

0053

1 PSE, by SHEREE STORM CARSON, Attorney at Law,
2 Perkins and Coie, LLP, 10885 Northeast Fourth Street,
3 Suite 700, Bellevue, Washington 98004.

3

4

5

6

7

8

9

10

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 CHAIRMAN SIDRAN: I am Mark Sidran of the
3 Utilities and Transportation Commission, and I am joined
4 by my colleges, Mr. Phillip Jones, and Patrick Oshie, and
5 by our Administrative Law Judge, Judge Dennis Moss, is
6 going to be presiding over this evening's hearing.

7 First, I want to apologize for whatever
8 difficulties may have been caused in terms of actually
9 finding the site of this hearing, we usually try to do a
10 little better job of assigning due notice. But one of the
11 reasons we're starting late is because I couldn't find it,
12 and I was accompanied by a group who also couldn't find
13 it. So we will keep to our schedule, if needed, the full
14 two hours that have been set for this hearing, again I
15 apologize for starting a bit late.

16 I want to first thank all of you for coming it is
17 a beautiful evening for a public hearing, and we do
18 appreciate the fact that you've taken the time out of your
19 schedule to participate in this process. As I assume you
20 know, we have two separate matters, even though, we're
21 combining them for purposes of this evening's hearing.

22 There are two separate matters involving Puget
23 Sound Energy, one that relates to the transfer, or merger,
24 or sale, depending on how you wish to view it, of the
25 company. And the other related the proposed increases in

0055

1 the general rates the company for both electricity and for
2 natural gas.

3 Judge Moss will tell you more about the
4 formalities, if you will, of this proceeding this
5 evening. I will just keep me comments brief because we're
6 primarily here to hear from you, and it is, I think, our
7 job to provide as much time as we can for that. I will
8 only say that we take these public hearings seriously, as
9 post and part of the process of determining a fair
10 resolution of both of these cases.

11 And this evening is not the only opportunity for
12 customers or members of the public to comment on these
13 proceedings. There will also be two additional public
14 hearings, one in Bellingham and another in Olympia, and
15 there is I believe a less formal workshop, if you will,
16 that's going to be held in Woodinville, and you can find
17 out more about that from our staff and from today.

18 But in addition to these hearing processes, if
19 you hear something this evening that you want to respond
20 to, where you'd like to learn more about, and perhaps
21 comment on, there is an opportunity to file written
22 comments, either electronically or the old fashioned way,
23 and we have approximate cut off dates for that, and there
24 are different dates for the two different cases. For the
25 case that relates to the transfer or sale of the company

0056

1 is going to be around July 31st and for the rate case it's
2 going to be around August 29th.

3 So this the beginning, by no means the end, of a
4 very long process that will culminate sometime in the Fall
5 and the opportunity for public and customer comment in
6 addition to these hearings will be available after this
7 evening, as I mentioned, until at least July and August to
8 date.

9 So with that I will ask Judge Moss to begin the
10 formal part of this evening's hearing.

11 JUDGE MOSS: Thank you, Chairman Sidran.

12 For the record, we are convened this evening in
13 the matter styled Washington Utilities and Transportation
14 Commission against Puget Sound Energy, in Dockets
15 UE-072300 and UG-072301. The other matter is styled In
16 the Matter of the Joint Application of Puget Holdings LLC
17 and Puget Sound Energy, Inc., for an Order Authorizing
18 Proposed Transaction, Docket U-072375.

19 I have an agenda for this evening I'm going to go
20 through, Chairman Sidran has already given you some
21 explanation of the point that we are here on two separate
22 proceedings this evening, we combined these to avoid
23 confusion, and give everybody an opportunity to come by
24 tonight and speak on the transfer of property case, or the
25 rate case, or both, so you can speak to either one or

0057

1 both.

2 I'm going to talk to you a little bit in a moment
3 here about the standards of review that the Commission
4 operates under in these types of cases. And it is a
5 different standard in these two types of cases. I'll tell
6 you a little bit about the nature of our process this
7 evening. I'm going to identify the other participants,
8 the formal participants, in the proceeding we refer to as
9 parties. I'll give you a brief outline of what the
10 Company, what PSE, is asking for, in it's general rate
11 case, and what the applicants are asking for in the sale
12 case, and then we'll launch into the public comment
13 session, which is your opportunity to speak to us.

14 The Washington legislature establishes the
15 standards by which we review these types of matters before
16 us, in these two proceedings. In the general rate case,
17 we determine rates, the Commission determines rates that
18 are in the words of the legislation, fair and just,
19 reasonable, and sufficient.

20 What this requires is is that we will evaluate a
21 very significant volume of accounting and financial data,
22 and testimony, and lots of documentary evidence to
23 determine how much money the Company will be allowed to
24 recover in its rates to customers. We want the rates to
25 be fair to customers while also allowing PSE, the Company,

0058

1 to recover its cost of operation including a reasonable
2 margin of profit.

3 In the transfer of property case we determine
4 whether the transaction will be harmed to the public
5 interest. If and only if we are convinced by the evidence
6 that the public interest will be harmed, are we authorized
7 by law to reject the transfer. So those are the standards
8 of review.

9 Our process in general and tonight is what we
10 refer to as a quasi judicial process, it looks very
11 similar to the type of proceeding that you might encounter
12 if you've ever been into a civil courtroom. We sit as
13 judges, the Commissioners sit as Judges, I help them by
14 presiding at hearings such as this, and the evidentiary
15 hearing, they are the decision makers in this case, and it
16 will handled, as I said, in a judicial fashion.

17 The parties file testimony, the testimony of the
18 witnesses is filed testimony, and the witnesses are
19 subject to cross-examination and to questions from the
20 Commissioners at the evidentiary hearing. The comments
21 that we have here tonight are considered testimony, and
22 you will given those comments under oath, and I'll swear
23 you all in is collectively here in a few moments.

24 I want to identify for you the participants in
25 this providing, the formal participants, we call them

0059

1 parties, in addition to the Company, or the Companys, in
2 addition to the Company, or the Companys, we have the
3 Commission Regulatory Staff, Public Counsel, the
4 Industrial Customers of the Northwest Utilities who
5 represent large industrial customers, the Northwest
6 Industrial Gas Users, who similarly represent large
7 industrial gas companies, the Federal Executive Agencies,
8 who are a large customer of Puget Sound Energy, Seattle
9 Steam Company, the Cogeneration Coalition of Washington,
10 the Northwest Energy Coalition, the Kroger Companies,
11 that's Fred Meyer and Quality Foods, the Energy Project,
12 which is a low income public interest group, and New Core
13 Steel in Seattle, another significant customer.

14 Several of these Companies representatives here
15 tonight, and at this step, I'm going to give them an
16 opportunity to introduce themselves and do what we call
17 enter their appearance on the record. So I'll give it to
18 Mr. fFitch, please.

19 MR. fFITCH: Thank you, your Honor, Simon fFitch,
20 assist answer attorney general with the Public Counsel
21 Office.

22 MS. CARSON: I'm Sheree Storm Carson with Perkins
23 Coie, I represent Puget Sound Energy, in the general rate
24 case and Puget Sound Energy with their Holdings in their
25 energy office.

0060

1 MR. TROTTER: My name is Donald T. Trotter, I'm
2 the assistant to the attorney general and I'm assigned to
3 represent the Commission Staff in the merge case or the
4 transfer case, Bob Cedarbaum is the assist attorney
5 general assigned to the rate case, and is not here this
6 evening, so I'm here in his absence.

7 MS. DICKSON: My name is Danielle Dickson, and
8 this is David S. Johnson, we're here representing the
9 Northwest Energy Coalition.

10 JUDGE MOSS: Is there anyone else who to wishes
11 to enter an appearance this evening from one of the
12 parties? Mr. Roseman, you've just come in the room, we're
13 taking appearances, would you like to enter yours as you
14 take a seat, there's a seat up here at Counsel table.

15 MR. ROSEMAN: Thank you. The logistics were
16 challenging for me.

17 CHAIRMAN SIDRAN: As for others.

18 JUDGE MOSS: Why don't you tell us who you are,
19 and who you represent as you take a seat there.

20 MR. ROSEMAN: My name is Ron Roseman and I
21 represent the intervener, Energy Project.

22 JUDGE MOSS: Again, I'll ask if there are any
23 other appearances? Apparently not.

24 I want to give you just a very brief outline of
25 what PSE is asking for in its general rate case filing.

0061

1 Basically what the company is saying is that it needs
2 additional revenue, it needs to collect or recover
3 additional revenue in its rates for customers.

4 On the Electric side, the Company filed
5 originally for an amount of \$175 million in additional
6 revenue that amounts to an average increase of 9.5
7 percent. Subsequently, the Company has filed supplemental
8 testimony arguably supporting a revenue requirement of
9 \$180 million, or about a 9.8 percent increase.

10 According to the way these increases are
11 distributed, I imagine most of you here tonight are
12 residential customers, the residential impact will be
13 about 11.8 percent on the electric side. On the gas side,
14 the Company's original request was \$57 million or about a
15 5.3 percent increase on the average with the supplemental
16 testimony that goes to \$58 million or 5.4 percent, and for
17 residential customers it's about a 5.8 percent increase.

18 PSE says that the power cost increases that is
19 has experienced are the largest single category placing
20 upward pressure on its electric rates. The Company cites
21 the rising cost of natural gas for power generation and
22 increased demand for power as main contributors to higher
23 costs of generating power as well as the higher cost of
24 purchasing power. The cost of new generation facilities
25 plus storm cost recovery for 2006 and 2007, higher

0062

1 operating and maintenance costs, and higher depreciation
2 expense are other contributing factors.

3 On the gas side, facilities cost, operation, and
4 maintenance expense, and depreciation are driving the
5 increased costs that PSE seeks to recover in this case.

6 In terms of the transfer of property case, or the
7 sale, the applicants, the joined applicants, are asking
8 for the Commission for an order authorizing the proposed
9 transfer of ownership and control of Puget Energy and its
10 wholly owned subsidiary, Puget Sound Energy, to an entity
11 known as Puget Holdings.

12 The proposed transfer of ownership is one step in
13 a financial transaction that will ultimately result in
14 Puget Energy and its subsidiary no longer being a
15 publicly traded company. Puget Energy and PSE would be
16 privately owned by Investors Group comprised of several
17 private equity investment companies in Australia, and
18 several pension funds in Canada. The consortium is led by
19 the Nafari Group, which is based in Australia.

20 All right. Now, in terms of our process this
21 evening, there are, I don't know how many of these, I
22 haven't got the full roster, but we have a number speakers
23 tonight, we're going to limit your comments to four
24 minutes per speaker, you'll find that that's actually
25 quite a lot of time, we usually in fact limit these to

0063

1 three minutes and people have plenty of time. We decided
2 to expand it this evening given the fact that some of you
3 may wish to speak to both matters.

4 I will remind you at the end of your time, if it
5 appears you are going to run over, I will politely
6 interrupt you and ask you to please close your remarks so
7 that the next speaker can come up. We want to give
8 anybody a chance to be heard.

9 And in that connection, if the previous speaker
10 has said essentially what you wished to say, all you
11 really need to do is tell us that you agree with those
12 remarks, and there's no needs to repeat them, if you wish
13 proceed in that fashion.

14 We do ask that you listen politely as everyone
15 speaks, that this is a formal proceeding, we don't like
16 have to have applause, or boos, or hurrahs, or whatever
17 might come to mind, it's not that type of a meeting. So
18 we do ask that everyone listen politely so we can hear the
19 speakers, and court reporter can report everything that is
20 said.

21 Unlike me, you should try to moderate your pace
22 of speech, so that the court reporter can have an easier
23 time getting your words down, I see she's doing a good job
24 over there taking down my pace, which is probably a little
25 bit too fast.

0064

1 I want to remind you that is not the time for you
2 to ask questions of me or the Commissioners, the questions
3 that you may have tonight are best asked to the Company
4 representatives who have identified themselves, and there
5 may be other Company representatives or Commission
6 representatives here, our Consumer Affairs Staff you met as
7 you as came through the door here are there to answer
8 questions as well. If they can't answer your questions,
9 they can tell you how to go about getting an answer in
10 terms of contacting the Commission, public counsel, or
11 others.

12 As Chairman Sidran mentioned, we will continue to
13 take written comments until the conclusion of our hearing
14 process later this year, again, approximately July 31st in
15 the sales case and August 29th on the general rate case.

16 All right, at this time what I want to do is ask
17 all of you who have indicated on these sheets that you
18 wish to speak tonight, or those of you who have had second
19 thoughts since you said no, or put a question mark on
20 here, and have now decided that you're so comfortable with
21 this process that you do want to speak tonight, I'm going
22 to ask all of you to rise, and I'm going to swear you in
23 all at once, and that will save time as you come to the
24 podium. So everyone who wishes to testify, could you rise
25 and raise your right hand?

0065

1 JUDGE MOSS: Do you solemnly swear or affirm
2 under penalty of perjury that the testimony you give in
3 the proceeding will be the truth, the whole truth, and
4 nothing but the truth, please say I do.

5 THE GROUP: I do.

6 JUDGE MOSS: Thank you very much, you may be
7 seated.

8 I'll call your names as they appear on this
9 roster, basically in the order you came into the room and
10 signed up. I will have to ask a few preliminary questions
11 for the record, four questions in fact. I'll ask you
12 state your name and spell your last name for the record,
13 I'll ask you where you live, I'll ask you if you're a
14 customer of Puget Sound Energy, and gas electric, and I'll
15 ask you if you're testifying tonight on your own behalf or
16 as a representative of an organization.

17 All right. Oh, and I ask you too, please remain
18 at the podium briefly after you give your comments because
19 we do have to open up an opportunity for questions,
20 someone here at the bench may have a question for you to
21 clarify a point you've made, or counsel have the
22 opportunity to ask questions, although it's seldom that
23 they will have any questions.

24 All right. With that, let us begin with the
25 first person who had indicated that they wish to speak

0066

1 this evening and that will be Judith Clark.

2 MS. CLARK: Good evening.

3 JUDGE MOSS: Good evening, Ms. Clark, would you
4 please state your name and spell your last name for the
5 court reporter?

6 MS. CLARK: Yes, my name is Judith Clark,
7 C-L-A-R-K.

8 JUDGE MOSS: And where do you live, your address
9 or your community?

10 MS. CLARK: 932 100th Avenue Northeast in
11 Bellevue.

12 JUDGE MOSS: All right. And are you a Puget
13 Sound Energy customer?

14 MS. CLARK: Yes, I am.

15 JUDGE MOSS: Gas and electric or just one or the
16 other?

17 MS. CLARK: Electric.

18 JUDGE MOSS: All right, and are you testifying
19 tonight on your own behalf?

20 MS. CLARK: Yes, I am.

21 JUDGE MOSS: All right, thank you, please make
22 your statement.

23 MS. CLARK: I feel that there are still parts of
24 the United States that are covered by electrical co-ops,
25 and that it seems very extreme that our electrical service

0067

1 would be in the hands of investment bankers. And I feel
2 that what is really a sale is just a merger because it's
3 against the State law to sell this kind of facility that
4 does public service.

5 I don't feel that we'll be adequately protected
6 by FERC because we've learned about that during the
7 California issue. I think there are a lot of statements
8 that appear to me what I would call blue sky promises made
9 at the time of purchase, and that wouldn't give us
10 guarantees of concern kinds of keeping separate books and
11 records, that kind of brace.

12 I also have noticed that, at least this firm, is
13 looking at this as perhaps a mezzanine structure, which is
14 something that may be used as a non-traditional form of
15 financing.

16 And I just wanted to say that I've been tracking
17 the activities of this firm for quite a while because they
18 tend to be investing in toll roads, and I think that toll
19 roads is perhaps a more passive piece of infrastructure
20 than an electric or a gas utility.

21 And what I've noticed is they tend to make money
22 on their fees, and so when they renegotiate with the
23 locale, the fees evidently build the revenue source for
24 them, maybe more, like in the case of toll roads and the
25 tolls itself.

0068

1 And I've also noticed that where they were buying
2 a toll road, or were proposing to in Texas, that they
3 actually bought the newspaper in that area, and I think
4 that that's not necessarily a good sign about keeping
5 things independent. That's all I have, thank you.

6 JUDGE MOSS: Thank you, Ms. Clark. Are there any
7 questions for Mr. Clark? Apparently there are none.
8 Ms. Clark, thank you for your testimony this evening.

9 The next speaker is Roland Strolis.

10 MR. STROLIS: Good evening.

11 JUDGE MOSS: Good evening, would you please state
12 your name and spell your last name?

13 MR. STROLIS: First name Roland, Strolis,
14 S-T-R-O-L-I-S.

15 JUDGE MOSS: AND where do you live, Mr. Strolis?

16 MR. STROLIS: Kirkland.

17 JUDGE MOSS: All right. And are you a Puget
18 Sound Energy customer?

19 MR. STROLIS: Yes, I am.

20 JUDGE MOSS: Electric?

21 MR. STROLIS: Both.

22 JUDGE MOSS: All right. Are you testifying
23 tonight on your own behalf?

24 MR. STROLIS: Yes -- well, on my family's
25 behalf.

0069

1 JUDGE MOSS: On your family's behalf, very good,
2 thank you, your statement please.

3 MR. STROLIS: This is relation to the acquisition
4 of PSE and the concerns I've developed. Now, obviously,
5 your team's studying have a lot more information, and more
6 disposal than I do, but I did spend some time on the
7 Internet and pulled a lot of facts out, and all they do
8 there is substantiate my concerns, I'm not sure if I
9 picked it that way or not. But I'm going to read these,
10 if that's okay with you, rather than give a presentation.

11 The way I approached it was when I first heard
12 about the PSE issues, maybe possibly selling it, I
13 reflected on my wife's homebase, which is Montana, where
14 Montana Power was at one time located, and I have some
15 links from Montana Power, also I looked at some of the
16 issues that happened with Enron locally, and then reflect
17 on Enron slightly, and then, of course, my opinions on the
18 Macquarie bank itself, okay.

19 For many years Montana Power for 90 years Montana
20 Power Company provided cheap reliable electricity for
21 people in Montana, excellent benefits for thousands of
22 employees and generous reliable dividends for its
23 stockholders, the only people not satisfied with the
24 arrangement were the executives of Montana Power. In '97
25 there were lobbyists who to pushed the bill through the

0070

1 State legislature to deregulate the price of electricity
2 and open up the market to competition.

3 Within six months of the bill's passage the
4 company began selling off its generating assets, today
5 multiple lawsuits are still pending. In 2004 a
6 lawsuit was filed in Butte accusing the New York
7 Investment Bank and a Wall Street Law Firm for conspiring
8 with Montana Power that as a result of the deregulation
9 law passage led to the dismantling of Montana Power. We
10 sold off its energy assets and became Dutch America, which
11 filed for bankruptcy in 2003, and so it goes.

12 In 2002 when a class action lawsuit was filed
13 representing both participants of beneficiaries of Montana
14 Power retirement plan seeking restitution for their
15 retirement losses. Also in 2002 a lawsuit was filed by
16 past Montana employees with a trial date of no sooner than
17 2010, they are seeking workers compensation benefits they
18 claim were due from Montana Power.

19 So it hasn't gone away even after that long a
20 period of time.

21 Well, what's the Enron legacy that we have
22 locally here? In 2006 USA Today wrote the company Enron
23 remains a symbol of corporate greed, and one of the
24 most costliest U.S. bankruptcy reorganizations ever.

25 Small triumphs, however we had in the Northwest,

0071

1 if you want to look at it that way, for our power and
2 utilities. In 2002 Tacoma Power filed a claim with part
3 of Enron's bankruptcy asserting that the crisis of 2000
4 and 2001 energy crisis were the result of a Houston based
5 energy company manipulation of the market.

6 Recently, bankrupt Enron Corporation has greed to
7 refund Tacoma Power 3.3 million though the City owned
8 utility will likely see only a fraction of that amount.

9 In 2006 after years of litigation, FERC the
10 federal Energy Regulatory Commission determines that the
11 Snohomish County Public Utility District need not pay
12 termination fees of 120 million in a contract it broke
13 with Enron because Enron used financial fraud to induce a
14 utility to enter into a contract. The actions were
15 enabled by legislation sponsored by Senator Cantwell and
16 Representative Jim Henley.

17 Similarly small recoveries likely await for Port
18 of Seattle, which estimated that Enron market
19 manipulations cost King County tax payers 27 million and
20 Seattle City Light was stripped of 80 million.

21 JUDGE MOSS: Mr. Strolis, I'm going to caution
22 you, you have about 30 seconds.

23 MR. STROLIS: You're kidding? I've already blown
24 four minutes? Geez, all right, well, I'm going to skip
25 right to the Australian Canadian U.S. Let's see, what can

0072

1 I -- let's see, where I do want to --

2 One of the investors according to Macquarie Bank
3 has a history the of making infrastructure investments
4 that have been compared to -- there's nothing illegal
5 about what Macquarie is doing, but if the credit market
6 shuts down, as the mortgage market did, Macquarie can't
7 pay the promised dividends and the price per share would
8 likely plunge.

9 Owing future gross to pay investors today bears
10 the hallmark responsibilities said Jim Chanos president of
11 Kindacos Associates. Chanos was an early critic of Enron,
12 short selling Enron stock, and is now short selling
13 Macquarie stock.

14 For the point of interest by 2007 there was an
15 article in the Australian newspaper that said Macquarie go
16 unpublished with purchases of some radio stations --

17 JUDGE MOSS: Mr. Stolis, your time is up, I'm
18 going to tell you though, since you've typed everything
19 out for us there, it appears to be either typed or
20 handwritten, either one, you can hand us that, and that
21 will be part of the record.

22 MR. STROLIS: Yes, I can.

23 JUDGE MOSS: And while you're doing that, I want
24 to tell those of you in the back of the room who are
25 standing there that we are putting more chairs in the

0073

1 front here, so if you'd like to take a seat, please come
2 up and take a seat, so you will be more comfortable
3 throughout the remainder of the hearing. Thank you very
4 much.

5 MR. STROLIS: Thank you for letting me have a
6 quick four minutes.

7 JUDGE MOSS: All right, the next person who
8 indicated that they wish to speak is Christopher Hall?

9 MR. HALL: I'll pass on that.

10 JUDGE MOSS: All right, very good. The next
11 person who has indicated a definite interest in speaking
12 is Lyle Neilson. Mr. Neilson, come forward, please.

13 Again, those of you in the back, we do have some
14 seats up front here, and you're welcome to come take one.

15 Would you please state your name and state your
16 last name for the record?

17 MR. NEILSEN: Yes, Lyle P. Neilsen,
18 N-I-E-L-S-E-N.

19 JUDGE MOSS: And where do you live, Mr. Neilson?

20 MR. NEILSEN: I live at 20818 Marine View Drive
21 Southwest in Kirkland, Washington.

22 JUDGE MOSS: And are you a Puget Sound Energy
23 customer.

24 MR. NEILSEN: Yes, for both gas and electric.

25 JUDGE MOSS: Thank you, and are you testifying on

0074

1 your own behalf?

2 MR. NEILSEN: Yes, sir.

3 JUDGE MOSS: All right, please make your
4 statement.

5 MR. NEILSEN: My statement tonight has to do with
6 the service quality portion of the rate increase that PSE
7 is requesting of the Commission, and I would just like to
8 say that the PSE rules and regulations, Rule No. 8 under
9 metering and Section 6 repair of adjustment of meters of
10 the estimates that this utility estimates on past
11 infractions or discrepancies in their rate billing
12 process, I think that leads to a lot of questions within
13 this company, and should be taken very hard look at this
14 rate increase, and that the Commission deny its request.

15 And the cost cutting measures should be foremost
16 in their procedures to get their rates to where they need
17 to be, because quite frankly I don't believe any of us can
18 afford the nine to ten percent increase when our pay and
19 our incomes don't reflect that. That's all I'd like to
20 say.

21 JUDGE MOSS: Mr. Neilson, any questions?
22 Apparently not. Thank you very much for your statement
23 this evening.

24 MR. NEILSEN: Thank you.

25 JUDGE MOSS: Valerie Dala. Good evening.

0075

1 MS. DALA: Hello.

2 JUDGE MOSS: Please state yourself name for the
3 record and spell you last name.

4 MS. DALA: Valerie Dala and last name is spelled
5 D-A-L-A.

6 JUDGE MOSS: And where do you live, Ms. Dala?

7 MS. DALA: Kirkland.

8 JUDGE MOSS: And are you a Puget Sound Energy
9 customer?

10 MS. DALA: Yes.

11 JUDGE MOSS: Gas electric?

12 MS. DALA: Both.

13 JUDGE MOSS: And are up testifying on your own
14 behalf?

15 MS. DALA: Yes.

16 JUDGE MOSS: All right, please make your
17 statement.

18 MS. DALA: Okay, first of all, I always thought
19 that Puget Sound Energy, it seems like a pretty good
20 company, it's innovative, like with the wind, thermal,
21 solar, and seemed always more concerned toward long term
22 growth versus short term gain, which all has that has
23 happened with Wall Street.

24 Anyway so I've always kind of -- for a company I
25 guess, it seems a good role model and direction that we

0076

1 need to go. So it seems like a healthy kind of company,
2 and it seems like maybe the Nafari and Company group that
3 kind of a healthy host, you know, it's kind of like, oh,
4 this is good to suck on to, and I'm not very excited
5 about -- this seems to be 100 percent foreign ownership,
6 and it seems as if we already have a pretty hefty
7 addiction to foreign energy as far as oil, and then it
8 seems like this other -- I guess we get a lot of our gas
9 from Canada, but seems like it would be kind of like we're
10 even more addicted to foreign energy supplies or in
11 control of it, a monopoly of it, and so I'm not very
12 excited about that.

13 And then the other thing is as far as the rate
14 increase, like for me, I have gas only for my furnace, and
15 so with the \$18 a month for something I would use for
16 maybe four months or so out of the year, it seems like
17 since I have electric water, so it seems like, you know,
18 the customers where the gas would only be for the furnace
19 and not for something that you use constantly, it seems
20 like \$18 is kind of a hefty rate, so that would be my
21 concern on that.

22 JUDGE MOSS: Thank you, just a moment, please.
23 Any questions? Apparently not. Thank you for your
24 remarks this evening.

25 MS. DALA: Sure.

0077

1 JUDGE MOSS: We do have a couple more seats up
2 front here, anyone standing in the rear and would like to
3 come up, we have three seats up here available. Eva
4 Hagenmire in the case uncertainty, Ms. Hagenmire, do you
5 wish to speak?

6 MS. HAGENMIRE: I pass, thank you.

7 JUDGE MOSS: All right, thank you very much.
8 Richard Cole, do you wish to comment? Good evening,
9 please state your name and spell your last name for the
10 record.

11 MR. COLE: My name is Richard Cole, C-O-L-E, and
12 I'm in Redmond, I'm a customer, and I'm here to ask your
13 support in favor of this transition of ownership.

14 JUDGE MOSS: And you're testifying on your own
15 behalf?

16 MR. COLE: Yes.

17 JUDGE MOSS: All right, your statement, please.

18 MR. COLE: So you know, I've been a shareholder
19 for almost 30 years -- a 30 years as a CPA, a financial
20 analyst, I've followed the financial situation of Puget
21 Power over the years. They're ability, is my
22 understanding, so raise capitol has just restricted for a
23 bunch of reasons, but with the growth going on in the
24 region, in the four county region alone, in Puget Sound
25 there's over a million and a half people going to be

0078

1 moving in here by 2040.

2 And for Puget Sound Energy serves a much broader
3 base than that, but without this capital, increase in
4 capital, and the availability in capital, there is just
5 not a way for them to grow to support all these people,
6 not to mention the cost of infrastructure nowadays or
7 whatever it is, roads, buildings, cement, it's just going
8 through the roof, the cost of roads, everything is just
9 getting so expensive, I believe they have to have this
10 source of new capital in order to continue to provide the
11 services. So with that encourage your support, I'm going
12 to miss the dividends, but we needs it.

13 JUDGE MOSS: Thank you, Mr. Cole, any questions?
14 Apparently not. Thank you for your statement this
15 evening. Todd Boyle? Mr. Boyle, would you please state
16 your name and last name for the record?

17 MR. BOYLE: Todd Boyle, B-O-Y-L-E.

18 JUDGE MOSS: And where do you live?

19 MR. BOYLE: 9745 128th Avenue in Kirkland.

20 JUDGE MOSS: And are you a Puget Sound Energy
21 customer?

22 MR. BOYLE: Yes.

23 JUDGE MOSS: Gas, electric, both?

24 MR. BOYLE: Both, yeah.

25 JUDGE MOSS: And are you testifying on your own

0079

1 behalf this evening?

2 MR. BOYLE: Yes.

3 JUDGE MOSS: All right, please make your
4 statement.

5 MR. BOYLE: Basically I'm a happy camper with
6 PSE, I don't have a problem, you know, with rate
7 increases. We all know that the price of energy is going
8 up globally, the availability is down, I do have some
9 concern that I'll talk about later about our competence as
10 energy buying, that's always an issue. And when you talk
11 about changing the ownership, and management of a company,
12 then that's a vote of confidence and trust in the new
13 people coming in that they will fully be faithful to our
14 best interests, and how they buy energy, and from whom
15 they buy energy, and the terms of the transaction that
16 they made which are impossible for ordinary citizens to
17 keep up with.

18 Basically I'm not unhappy with PSE, we've had a
19 lot of power failures, you know, two, or three, or four
20 times a year sometimes, the power goes out for half day, a
21 day, it was out six days during the storm, you know, can
22 live with this. I do not want a gold plated
23 infrastructure, I know how much it would cost to
24 underground everything and make it impregnable from
25 falling fir trees because we live in a tree laden area.

0080

1 So I don't want greater reliability, I don't want more
2 staff, and I definitely don't want higher rates.

3 And the reason I came here tonight, I'm very
4 concerned about private equity firms taking over any stake
5 in our state enterprise here, which is basically a
6 monopoly enterprise, it's basically an entity that's
7 operated by a government agency, okay, we all have one gas
8 pipe and one electric line coming into our house. We
9 don't have free and fair competition, there's nothing
10 whatsoever to do with the market involved here, okay?
11 There really isn't any role for any private firm, in my
12 opinion, to be getting dividends or interest out of our
13 rates.

14 In other words, our cost to capital to PSE should
15 be the lesser of two numbers, and that is the market rate
16 for government issued bonds for the same maturity and the
17 same risk, which this is a lower risk operation, the
18 lesser of that, which is available by our government on
19 capital markets, or if somebody wants to offer it cheaper
20 for some reason, which I can't imagine why, that isn't how
21 the world works, that isn't how I -- I was a CPA for 20
22 years, I did thousands of peoples tax returns just like
23 you with six, and seven, and eight figure numbers in them,
24 and I'm not, you know -- I'm not going to be boiled like a
25 typically frog, you're not just going to raise my rates

0081

1 five percent at a time, okay? The frog, this frog, ain't
2 boiling.

3 Now, what's going on? I would like to enter into
4 the record, if I can, by reference the Wall Street
5 Journals report on the income -- or I should say
6 compensation taken by private equity partners over the
7 last two or three years. I'd also like to enter into the
8 record, Wikkipedia articles on the California Electric
9 crisis and the Enron crisis, which provide background
10 information on this. And the role of Arnold
11 Shwartzenegger by the way and Enron, okay?

12 So what I see happening here is not only are we
13 paying today some layer of our rates to pay Puget Sound
14 Energy, a corporation, so that it can pay dividends and
15 pay for its cost to capital, okay. I mean that's
16 reasonable, we have to pay our cost of capital, but why do
17 we have to pay any more than the government to borrow
18 their for? This is really not that complicated. And now
19 comes foreign owned private equity capital who wants to
20 take this thing into opaque land where we won't even know
21 who the stockholders are, how they operate, how much
22 profits they're making, or any of this stuff.

23 I mean most of the countries in the world don't
24 let foreign companies come in and take over their
25 utilities, you know, Americans must be kind of naive.

0082

1 First, we have Bush printing \$10 billion, right, and it's
2 spreading all over the world, and it piles up overseas,
3 and is it any wonder these guys want to come over and buy
4 our utilities, I mean how stupid are we anyway?

5 JUDGE MOSS: Mr. Boyle, let me caution you,
6 you've got 30 seconds.

7 MR. BOYLE: Okay, well, anyway you get the point.

8 JUDGE MOSS: Mr. Boyle, you've mentioned several
9 things that you might want to submit for the record, do
10 you have those things with you tonight?

11 MR. BOYLE: Hmm-hm.

12 JUDGE MOSS: All right, well you can submit those
13 in the form of writing comments, if you wish to do so.
14 Well, the next speaker I have indicated on this roster is
15 Frank Griffin. Mr. Griffin, please state your name for
16 the record and spell your last name.

17 MR. GRIFFIN: Frank Griffin, G-R-I-F-F-I-N.

18 JUDGE MOSS: And where do you live?

19 MR. GRIFFIN: Carnation, Washington.

20 JUDGE MOSS: And are you a customer of Puget
21 Sound Energy?

22 MR. GRIFFIN: I am.

23 JUDGE MOSS: Gas, electric, both?

24 MR. GRIFFIN: Electricity.

25 JUDGE MOSS: All right, and are you testifying on

0083

1 your own behalf this evening.

2 MR. GRIFFIN: No, I'm not.

3 JUDGE MOSS: And whose behalf are you testifying
4 on?

5 MR. GRIFFIN: Seattle Public Schools.

6 JUDGE MOSS: All right, thank you very much, and
7 please make your statement.

8 MR. GRIFFIN: Thank you for having me tonight. I
9 wanted to testify on the rate increase and the impacts
10 that they will have on the schools. The rate increase
11 that Puget Sound Energy is proposing eliminates Rate 36,
12 which is a rate that schools use. This will be an 8.6
13 percent rate increase by forcing us onto Rate 31. That
14 8.6 percent, you know, will significantly impact schools,
15 we don't have the ability to raise revenues, you know, the
16 we fixed amount of money that we are able to get from the
17 State and from levies, and we have no ability to raise
18 additional funds.

19 Therefore, you know, the statement of does it
20 effect or harm public interest, I would suggests it fails
21 that test. I'm not sure that this is any different than
22 if you review the low income, you know, and while we don't
23 like to think of ourselves as low income, many school
24 systems are very struggling with budgets, and by
25 eliminating Rate 36 you're really making us make cuts to

0084

1 our teaching and learning side of the house.

2 The other point I would like to make is that many
3 of our schools on Rate 86, which is an interruptible rate,
4 and we are struggling with that rate, that rate is not
5 cost effective for us. The cost of maintenance and
6 operation of those systems to maintain the backup fuel is
7 no longer cost effective for us. We've done analysis
8 where we can show that getting off that rate is more cost
9 effective, but because of infrastructure limitations that
10 PSE has, we cannot get off that infrastructure. We are
11 building new schools and we're required to put in a backup
12 fuel system, and that's effective -- or very costly to,
13 you know, underground storage, oil, and those things, and
14 so the incentive for that is not there, and PSE is getting
15 the benefit of that rate, you know, by us being able to
16 curtail our usage during high usage periods, and the
17 customers are getting that benefit, and that's, you know,
18 a burden that many Rate 86 customers are having to pay,
19 you know, it's a significant inconvenience and challenge
20 just to keep those systems operating.

21 I'd also just suggest that schools bring a
22 greater benefit to the public just general, in addition to
23 providing education for children. We also are a community
24 place, and you know, if there was a disaster, those sites
25 would be used for disaster and we would have that backup

0085

1 fuel, but you know, if we could get off of it, we would
2 get off of it. And again, in summary, you know, I'd just
3 like to say that we'd like to see Rate 36 remain, and we'd
4 like to have the Commission look at Rate 86, and either
5 allow schools or customers to come off of that rate with
6 no penalty, or you know, look at the price incentive to
7 where it's fair and equitable, and we do not think it's
8 fair and equitable. I think that the PSE is asking for a
9 rate increase for maintenance, capital costs, but we have
10 that same issue with Rate 86. Thank you.

11 JUDGE MOSS: All right, any questions?

12 Apparently not, thank you for your remarks, and you may
13 sit down. Melinda Cockerham?

14 Please state your name, and you already know the
15 questions by heart, go ahead.

16 MS. COCKERHAM: Melinda Cockerham,
17 C-O-C-K-E-R-H-A-M, I live in Bellevue, I'm gas and
18 electric. I mainly came to talk about the rate increase.

19 JUDGE MOSS: Let me ask you if you're testifying
20 on your own behalf or on behalf of someone else.

21 MS. COCKERHAM: My own behalf.

22 JUDGE MOSS: Thank you.

23 MS. COCKERHAM: I said I, but I guess you didn't
24 hear that, that's all right.

25 My concern is that we as a society need to

0086

1 conserve energy, and these rate increases do not promote,
2 or do not give you any benefit for conserving. I use a
3 very, very small amount of energy. I cut my heat to 63,
4 and yet I'm going to be charged the same amount as my
5 nephew who has the same size house and keeps his at 68
6 because the amount that they are going to basic charge now
7 increase from -- just a second -- 8.25 to \$18.

8 I think what we should do is make a basic charge
9 at a lower rate than people that use above a certain rate
10 get charged other charge.

11 So therefore, the lady that spoke earlier she
12 said that she has a gas furnace and she's going to get
13 charged this increase of almost \$10 a month, every month
14 when she only uses it only three or four times a month.
15 So that's my --

16 JUDGE MOSS: Does that conclude your remarks?

17 MS. COCKERHAM: One more thing, I do not like the
18 merger.

19 JUDGE MOSS: All right, any questions?

20 Apparently not, thank you very much. Charles Smith, you
21 have a question mark by your name, do you wish to speak?

22 MR. SMITH: Pass.

23 JUDGE MOSS: All right, thank you. And Ron Owen
24 is the next person who wishes to speak. Mr. Owen?

25 MR. OWEN: Hi, my name is Ron Owen, I am from

0087

1 Kingston, Washington, I am speaking on behalf of Kitsap
2 PEAK Action Network, and I'm an electric customer.

3 JUDGE MOSS: All right, very good.

4 MR. OWEN: I became interested in Macquarie when
5 the news first hit, and I've been studying economics,
6 specifically Australian economics on the Internet,
7 probably for the past three or four years, and seen the
8 trends, you know, the push toward the commodities market
9 versus the stock and bond market, and I can see the
10 attractiveness to Macquarie and Puget Sound Energy quite
11 frankly based on where the markets are going, but I have
12 to sit back -- and I have an engineering background as
13 well, I have to ask, you know, everybody why are we -- you
14 know if we own the cow, are you selling it to buy milk --
15 I mean, you know, there's no better business to be in
16 right now than energy, so I'm thinking, okay, well, what's
17 going to be more -- you know what's going to be a better
18 investment for the owners of Puget Sound Energy, strip
19 malls, commercial, no, those are going under. Where are
20 they going to put their money that's going to provide them
21 with a better rate of return than electricity? Maybe
22 natural gas, but that powers electricity, maybe oil, but I
23 mean, that's, you know, part of the same matrix, so you
24 know, part of it makes me think, you know, there's
25 probably a regulatory umbrella that is so heavy they don't

0088

1 think they can recoupe their costs without kind of having
2 to back door it and go to the international bankers who
3 are creating this credit out of thin air to pay for this,
4 it's leveraged capital to do so. And I think that that's
5 something that needs to be taken into account here. This
6 isn't money that people have saved up, I mean, they might
7 take a small portion of retirement funds, and leverage it
8 ten to one and go out and buy an energy company, whoo-hoo,
9 but if you take a close look at their credit and their
10 debt that they are using, it's like an optionally -- those
11 rate adjusting arm loans, it starts at a low interest rate
12 that they are paying right now, but it explodes as the
13 bond matures, and as an example a recent CNN article was
14 given the Chicago SkyWay Project, which currently it's a
15 \$919 million bond currently Macquarie is paying like
16 \$219,000 in interest on it. And what I think what that
17 meant was that right now the Chicago residents had to pay
18 like an extra .50 to use the service, but by the year 2017
19 the amount of interest payment explodes to over \$400
20 million on a \$900 million dollar bond, so you can see that
21 you know the interest rates are designed to shoot up over
22 time, but by that time, I mean, that's several years down
23 the road, it's baked into the cake. So I mean, what are
24 you going to do when you've got ten years of operating
25 experience, and they say, oh, by the way all the retirees

0089

1 are coming of age, so we have a geometric growth rate
2 going on with retirement. Yeah, we have more or less a
3 static energy base. So you're going to come into a supply
4 and demand situation I think within the three to five
5 years where they're going to say, you know, our operating
6 costs are way up, we have to pay our return, we have to
7 pay our bonds back, so I think that there's a great, you
8 know, there's a great possibility that there would be, you
9 know, larger rate increases than would be warranted just
10 purely by what electricity's trading for, spot electricity
11 is trading for right now. But I would agree, one last
12 point, that they're rates are actually quite reasonable
13 right now because I've been tracking spot electricity and
14 it's \$79 a megawatt hour, so I mean, I'm paying .79 a
15 kilowatt hour, so to me it looks like I'm getting
16 electricity for the cost for the product and no markup
17 basically, you know, when I do the math. So I'm thinking,
18 okay, well, you know, let them raise the rates, you know,
19 as long as it's indexed some way to like a weighted moving
20 average of spot electricity price say like over a three
21 month window, you know, and then some percentage on top of
22 that, and PSE is golden, they can operate, they can raise
23 capital on their own, we don't need to go to the
24 Australians to raise capital.

25 JUDGE MOSS: Mr. Owen, taking you at your word

0090

1 you have one last point, I did not caution you at the --

2 MR. OWEN: Oh, well that's true, that's a good
3 point they are paying like 8.69 dividend on their stock
4 right now, so I mean that money's got to come from
5 someplace, and you know, I just think that right now we're
6 going down into a very dark corner where we won't know
7 what we're going to be getting charged or what the basis
8 is of our raise.

9 JUDGE MOSS: Thank you.

10 MR. OWEN: Thank you.

11 JUDGE MOSS: Michael Johnson? Mr. Johnson will
12 you state your name for the record and spell your last
13 name?

14 MR. JOHNSON: Michael Johnson, J-O-H-N-S-O-N.

15 JUDGE MOSS: Where do you live?

16 MR. JOHNSON: I live in over in Medina within
17 walking distance of the Gates family.

18 JUDGE MOSS: All right, and are you a Puget Sound
19 Energy customer?

20 MR. JOHNSON: Yes, I am; so is Bill.

21 JUDGE MOSS: Are you testifying on your own
22 behalf?

23 MR. JOHNSON: Yes, I'm testifying on my behalf,
24 but not Bills.

25 JUDGE MOSS: Okay, good. Please make your

0091

1 statement.

2 MR. JOHNSON: I'm against this merger with a
3 foreign company, and it really isn't a merger, it's a
4 raid, it's a takeover of the public domain. And this is
5 privatization, privatization is currently the scourge of
6 our country where private enterprise is taking over the
7 public domain. And so what you're asking me is to take my
8 bill, and have part of that bill going toward paying
9 pensions in Canada, right? There's pension companies in
10 Canada are going to own my bill, and Australia, people
11 there are going to want money from me to keep them paying
12 their electric bill I guess.

13 So it says on the Puget Sound Energy website this
14 is a Washington based company whose core business is Puget
15 Sound Energy a regulated utility, regulated by you, the
16 Commissioners. You're watching out for us, the public
17 domain, so we're asking to go against this merger in our
18 best interests.

19 And what they say in their, you know, what I get
20 it in the mail, they say, living in Puget Sound we are
21 continually challenged to find a balance between a
22 thriving economy and challenges to the surfaces,
23 maintaining this balance requires old ways to find new
24 opportunities. New opportunities means privatization, and
25 that's just a catch word for these vultures that are

0092

1 praying on the common domain, and they go on to say that
2 the way to -- the solution to keep investing in new
3 infrastructure and renewable energy is to merge with --
4 they call them infrastructure fund partners, and this
5 merger will provide access to capital we need to
6 continue. So they are threatening us saying that if we
7 can't get this \$5 billion we can't get renewable energy,
8 we can't keep up our infrastructure.

9 Well, this a wholly owned subsidiary Puget Sound
10 is, and they pay quarterly dividends. For 82 years 260
11 quarters in a row, they have paid dividends to their
12 stockholders. They have made a profit for 82 years off of
13 our paying the bill, and this will all come to an end.
14 But I say, if they can't think of a better way to come up
15 with this \$5 billion like maybe instead of giving .25 per
16 share dividend per year, why not give .02, and take those
17 hundreds of millions of dollars that they give away in
18 dividends, why can't they plow that into renewable energy
19 and infrastructure? If they can't think of a better way
20 to solve this big problem they have, they should be fired,
21 they should gone. Because they are not representing us
22 the public interest. And you as the Commissioners have a
23 duty to represent us. And so Bill Aire, Phillip Campbell,
24 Craig Cole, Tumishi Marigushi, Kenneth Mortimar, Sally
25 Nordic and George Watson are the board members of Puget

0093

1 Sound Energy, they have to go if this the best idea they
2 can come up with, they have to go, and that goes for the
3 Commissioners also.

4 JUDGE MOSS: Mr. Johnson, you have 30 seconds.
5 I'm going to ask you to please not applaud, and keep your
6 laughter down so we can hear our speaker.

7 MR. JOHNSON: For my last 30 seconds, the lawyers
8 that represent these vultures, how do you sleep at night?
9 Do you have a conscience, it's very obvious this is
10 something that we own that we are just giving away. They
11 are paying you hundreds of dollars to be here tonight, our
12 money -- they're investing their money to get you to come
13 here to listen to us to figure out how you're going to get
14 these Commissioners to vote for you so that they can make
15 a profit off of our paying the electric bill.

16 JUDGE MOSS: Mr. Johnson, your time is expired,
17 thank you very much.

18 MR. JOHNSON: You're welcome.

19 JUDGE MOSS: Any questions? Apparently not. I
20 am going to remind everyone again that this is a formal
21 hearing tonight, and I do ask that you maintain the
22 decorum of the hearing and that we have an orderly
23 hearing, so I'll ask you not to applaud, please. You can
24 applaud in your heart or in your mind, but not out loud, I
25 appreciate it, thank you.

0094

1 Next speaker is Linda Boyd. Mrs. Boyd, please
2 state your name and spell your last name.

3 MS. BOYD: Hello, my name is Linda Boyd, that's
4 spelled, B-O-Y-D. I live in Clyde Hill, I'm here
5 representing solely myself, and I am a customer for both
6 gas and electric.

7 JUDGE MOSS: You know my questions.

8 MS. BOYD: Hm-hmm. I oppose the sell of Puget
9 Sound Energy and Puget Energy, the water and the land
10 belong to the people of Washington State as they always
11 have. And by selling, we lose local oversight, and
12 oversight is one of the most important jobs that faces
13 you. And we demand as the citizens of this State that we
14 keep control of our local resources. Washington State is
15 a very wealthy state, and we are a growing state, and
16 there's no need for us to give away the resources that are
17 our birthright.

18 I request a full accounting of the cost to the
19 public for every dollar of profit, that's a full
20 accounting of externalities. The accountants on the board
21 know what that means, and I've would like to see that be
22 made public.

23 The idea of selling the company to raise capital
24 is selling the house to get a new garage door, there's no
25 profit in that for the public. It's the most

0095

1 antideмократиче thing I can think of to sell local
2 resources, we're talking about the Skagit River, the
3 Snoqualmie River, we're talking about our land, our salmon
4 run, CO2 in our air, these are things that we share
5 whether we profit from it or not. The land and the water
6 is ours in perpetuity, so the idea of selling to foreign
7 investors is repellent.

8 Remember Enron, remember the rolling blackouts,
9 please reject this transfer, thank you.

10 JUDGE MOSS: Thank you, Ms. Boyd. Next speaker
11 your name is Vanwink, there's a couple indicators, does
12 one of you wish to speak?

13 MR. VANWINK: Yes.

14 JUDGE MOSS: Please come forward, good evening.

15 MR. VANWINK: Hi, I'm Steve Vanwink,

16 V-A-N-W-I-N-K.

17 JUDGE MOSS: And where do you live Mr. Vanwink?

18 MR. VANWINK: Poulsbo, Poulsbo, Washington?

19 JUDGE MOSS: Are you a Puget Sound Electricity
20 customer?

21 MR. VANWINK: I am a Puget Sound electricity
22 user, and I'm representing myself.

23 JUDGE MOSS: All right, go ahead.

24 MR. VANWINK: What I'd like to do is read into
25 the record, if I could, a newspaper, a very short letter

0096

1 to the Bremerton Sun by a Robert Fitzgerald in Bremerton.
2 He compared his Puget Sound Energy bill with City Light,
3 Tacoma Power, and Mason Power PUD just to get a
4 perspective on what the actual rates are.

5 Anyway, Mr. Fitzgerald states, I compared my
6 December Puget Sound Energy electrical bill with what it
7 would be with the local public utility providers, I used
8 standard residential rates, my Puget Sound Energy bill was
9 190.94, Seattle City Light would have been 151.68, Tacoma
10 Power would have been 131.12, and Mason County PUD would
11 have been 130.62. All the above included their base
12 meter fees, which he goes on to state is a 31 to 32
13 percent overcharge from what he would have had on another
14 utility. I checked his numbers and he is correct, I
15 compared the rates, and he is correct that Puget Sound is
16 already charging much more than the other utilities.

17 Also, I wanted to state something, there's a
18 couple things in this rate increase, Puget Sound Energy is
19 also asking for money for the warm home fund, and I
20 checked into this, this is very interesting. The warm
21 home fund is administered, at least in our neighborhood,
22 by Fish Line, by Salvation Army, and United Way. And I
23 talked to them about how one would apply for this. And
24 what they said what you have to have is a shutoff notice,
25 and then if you had that then they could make a partial

0097

1 month's payment, it seems to me that, hey, there's not
2 really very much money in the fund, or there just isn't
3 any way for people on the low end of the scale to make
4 ends meet.

5 And my thought was, well, looking at the rate
6 scale they have now days, what they're doing is charging
7 basically the same for the first 600 kilowatt hours, and
8 then there's a slight increase. What I think they should
9 do, rather than have more people with the rate increase go
10 on the warm energy fund, is reduce the rates say for the
11 first 2,000 kilowatt hours and increase it that way you
12 get some sort of energy efficiency out there. But I'm
13 afraid that Puget Sound Energy has no imagination
14 whatsoever, and they are not going to do anything. So
15 that's my fear in this.

16 So what I'd like to do is ask the Commission if
17 they can examination the rates, and the rate structure to
18 see if it's really fair, because I don't know of anybody
19 who can heat their home for say 600 kilowatt hours per
20 month, it's just not reasonable.

21 And, you know, if they're trying to put more
22 people with the rate increase on the warm home fund, it
23 just doesn't make sense, the fact that you're raising the
24 rates for the lowest of the income just doesn't make
25 sense. If you want to raise rates and save energy, raise

0098

1 it on the high end. So --

2 JUDGE MOSS: Thank you, Mr. Vanwink.

3 MR. VANWINK: Can I enter this newspaper article?

4 JUDGE MOSS: Yes you can, I'll take it. Very
5 good, thank you, sir. Next speaker is Jocelyn
6 Cunningham.

7 MS. CUNNINGHAM: Okay. My name is Jocelyn
8 Cunningham, that's C-U-N-N-I-N-G-H-A-M. I live in
9 Bothell, I am here for my sole interest, and I am a
10 customer.

11 JUDGE MOSS: Thank you, very much.

12 MS. CUNNINGHAM: Does that cover everything?

13 JUDGE MOSS: You did.

14 MS. CUNNINGHAM: Well, three or four years ago
15 when I realized that the price of gasoline was going to
16 keep going up, I managed to invest in a mutual fund that
17 was based on energy. So that way when I go to fill up my
18 car these days, I don't feel like I'm totally being
19 screwed.

20 The problem that I have with this takeover, and
21 it is a takeover is, there is no way for a private citizen
22 here in Washington State to have any kind of ownership
23 interest in any of these entities unless you know the
24 symbol on the New York Stock Exchange for the one who's
25 the 30 percent shareholder with Macquarie, whatever. Do

0099

1 you know what that symbol is; is there a symbol; is it a
2 publicly traded company? I'm asking, I don't know.

3 JUDGE MOSS: Your questions have it be
4 rhetorical, we can't respond to questions.

5 MS. CUNNINGHAM: Oh, okay. The other thing that
6 you should keep in mind is that Macquarie and its holdings
7 will own over 50 percent of Puget Energy and Puget Sound
8 Energy. And I think what we most want to avoid is the
9 kind of vertical integration where we have a phantom
10 investor like Abula Limited of Saudi Arabia, who is the
11 major shareholder, or the major investigator in Macquarie
12 holdings.

13 And so I think you should think twice before you
14 hand over our assets to a company that has no public
15 transparency. Thank you.

16 JUDGE MOSS: Thank you, Ms. Cunningham, and the
17 other the here, that you have questions at the end the
18 representatives will be present and you can ask your
19 questions of them, and they'll be happy to answer those
20 questions for you.

21 MS. CUNNINGHAM: Okay, I'm also very interested
22 in the documents that other people are submitting for the
23 record, how is it possible for us to get a copy of that
24 record and those documents?

25 JUDGE MOSS: All right, if you'll talk to our

0100

1 consumer affairs people, they can give you that
2 information.

3 MS. CUNNINGHAM: Thank you.

4 JUDGE MOSS: All right, very good. Our next
5 speaker is Phil Noble.

6 MR. NOBLE: Good evening, my name is Phil Noble,
7 N-O-B-L-E, Councilman, Bellevue City of Council. I'm here
8 on behalf of the City Council and on behalf of the City of
9 Bellevue. I am a PSE customer, both electric and gas, and
10 so is the City of Bellevue.

11 JUDGE MOSS: Thank you.

12 MR. NOBLE: I am here to speak in support of the
13 proposed merger. PSE has been a great corporate citizen,
14 it has been a partner of the City of Bellevue and other
15 cities in the region, we have collaborated on many issues
16 and projects, including substation sittings, and lines,
17 and other things that are important to providing energy to
18 our citizens. And I am sure that that cooperation will
19 continue after the merger, and it's important to us.

20 The City of Bellevue is very interested in
21 insuring PSE is well positioned and is able to deliver
22 highly reliable electric service to the City and to the
23 region. PSE has shown a commitment, a cooperative
24 partnership to insure that these interests of our
25 residents and our businesses are met. And the proposed

0101

1 merger, we believe, meets these interests.

2 A reliable metric system is an economic issue as
3 well as a quality of life issue. In Bellevue and the
4 surrounding region our knowledge based economy is
5 critically dependent upon a reliable electric system,
6 whether that's in the rapidly growing urban center, such
7 as in downtown Bellevue, or in the neighborhoods where
8 home based businesses are located.

9 To provide that system requires up to date and
10 reliable infrastructure in systems improvements, this in
11 turn requires capital. To quote the notice of the
12 proposed merger, quote, "the merger is intended to provide
13 PSE with reliable access to financial resources on
14 reasonable terms," end quote.

15 Thus the merger will provide the capital that PSE
16 needs to provide the systems that we need through the
17 region.

18 The City of Bellevue needs to know that its
19 electric service provider is prepared to meet the needs of
20 this region, today, next year, and 20 years from now. We
21 feel that this proposed merger will help address this
22 need. We have expressed this interest to PSE, and PSE has
23 assured us that it plans to make reliable electric service
24 readily available to all of its customers here in
25 Bellevue, now and into the future.

0102

1 Again, I reiterate that the Bellevue City Council
2 is supportive of this proposed merger, and very interested
3 in insuring that PSE is well positioned and able to
4 deliver the high and reliable electric service meeting the
5 City's needs, and the citizen's needs, and to that end we
6 sport the merger. Thank you.

7 JUDGE MOSS: All right. The next speaker is
8 Brian Gunkermeyer.

9 MR. GUNKERMEYER: Hello, my name is Brian
10 Gunkermeyer, I live in Redmond, and I am a Puget Sound
11 Energy customer for natural gas and electricity.

12 JUDGE MOSS: And are you here on your own behalf,
13 or on the behalf of other organizations?

14 MR. GUNKERMEYER: My comments have not yet been
15 approved by the CR Club. So --

16 JUDGE MOSS: On your own behalf then?

17 MR. GUNKERMEYER: Yes. First of all, I would
18 like to submit some excellent comments from the Northwest
19 Energy Coalition to you guys for the record.

20 JUDGE MOSS: Thank you.

21 MR. GUNKERMEYER: Those include many, many
22 specific excellent policy points that you guys should
23 consider. I'm not going to waste your time by reading
24 them all to you now, but please look at that.

25 My major concerns are about the emergency mix for

0103

1 Puget Sound Energy and our dedication to conservation and
2 energy supplies in the future here. I'm going to take a
3 position on the merger one way or another. Everyone
4 understands global warming is very important, I'm assuming
5 you guys all get that, otherwise, you're in the wrong
6 spot.

7 However, I'm more interested in exactly what
8 levels of commitment we're going to get for renewable
9 energy and energy conservation, and investments in all the
10 associate infrastructure under this new merger. We
11 understand that we've got state laws in terms of like
12 senate bills 6001, and Initiative I-937 and the potential
13 for some sort kind of cavitation system, either from the
14 western climate industry or from any of the presidential
15 candidates that will be elected next year. All of these
16 should affect, you know, the investments, you know, that
17 our utilities make toward more renewable energy or more
18 locally generated energy from any source.

19 We need to encourage that and accelerate that
20 rate. I have four concerns here. One, is natural gas
21 supply. I've seen some very disturbing number out of
22 Canada suggesting that by 2014 we may not be able to get
23 any natural gas out of the ground anymore at an economical
24 price. That's worrisome. If you look at Puget Sound
25 Energy's plans for trying to address this, you'll see a

0104

1 significant portion of their growth and demand is going to
2 be met with liquefied natural gas. We really don't want
3 to go down that road. There's two reasons why not, one,
4 the environmental impact from compressing the chilling the
5 natural gas is very significant. You lose about 20 to 30
6 percent of the natural gas in that process.

7 Secondly, we do not want liquefied natural gas to
8 become as strategically important as oil. We've already
9 seen the way that that skews our foreign policy for oil,
10 we certainly don't want that for the fuel that we use to
11 heat our own homes.

12 A second major issue is fossil fuel depletion.
13 I'm sure you guys are all familiar with peak oil, peak
14 natural gas, peak coal, and the possibility of peak
15 uranium.

16 I have a graph here showing the expected decline
17 rates from extraction from all of our fossil fuels.
18 Additionally, here are several projections for natural gas
19 extraction rates as well in the U.S. They follow a pretty
20 sharp decline, I'd like to submit this for the record as
21 well.

22 JUDGE MOSS: All right.

23 MR. GUNKERMEYER: Clearly continuing down the
24 path of more fossil fuels for combustion, for heat, and
25 for generating electricity is just not going to work. The

0105

1 only way out of this is through conservation. The second
2 thing we need to do to keep that up is renewable
3 generation, and your duty to help foster that in whatever
4 happens here.

5 JUDGE MOSS: We have 30 seconds.

6 MR. GUNKERMEYER: Sure. I'd like to see more
7 investment in smart grid technologies, and of course,
8 social equity is of paramount importance, it's your job to
9 protect that.

10 I have several different recommendations for this
11 committee as well, I'll submit these in writing to you
12 guys. The most significant ones here are instead of
13 increasing the fixed costs, how about moving the fixed
14 costs to marginal costs to help encourage conservation as
15 well.

16 JUDGE MOSS: Let me ask you if you will just hand
17 those to us, please?

18 MR. GUNKERMEYER: Sure, no problem.

19 JUDGE MOSS: Thank you very much, I appreciate
20 it.

21 MR. GUNKERMEYER: Thank you all.

22 JUDGE MOSS: Thank you very much. Our next
23 speaker is Harold Kitchener.

24 MR. KITCHENER: My name is Harold Kitchener,
25 H-A-R-O-L-D, Kitchener K-I-T-C-H-E-N-E-R. I live in

0106

1 Eastern Clearview on 10105 175th Place Southeast, and I
2 get natural gas and maybe electricity, I'm not sure.

3 JUDGE MOSS: Are you here on your own behalf this
4 evening?

5 MR. KITCHENER: Yes.

6 JUDGE MOSS: Thank you, go ahead.

7 MR. KITCHENER: Some of my concerns I have about
8 national environment and how everything's going global,
9 and about the rate increases, and about the -- one of the
10 reasons why oil is going up so fast is because the dollar
11 is following, and these banks are being rescued out and
12 stuff, and it's raising the other. And we need to have
13 renewable resources, and put in place new technologies
14 like coal, and sale to oil, solar, and the hydrogen, and a
15 lot of stuff.

16 And let's see, what else, I mean, I'm just trying
17 to think of what else here. We have a lot of -- oh, and I
18 know -- I guess I heard a lot of good stuff from the other
19 people, and I want to mention about this temperature and
20 stuff, and the sun's cooling down, I don't know if you
21 knew that.

22 And the Earth's north pole is going this way,
23 (indicating), and so on. And just I don't know, just kind
24 of cover all the bases here.

25 JUDGE MOSS: Okay. Well, thank you. You can

0107

1 submit written comments later if you'd like to compose
2 your thoughts and do that at a later time.

3 MR. KITCHENER: Thank you very much.

4 JUDGE MOSS: Hm-hmm, thank you.

5 All right. That's the last speaker I have
6 indicated on my rosters, but I will ask at this time if
7 there is anyone else who wishes to make comments this
8 evening. I see one hand, couple three hands. All right,
9 well, let me just start right here in the front, and I'll
10 work my way back. So if you'd like to come forward, and
11 let me ask if you've been sworn, were you hear for the
12 swearing?

13 MS. SHATTUCK: No, I wasn't.

14 JUDGE MOSS: All right, I'll ask you then to
15 raise your right hand, and the other two that indicated
16 you wish to speak, if you were not previously sworn, if
17 you will please rise at this time, and raise your right
18 hand? Do you solemnly swear or affirm under penalty of
19 perjury that the testimony you give in this proceeding
20 will be the truth, the whole truth, and nothing but the
21 truth, please say I do.

22 THE GROUP: I do.

23 JUDGE MOSS: Thank you very much.

24 MS. SHATTUCK: Good evening, my name is Judith
25 Shattuck, I live in Redmond, I am a Puget Sound customer

0108

1 both gas -- electricity, and just electricity, and I'm
2 here on my own behalf.

3 JUDGE MOSS: Could you spell you last name,
4 please?

5 MS. SHATTUCK: S-H-A-T-T-U-C-K.

6 JUDGE MOSS: Thank you, go ahead.

7 MS. SHATTUCK: I'm somewhat astounded that we're
8 even here, in that this utility is a community resource, a
9 very valuable community resource. And that we should be
10 talking about selling a community resource to anyone, let
11 alone a foreign company astounds me, it bewilders me. As
12 we found out in the just recently past Winter storm, we
13 are very dependent as a community of peoples on this
14 resource. And I would like to suggest that there is
15 another alternative, perhaps we should consider a public
16 investment in this utility, after all it is a community
17 resource, it should be commonly owned by all of us, and
18 not a private company. That's all I have to say.

19 JUDGE MOSS: Thank you. All right, I saw a hand
20 back over here. Good evening.

21 MS. HARVEY: My name is Susan Harvey, I'm
22 speaking for myself, I'm a Puget Sound Energy electrical
23 customer.

24 JUDGE MOSS: And will you spell your last name
25 for the record, please?

0109

1 MS. HARVEY: H-A-R-V-E-Y.

2 JUDGE MOSS: Thank you, please go ahead.

3 MS. HARVEY: So I wasn't originally intending to
4 speak, but it dawned on me that if we had the merger we
5 wouldn't even be meeting tonight, we wouldn't be having
6 this resource, and this communication because we would
7 have sold the company and it would be somewhere else. The
8 other thing is that I listen to public radio a lot, and
9 they do a lot of talking water recourse in the world, and
10 how some countries are literally running out of water,
11 Australia is one of them. And we are so rich in all these
12 resources, and I know we can't hoard them, but I think
13 what we're doing is allowing now the global community to
14 come into place.

15 So now we have a group of consortium and we're
16 never quite sure who's in that consortium, and that can
17 change, and we have now -- we're addressing the needs of
18 the world because energy can be bought and sold, and I
19 don't know that much about energy per se, but with
20 increasing water shortages, and we're sitting on this
21 well, we're now saying, we're not going to support the
22 United States, we're going to help Canada out more than
23 help a lot of -- we're going to open the door to this
24 potential, this very real potential. So we're becoming
25 global is what's happening, and we're allowing this to

0110

1 happen.

2 And I think pretty much that's the only thing,
3 except that I have a lot of faith and believe that a
4 company that has been so strong for so long can think of
5 some really good ideas, and we can put our heads together,
6 and we can be stronger and better, and we can take care of
7 the people that are coming, and not give away like
8 somebody said, the cow. Thank you.

9 JUDGE MOSS: Thank you very much. There was a
10 hand at the back of the room there.

11 MS. AVIOLA: Good evening, my name Julian A-V, as
12 in Victor, I-O-L-A.

13 I've been listening here all evening -- I live in
14 Mason County, and I'm a Puget Sound customer for gas and
15 electric, and I will be representing myself and my family.

16 JUDGE MOSS: Thank you.

17 MS. AVIOLA: I just wanted to give a family
18 perspective on why it's important that Puget Sound remain
19 a local entity for me. We were one of the areas that was
20 hard hit by the storm and were out for a full ten days, I
21 have a really disabled child, when Puget Sound learned
22 that we had been out for more than four days, they called
23 every single day to check on my family. I think that
24 would be really different matter if the company was owned
25 by owners in Canada or Australia, I don't think I'd be

0111

1 getting a phone call from this situation.

2 I also have some concerns about forking over our
3 local control to investing bankers, I don't mind paying a
4 fair rate increase, but like what the other gentleman
5 said, I don't want to spend someone else's pension or
6 investments, I'd rather spend my own, thank you.

7 Also, I see a lot of work done in the Seattle
8 area about what makes a strong community. And strong
9 communities have strong community resources, are held
10 locally. Handing over the resources of Puget Sound
11 Energy, which is a great company to outside investment I
12 think diminishes our community.

13 I'm also concerned about the possible lack of
14 transparency in the disclosure of financial information,
15 and holdings, and about the commitment to green energy of
16 foreign investment companies withholding to their
17 investors, thank you very much.

18 JUDGE MOSS: Thank you. Come forward, state your
19 name, please.

20 MR. JOHNSON: My name is David Johnson, my last
21 name is spelled, J-O-H-N-S-O-N, I'm the attorney
22 representing the Northwest Energy Coalition.

23 JUDGE MOSS: Now, Mr. Johnson, I'm going to just
24 stop you there. Northwest Energy Coalition is a party in
25 the proceeding, and the appropriate way for you to present

0112

1 evidence in this proceeding is through pretrial testimony
2 of exhibits, not in the forum tonight. So unless you're
3 speaking on your own behalf as a customer of PSE, I won't
4 allow you to make your remarks.

5 MR. JOHNSON: All right, we just wanted to
6 clarify one point that was made earlier, but we can do
7 that later, thank you.

8 JUDGE MOSS: You can do that later, thank you
9 very much. Yes, sir, please come forward.

10 MR. PELLETT: Steve Pellett, P-E-L-L-E-T-T, 2436
11 156th Avenue Southeast in Bellevue, and gas and electric
12 user, and speaking on my own behalf.

13 I think we're all here this evening because we
14 still believe in the democratic process that we have in
15 this country, I would like to see, you know, a spilling
16 out into this area out here, but you gentleman before us
17 are what we rely on. I am not an elected official, and
18 probably would not do well in that venue. However, we do
19 have you, and we have others as well in our local
20 governments that we rely on to, I guess, protect us in
21 cases such as this.

22 The merger, I believe, bringing us to an
23 ownership, a majority holding, in another country that is
24 privately held would keep the disclosures even out of your
25 hands, and I'd ask you to think deeply about how you can

0113

1 serve the communities that you are being requested to
2 serve if you have no access to the information that you
3 need to make decisions.

4 Currently you also have a rate increase proposal
5 in front you, and you have pretty much all the information
6 you're going to need to be able to determine whether that
7 a good thing for us. The public will come and speak,
8 we'll make our case, you'll hear us, how much more silent
9 we will be when we have nothing to go on, and how will you
10 make your decisions when you have nothing in front of
11 you.

12 I think that the research that I've gone online,
13 which -- I'm a few ago, I'm getting older, you know, I
14 don't know what we can trust on the Internet frankly, but
15 then I don't know what we can trust from anywhere, but the
16 research that I've done on the company that would be the
17 majority holder is showing that there may only be a couple
18 of people on the planet, a couple of men, who understand
19 the company in and out thoroughly, who understand the
20 trading that they do back and forth in mergers and
21 acquisitions they do with their own holding companies, so
22 they can reap more profits from that.

23 So if you have a company and you have another
24 company they're both actually held by the same company,
25 and you sell one to another so you can make some profit on

0114

1 the proceedings, and you can sell it back and make more
2 money on the proceeds. Where does that leave us, we have
3 had some speakers this evening talking about the
4 profitability of Puget Sound Energy, the rates as compared
5 to other public utilities, and where the money's mainly
6 going, and why we would need a rate increase at this point
7 in time.

8 But what would we do if, A, we don't know where
9 all that was coming from and going to, and what would we
10 do if the commodity were being traded on a market simply
11 so people could reap more benefit from it outside of us,
12 and outside of this country.

13 I think we need continue using Puget Sound Energy
14 locally for us, and we would like to continue having you
15 have the insight into the company, so that you could make
16 rational based decisions not only from the public
17 standpoint, but we have a chance to be able to speak to
18 you with some authority

19 JUDGE MOSS: You have 30 seconds.

20 MR. PELLETT: Thank you, I'm done.

21 JUDGE MOSS: Is there anyone else who wishes to
22 comment, please come forward. Have you been previously
23 sworn?

24 MR. BOWMAN: No.

25 JUDGE MOSS: Do you solemnly swear or affirm

0115

1 under penalty of perjury that the testimony you give in
2 this proceeding will be the truth, the whole truth, and
3 nothing but the truth, please say I do.

4 MR. BOWMAN: I do.

5 JUDGE MOSS: Okay, please state your state your
6 name for the record and spell your last name.

7 MR. BOWMAN: Ron Bowman, and that's, B-O-W-M-A-N,
8 in Bellevue, both gas and electric user.

9 JUDGE MOSS: Testifying on your own behalf?

10 MR. BOWMAN: Yes. And I was -- I'm just real
11 leery on this ownership and getting things out of our
12 region, and I'll speak to it from a different angle than
13 others have.

14 And one is future sources of energy, and what
15 would keep a foreign company in, for instance, coming in
16 and putting big full fire plants in, and we're the one's,
17 our health would be at risk and perhaps this is a
18 direction we don't want to go, I think the State is pretty
19 well oriented as going as much toward renewable energy as
20 possible, so that's a first concern.

21 The second thing is, I'm always been concerned
22 about the rate structure, the way the rates are set up, I
23 think to have conservation, and also to protect people
24 with lower and fixed incomes that would be very helpful if
25 we have base rate that for a very small amount of

0116

1 electricity, very limited amount of gas that you'd have to
2 be very prudent to stay under that standard, and as soon
3 as you hit that window, then it doubles, then there's
4 another window, and that is also a very small window, and
5 then it doubles again. And if you do that, I think that
6 our resources -- that we won't be needing all this
7 additional power and gas recourses, that people will find
8 ways to conserve and reduce their uses of energy.

9 JUDGE MOSS: Thank you very much, anyone else? I
10 don't see any other hands. Before I turn to the
11 Commissioners for any closing remarks they may have, I
12 want to remind you again there are representatives present
13 from several parties, including the public council,
14 Commission Staff, the Companies the Energy Project and
15 Northwest Energy Coalition, there may be others in the
16 room who I haven't identified.

17 You are free to stay, and they will stay after,
18 and you are free to ask them questions if you have
19 questions about anything about the cases or the process
20 going forward from here. And we will have our evidentiary
21 hearings in these proceedings in July in the case of the
22 merger or the sale of it, and in August in the case of the
23 rate proceedings, and those will be in Olympia before the
24 Commissioners.

25 I believe that concludes my remarks, so except

0117

1 for some formalities at the end, so let me ask if there
2 any closing remarks.

3 CHAIRMAN SIDRAN: Thank you, Judge Moss. I
4 normally don't offer any observations, but because of the
5 number of people who have made in some way or another a
6 comment about the implications of this proposed merger in
7 terms of future oversight of the Company.

8 First, I want to echo Judge Moss's suggestion, if
9 you have any questions about implication of either the
10 rates or the merger, there are people at this table who
11 can answer those questions for you, representing different
12 interests, in particular public counsel or Mr. Trotter who
13 is representing Commission Staff.

14 But because of the broad public interest in the
15 merger in particular, and because of the presence of media
16 covering this particular hearing, I feel it's important to
17 make one point of clarification for everyone's
18 information.

19 Regardless of the ultimate decision, whether this
20 merger is approved or not, it does not in any way affect
21 the laws or regulations of our State. If hypothetically,
22 if a merger were approved, the new owners of the Company
23 would be subject to the same laws and the same regulations
24 that is the current ownership is subject to.

25 With that, I will simply say again, I appreciate

0118

1 the fact that all of you took time out of your schedule to
2 come here this evening, it's always helpful to hear from
3 people in this process. And again, as we mentioned at the
4 beginning, this is the beginning of a long process, which
5 you can follow in a number of ways, including at the
6 Commissions website, and you can continue to offer
7 comments as you wish through the process that Kathy
8 explained earlier to you, but it is also explained at the
9 Commission's website, which is wutc.wa.gov. And with that
10 I will turn to my colleges.

11 JUDGE MOSS: All right, well, again, thank you
12 very much for being here tonight, we especially thank
13 those of you who came forward and who gave testimony this
14 evening. It does not appear that we have any other
15 business to conduct tonight, so we will be off the
16 record. Thank you.

17

18

19

20

21

22

23

24

25