 stockholder in either one of these companies, I am a
21 stockholder in other companies -- I would remind
22 people of something that was told to me at a very
23 young age and that is, never invest any more in an
24 organization than you can afford to lose. Thank you.

25 JUDGE PRUSIA: Thank you, Mr. Tierney.

1 Do any of the attorneys have questions for this
2 witness? Do any of the commissioners?

3 COMMISSIONER HEMSTAD: No.

4 THE WITNESS: Thank you for your time.
5 Appreciate it.

6 MR. MANIFOLD: Let me ask before we take a
7 break whether there are -- that's all the people that
8 have signed up. Are there any other people here today
9 who would like to speak at this point that haven't
10 previously signed up? I see no takers.

11 JUDGE PRUSIA: I would like to thank all of
12 the public witnesses for their testimony. We don't
13 have a whole lot more. We need to have you present
14 your exhibit if that's ready --

15 MR. MANIFOLD: No, it isn't.

16 JUDGE PRUSIA: -- or indicate it will be
17 submitted at some later date.

18 MR. MANIFOLD: I thought I would do it
19 later.

20 JUDGE PRUSIA: If there is anyone here
21 present who does want to submit written testimony,
22 again you can send that to the Commission or to Mr.
23 Manifold's office.

24 Is there anything further to come before us
25 today then? I hear no response. Thank you again for

1 attending. This hearing will stand in recess until
2 9:00 a.m. on Monday, October 14th, in Bellingham.
3 We're off the record.

4 (Hearing adjourned at 2:25 p.m.)

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