

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 ) Volume 9  
6 Rates to General Rates. ) Pages 1034 - 1054  
-----)

7 In the Matter of the Application)  
of )  
8 )  
9 PUGET SOUND POWER & LIGHT )  
and )  
10 WASHINGTON NATURAL GAS COMPANY ) DOCKET NO. UE-960195  
For an Order Authorizing the )  
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 14, 1996, at 2:55 p.m. at 220 Fourth  
19 Avenue South, City Council Chambers, Kent, Washington  
20 before Chairman SHARON L. NELSON, Commissioners  
21 RICHARD HEMSTAD and WILLIAM R. GILLIS and  
22 Administrative Law Judge MARJORIE SCHAER.

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.

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

I N D E X

1

2

3 WITNESS: DIRECT

4 ROLETTA 1041

5 CAMPBELL 1043

6 YINGLING 1047

7 LUMACO 1050

8

9 EXHIBIT MARKED ADMITTED

10 (No exhibits marked.)

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

2 JUDGE SCHAER: Let's be on the record. The  
3 hearing will come to order. This is a hearing before  
4 the Washington Utilities and Transportation Commission  
5 for the purpose of taking public testimony for docket  
6 No. UE-951270, which is a proposal by Puget Sound  
7 Power and Light Company seeking approval to transfer  
8 revenues from periodic rate adjustment rates to  
9 general rates and docket No. UE-960195, which is the  
10 application of Puget Sound Power and Light Company  
11 and Washington Natural Gas Company for an order  
12 authorizing their merger.

13 My name is Marjorie Schaer. I'm the  
14 administrative law judge assigned to these  
15 proceedings. To my right are the members of the  
16 Commission, Chairman Sharon Nelson.

17 CHAIRMAN NELSON: Good afternoon, ladies  
18 and gentlemen.

19 JUDGE SCHAER: Commissioner Dick Hemstad.

20 COMMISSIONER HEMSTAD: Good afternoon.

21 JUDGE SCHAER: And Commissioner Bill  
22 Gillis.

23 COMMISSIONER GILLIS: Good afternoon.

24 JUDGE SCHAER: This hearing was set by a  
25 notice of hearing dated October 1, 1996 and today's

1 date is October 14, 1996. The time is 2:55. We are in  
2 the city council chambers in Kent, Washington. Going  
3 to start out the hearing taking appearances from the  
4 lawyers who are here from different parties so that the  
5 members of the public will know who all of the  
6 participants are. Let's begin with the companies, Mr.  
7 Van Nostrand.

8 MR. VAN NOSTRAND: Thank you, Your Honor.  
9 James Van Nostrand on behalf of Puget Sound Power and  
10 Light Company.

11 JUDGE SCHAEER: Mr. Harris.

12 MR. HARRIS: Matthew Harris for Washington  
13 Natural Gas.

14 JUDGE SCHAEER: Next for the Commission  
15 staff, Mr. Cedarbaum.

16 MR. CEDARBAUM: Robert Cedarbaum,  
17 representing the Commission staff.

18 JUDGE SCHAEER: Then for public counsel, Mr.  
19 Manifold.

20 MR. MANIFOLD: My name is Rob Manifold.  
21 I'm here on behalf of public counsel.

22 JUDGE SCHAEER: Are there any other  
23 appearances today? Just for the record, there were a  
24 number of intervenors involved in this proceeding, and  
25 they will be involved in later hearings in this docket

1 as well. However, they were not required to be at this  
2 hearing today. They did appear and participate during  
3 other stages of the proceeding. Mr. Manifold, do you  
4 want to begin with a summary describing these  
5 proceedings, please.

6 MR. MANIFOLD: Yes. I will be very short  
7 since people have been waiting for a while. This is  
8 one part of the formal proceedings that the Commission  
9 is undertaking to consider and make a decision on the  
10 proposed merger of Puget Power and Washington Natural  
11 Gas. These proceedings began several months ago and  
12 are expected to conclude in late December or early  
13 January with a decision by the Commission as to  
14 whether to approve the merger as filed, whether to  
15 approve it under different conditions or whether to  
16 reject it.

17 There are, as the administrative law judge  
18 indicated, technical hearings with about 22 parties,  
19 multiple expert witnesses. What this hearing today is  
20 is for members of the public to present their views on  
21 this merger. I was going to summarize the case, but I  
22 have a feeling that people are here because they know  
23 something about it and would like to have their views  
24 made known, and I think it's best to skip that and  
25 simply let you start presenting your views.

1           The process this afternoon is I will call  
2 your names from the sign-up sheet. If you will come  
3 forward and stand at the podium over here, the  
4 administrative law judge will swear you in and I will  
5 then ask you some withering cross-examination  
6 questions like your name, how to spell it, your  
7 address, whether you're a customer, whether you're a  
8 shareholder, whether you're an employee, et cetera,  
9 and then you can make your presentation to the  
10 Commissioners. This is an opportunity for you to talk  
11 to them. It is not set up for it to be a question and  
12 answer session for them to respond to questions,  
13 unfortunately. Their response would come in the order  
14 they issue at the end of the case.

15           JUDGE SCHAEER: The woman sitting in front  
16 of the bench with the interesting looking machine is  
17 Cheryl Macdonald, our court reporter, and in some ways  
18 she's the most important person in the room today  
19 because it's important that she hear everything you  
20 say so that we get a complete and accurate record of  
21 your concerns for the Commission. If she should ask  
22 you to repeat something that you've said you don't  
23 need to expand upon it or tell her more about it.  
24 Just try to use the exact words and repeat them so she  
25 can get them down into the record if you would.

1                   In order for us to get everyone's comments  
2 today I would also ask you to limit your remarks to  
3 five minutes. Go ahead and present the public  
4 witnesses, Mr. Manifold.

5                   MR. MANIFOLD: Is it Bill Roletta?

6 Whereupon,

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

10

11                                   DIRECT EXAMINATION

12 BY MR. MANIFOLD:

13           Q.       Would you please state your name spelling  
14 your last name.

15           A.       Bill R O L E T T A.

16           Q.       And your address?

17           A.       Post Office Box 423, Maple Valley, 98038.

18           Q.       Are you a customer of either of these two  
19 utilities?

20           A.       Washington Gas.

21           Q.       But not Puget Power?

22           A.       And Puget Power, pardon me.

23           Q.       Both of them?

24           A.       Both.

25           Q.       Are you speaking on behalf of any



1 organization here today?

2 A. No.

3 Q. Please go ahead.

4 A. I've read the printed information that has  
5 been sent me, and I notice that it stresses this  
6 proposal is in the public interest. I am retired, on  
7 a fixed income, and the thing that I benefit from is  
8 competition because the price benefits the customer.  
9 You're proposing that these people, these two  
10 companies, should merge. My experience has been that  
11 when this has taken place in other parts of the  
12 country the public interest is no longer paramount  
13 because the -- particularly when gas and electric have  
14 merged the rates are comparable and higher.

15 Also, I was interested in the news release  
16 that the staff has proposed that this merger take  
17 place. The news release is dated September 23, and  
18 these public hearings are now October 14th. I am  
19 curious as how you could come to that conclusion  
20 without hearing public input. I guess that is the  
21 JIST of my coming here to make my comment because I  
22 personally would reject the merger. Thank you.

23 Q. Just a moment. Mr. Roletta, you indicated  
24 that you had received some materials in the mail. Was  
25 that -- you referenced a press release from the

1 Commission. Was the other thing the letter from my  
2 office? Is that what you received in the mail?

3 A. I believe it was, but somehow I didn't pick  
4 it up to bring with me, but I am on your mailing list.

5 Q. Thank you. Just a moment. Someone else  
6 may have a question.

7 JUDGE SCHAER: Are there any other  
8 questions from counsel? Any questions from  
9 Commissioners?

10 CHAIRMAN NELSON: Just like to respond, Mr.  
11 Roletta, the staff forms its own independent opinion.  
12 It's one of many, many parties in this case, however,  
13 and that's why we're here to hear your opinions, which  
14 might be different than a lot of the other parties, so  
15 thank you for your testimony.

16 JUDGE SCHAER: Thank you for your  
17 testimony.

18 MR. MANIFOLD: Fred Campbell.

19 Whereupon,

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

23

24 DIRECT EXAMINATION

25 BY MR. MANIFOLD:

1 Q. Would you please state your name, spelling  
2 your last name.

3 A. Fred C A M B P B E L L.

4 Q. And your address?

5 A. 437 Southwest Normandy Road, Seattle,  
6 98166.

7 Q. Are you appearing on your own behalf or as  
8 a representative of an agency?

9 A. I would say both.

10 Q. And the agency is?

11 A. King County Housing Authority.

12 Q. And as an individual are you a customer of  
13 both utilities?

14 A. One utility, Puget Power.

15 Q. Go ahead.

16 A. I'm speaking on behalf of low income  
17 ratepayers primarily. That's my primary interest. We  
18 at the housing authority have been operating  
19 weatherization and housing rehabilitation programs for  
20 over 20 years and have come to see a significant need  
21 in terms of affordable housing together with energy  
22 issues and certainly are very concerned about the  
23 impact this potential merger may have on their rates.  
24 So let me begin by saying that I support very much  
25 what the attorney general has already indicated in the

1 way of low income protections and concerns with regard  
2 to this merger.

3           We too want to make absolute sure that the  
4 low income households are not forced to carry some of  
5 the cost burdens associated with either a lower rate  
6 provided for the larger industrial users or the rates  
7 that may go up as a result of the elimination of low  
8 cost BPA power. So hopefully the low income people  
9 will not pick up on any of that cost moving. In fact,  
10 it seems as if the low income households should share  
11 equally in the benefits associated with this merger,  
12 that those benefits shouldn't be restricted to a  
13 particular class of customers.

14           In addition to that, I feel that some of  
15 the protections the attorney general has pointed out  
16 are very wise regarding assuring ongoing maintenance  
17 and service for all customers and especially low  
18 income customers. And the funding level, I think, is  
19 critical. We do see so much need out there in the way  
20 of energy conservation requirements that it seems as  
21 that the four and a half million dollars pointed out  
22 so far may just barely get to that need. It actually  
23 could be significantly greater than that. The one  
24 million dollars proposed so far by Puget Power I don't  
25 think will come even close to meeting that need, so

1 hopefully we'll find that they are asked to contribute  
2 at least that much.

3           And finally, it seems to me that -- I don't  
4 know if this has been addressed at all in the merger  
5 plan, but I feel that there ought to be some attention  
6 paid to renewable resources. It seems the day is  
7 coming when inevitably we look at more appropriate  
8 ways of cost accounting regarding our use of various  
9 generation sources, and when and if we ever come to  
10 apply the appropriate environmental costs to  
11 generation, the need for alternative sources,  
12 renewable sources, I'm sure will become clear. So  
13 hopefully this merger could mandate some degree of  
14 funding for experimentation regarding renewable  
15 resources and/or moving the market to assure that they  
16 do come on board. That's basically all I have to say.  
17 Thank you.

18           JUDGE SCHAER: Counsel have any questions  
19 for this witness? Commissioners, do you have any  
20 questions?

21           CHAIRMAN NELSON: Mr. Campbell, just so I'm  
22 clear, you're recommending approval of the merger with  
23 public counsel's conditions?

24           THE WITNESS: Together with an emphasis on  
25 the renewable resource side of it.

01047

1 CHAIRMAN NELSON: Thank you.

2 JUDGE SCHAEER: Thank you for your  
3 testimony.

4 MR. MANIFOLD: Dan Camilleri. Dan  
5 Camilleri from SeaTac Office Center. We'll come back.  
6 Rico Yingling.

7 Whereupon,

8 RICO YINGLING,  
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. Would you please state your name spelling  
15 both your first and last names.

16 A. Rico Yingling. First name is R I C O.  
17 Last name is Y I N G L I N G.

18 Q. And your address?

19 A. My home address is 28051 121st Avenue  
20 Southeast, Kent, 98031.

21 Q. And you're appearing here in a  
22 representational capacity?

23 A. I'm representing Borden Chemical, a  
24 customer of both Puget Power and Washington Natural  
25 Gas.

1 Q. What is your position with Borden?

2 A. I'm the plant manager.

3 Q. Please go ahead.

4 A. Do you want the address of the Borden  
5 facility?

6 Q. Sure.

7 A. The address of Borden is 421 First Avenue  
8 North in Kent, 98032. I'm here representing Borden  
9 Chemical. I should also say that I'm the president of  
10 the Kent Chamber of Commerce, and although I am not  
11 formally representing them we've had many discussions  
12 with the industrial and manufacturing concerns of the  
13 chamber on this issue and there's fairly widespread  
14 support from the manufacturers for this merger.

15 And they basically cover two of the points  
16 already in the article. First of all, lower costs.  
17 We feel that in general, not just for utility  
18 companies but in general, service companies are  
19 struggling these days to try to lower costs especially  
20 with the continual rising labor costs, and we feel  
21 that this merger would have important synergies that  
22 those two companies could take advantage of to  
23 hopefully reduce costs, but if not reduce costs at  
24 least hold the line on costs for the coming future.

25 Secondly, we like the idea of one stop

1 shopping. The fact that these two companies would be  
2 having a broader energy viewpoint instead of just  
3 electrical or just gas power is important to us. We  
4 want to -- Borden Chemical itself spends 20 to \$30,000  
5 a month on energy costs both electrical and gas, and  
6 having a supplier, a single supplier, that can look at  
7 our total energy needs and help us to understand how  
8 to utilize their products better from a broader  
9 viewpoint is something that's important to us. That's  
10 my statement.

11 Q. What does Borden Chemical do at your plant?

12 A. We produce resins and chemicals for the  
13 wood, paper foundry industries.

14 Q. And what sort of processes do you use?

15 A. They're basically all chemical processes,  
16 so there's a high utilization of electrical energy for  
17 large pumps, large motors I should say, and high usage  
18 of natural gas for heating, for heating process on  
19 chemical process lines.

20 Q. Do you know if Borden would be eligible for  
21 the what's called schedule 48 that was recently  
22 introduced by Puget?

23 A. I don't know.

24 JUDGE SCHAEER: Do any other counsel have  
25 questions? Any questions by Commissioners?



1                   CHAIRMAN NELSON: Just out of curiosity how  
2 many employees at the plant?

3                   THE WITNESS: 27.

4                   MR. MANIFOLD: 27.

5                   THE WITNESS: Uh-huh.

6                   JUDGE SCHAEER: Thank you for your  
7 testimony.

8                   MR. MANIFOLD: Roy Lumaco.

9 Whereupon,

10   ROY LUMACO,  
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.     Would you please state your name spelling  
17 your last name.

18           A.     My name is Roy Lumaco, L U M A C O.

19           Q.     And your address, sir?

20           A.     306 Montgomery Avenue, Cle Elum, Washington  
21 98922.

22           Q.     And you're a customer of Puget?

23           A.     That's correct.

24           Q.     Are you a customer of Washington Natural?

25           A.     No.

1 Q. You had a long drive today.

2 A. Yes, I did. It was a pleasant drive.

3 Q. Well, I'm glad to hear that. And you're  
4 retired?

5 A. Yes, I am.

6 Q. I know that because of the sheet here not  
7 because we've met. Are you speaking for anyone other  
8 than yourself?

9 A. Just myself.

10 Q. Please go ahead.

11 A. Madam Chairman and members of the  
12 Commission. I'm here to speak in favor of the  
13 proposed merger. Living in a small rural community as  
14 I do in Cle Elum I believe it's imperative that the  
15 cost cutting procedures that could avail themselves --  
16 be available to us with the merger would be an  
17 excellent proposal. I really do think that the best  
18 interests of the public will be served by allowing  
19 these two companies to merge, and the potential exists  
20 that a phenomena could happen in Cle Elum that  
21 eventually we may have natural gas as another source  
22 of energy. We happen to be in a pocket where natural  
23 gas was all around us but none has ever been produced  
24 -- serviced in Cle Elum.

25 I think it's a win-win situation. I

1 believe that the two companies merging will bring a  
2 scale of economy, and especially where I live not  
3 knowing where the future is of energy that the service  
4 and the price stabilization would be -- certainly  
5 would be a benefit to all of us. Thank you.

6 Q. May I ask what you did before you retired?

7 A. I was a dry cleaner, retired as a dry  
8 cleaner after 47 years and I was a Kittitas County  
9 commissioner and retired after serving 20 years.

10 JUDGE SCHAEER: Do any other counsel have  
11 questions for the witness? Commissioners, do you have  
12 questions?

13 CHAIRMAN NELSON: Just to refresh my  
14 memory, there are some towns in Kittitas County that  
15 have gas?

16 THE WITNESS: Yes, 24 miles away from us.  
17 Ellensburg.

18 CHAIRMAN NELSON: But there's no gas in Cle  
19 Elum right now?

20 THE WITNESS: No gas, no, ma'am.

21 CHAIRMAN NELSON: So you're hopeful that if  
22 the companies are allowed to merge that it may extend  
23 means for them to --

24 THE WITNESS: That's correct. The upper  
25 part of Kittitas is not serviced by any natural gas

1 company.

2 CHAIRMAN NELSON: Besides hope do you have  
3 any other reason to believe that may happen?

4 THE WITNESS: No, just hope.

5 CHAIRMAN NELSON: Thank you.

6 MR. MANIFOLD: You've been at these counsel  
7 meetings.

8 THE WITNESS: I may appear to be nervous.  
9 I haven't done this for many, many years.

10 MR. MANIFOLD: You haven't been on this  
11 side of the microphone. You were on the other side.

12 COMMISSIONER HEMSTAD: Are you a  
13 shareholder of either company?

14 THE WITNESS: Yes, a small shareholder in  
15 Puget.

16 JUDGE SCHAEER: Thank you for your  
17 testimony.

18 MR. MANIFOLD: That completes all the  
19 people who had signed up indicating they wanted to  
20 speak. Are there others who did not sign up who would  
21 now wish to make some comments? I should add that if  
22 you wish to submit comments in writing you may do that  
23 either to my office or to the Commission. The  
24 addresses for that are on the materials that are on  
25 the table in the back. If you choose to do that you

1 ought to do that within the next couple of weeks. Any  
2 other takers? Going once, twice.

3 JUDGE SCHAER: Well, thank you all again  
4 for attending this hearing.

5 CHAIRMAN NELSON: Thank you for your  
6 patience for waiting for us. We appreciate that.

7 JUDGE SCHAER: Yes, very much so. This  
8 hearing will stand in recess until 9:30 a.m. on  
9 November 4, 1996 in Olympia. We're off the record.

10 (Hearing adjourned at 3:16 p.m.)

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25