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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of NORTHWEST NATURAL GAS COMPANY, For an Order Approving a Corporate Reorganization to Create a Holding Company, Northwest Natural Holdco, in Connection with the Acquisition of Portland General Electric Company by Northwest Natural Holdco.	DOCKET NO. UG-011607 Volume No. I Pages 1 - 17

A prehearing conference in the above matter was held on January 24, 2002, at 1:30 p.m., at 1300 South Evergreen Park Drive Southwest, Olympia, Washington, before Administrative Law Judge KAREN CAILLE.

The parties were present as follows:

THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION by GREGORY J. TRAUTMAN and SALLY G. JOHNSTON, Assistant Attorneys General, 1400 South Evergreen Park Drive Southwest, Post Office Box 40128, Olympia, Washington 98504.

NORTHWEST NATURAL GAS COMPANY, by JAMES M. VAN NOSTRAND and KENDALL J. FISHER, Attorneys at Law, Stoel Rives, 600 University Street, Suite 3600, Seattle, Washington 98101.

NORTHWEST INDUSTRIAL GAS USERS, by CHAD M. STOKES, Attorney at Law, Energy Advocates, 526 Northwest 18th Avenue, Portland, Oregon 97202-2220.

Kathryn T. Wilson, CCR
Court Reporter

CALPINE CORPORATION, by MARK P. TRINCHERO, Attorney at Law, Davis Wright Tremaine, 1300 Southwest Fifth Avenue, Suite 2300, Portland, Oregon 97201.

PUBLIC COUNSEL, by ROBERT W. CROMWELL, Assistant Attorney General, 900 Fourth Avenue, Suite 2000, Mail Stop TB-14, Seattle, Washington 98164. (Via bridge line.)

P R O C E E D I N G S

JUDGE CAILLE: We are here for the first prehearing conference in Docket No. UG-011607. This is entitled, In the Matter of the Application of Northwest Natural Gas Company. This matter concerns Northwest Natural's request for approval of a corporate reorganization to create a holding company, Northwest Natural Holdco, in connection with the acquisition of Portland General Electric Company by Northwest Natural Holdco.

My name is Karen Caille, and I'm the presiding administrative law judge in this proceeding. The commissioners will be sitting on this matter but obviously are not with us today. Today is January 24th, 2002, and we are convened in a hearing room in Olympia, Washington. Our first matter today will be to take appearances, and I would ask that you please state your full name, who you represent, your business address, including your street address, telephone, fax number, and e-mail address. If we could start with the Company.

MR. VAN NOSTRAND: On behalf of Northwest Natural, James M. Van Nostrand with the law firm of Stoel Rives, LLP, 600 University Street, Seattle, Suite 3600. Zip code is 98101. Phone number is (206)

386-7665; fax, (206) 386-7500, and e-mail is jmvannostrand@stoel.com. Also appearing on behalf of Northwest Natural is Kendall J. Fisher, same firm name, same address; phone number, (206) 386-7526. E-mail address, kjfisher@stoel.com.

JUDGE CAILLE: Thank you. For Commission staff?

MS. JOHNSTON: Sally G. Johnston, assistant attorney general. Street address is 1400 South Evergreen Park Drive Southwest, Olympia, Washington, 98504. My telephone number is area code (360) 664-1193. My e-mail address is sjohnston@wutc.wa.gov. My fax number is area code (360) 586-5522.

Also representing Commission staff is Gregory Trautman. He will provide his e-mail and telephone for the record.

MR. TRAUTMAN: Gregory J. Trautman, assistant attorney general. My telephone number is area code (360) 664-1187, and my e-mail address is gtrautma@wutc.wa.gov.

JUDGE CAILLE: Thank you. Is there anyone here from Northwest Industrial Gas Users?

MR. STOKES: Hello. My name is Chad Stokes with the Northwest Industrial Gas Users. I work for the law firm Energy Advocates. Our address is 526

Northwest 18th Avenue. That's in Portland, Oregon, 97209. Phone number is (503) 721-9118. Fax number is (503) 721-9121. My e-mail address is cstokes@energyadvocates.com. Also representing the Northwest Industrial Gas Users is Ed Finklea. His e-mail is efinklea@energyadvocates.com.

JUDGE CAILLE: Your first name was Chad?

MR. STOKES: Yes.

JUDGE CAILLE: Are there any other appearances?

MR. TRINCHERO: Yes, Your Honor. On behalf of Calpine Corporation, Mark P. Trinchero of the law firm Davis Wright Tremaine, 1300 Southwest Fifth Avenue, Portland, Oregon, 97201. Telephone number is (503) 778-5318. The fax number is (503) 778-5299. E-mail address is marktrinchero@dwt.com.

JUDGE CAILLE: You represent Calpine?

MR. TRINCHERO: Yes. That's C-a-l-p-i-n-e.

JUDGE CAILLE: Thank you. Are there any other appearances before Robert? Okay, Mr. Cromwell, please.

MR. CROMWELL: Robert W. Cromwell, Junior, assistant attorney general, on behalf of public counsel. My address is 900 Fourth Avenue, Suite 2000, Mail Stop TB-14, Seattle, Washington, 98164-1012. My

telephone number is (206) 464-6595. My fax number is (206) 389-2058. My e-mail address is robertc1@atg.wa.gov, and, Your Honor, if I could request a copy of the transcript. I'm not there to fill out the form.

JUDGE CAILLE: We'll take care of that for you. Before we go any further today, I was just reviewing the filing prior to coming in, and is it my understanding that the filing will be revised to reflect a change in the transaction so that Northwest Natural Holdco will be purchasing PGE directly from Enron?

MR. VAN NOSTRAND: Yes.

JUDGE CAILLE: But that has not come in yet?

MR. VAN NOSTRAND: No, it has not. This is a copy of the schedule that I discussed with staff counsel a couple of weeks ago.

JUDGE CAILLE: Thank you. Mr. Cromwell, do you have the two proposed schedules before you?

MR. CROMWELL: No, I don't. Let me have my secretary check the fax. I don't have anything yet. Another option would be e-mail.

MS. JOHNSTON: They've been faxed, Mr. Cromwell.

MR. CROMWELL: It has not been received,

Ms. Johnston.
JUDGE CAILLE: Let's take care of the petitions to intervene. I've received a petition to intervene from Northwest Industrial Gas Users. Do you have anything to add to your petition?
MR. STOKES: I think it's all stated in there.
JUDGE CAILLE: Does anyone have an objection to my granting this petition? Then the petition of Northwest Industrial Gas Users is granted. Calpine?
MR. TRINCHERO: Yes. I would like to take this opportunity to petition to intervene orally here at the prehearing conference. Calpine is an independent energy producer currently developing independent power projects in the Northwest. It will likely be a potential supplier to the merged company and a potential competitor and customer of the merged company for natural gas.
JUDGE CAILLE: Did you mean to say competitor? So supplier, competitor, and customer?
MR. TRINCHERO: Yes, and therefore, it has an interest in this proceeding, and we do not intend to broaden the issues or the scope of the proceeding.
JUDGE CAILLE: Thank you. Is there any objection to my granting the oral petition of Calpine?

Then Calpine's oral petition is granted.
Mr. Trinchero, if you could supply me with a card so that I can make sure that the records center gets all your information.
MR. TRINCHERO: Yes, Your Honor.
JUDGE CAILLE: Thank you. I think the next thing we should consider is discovery. Is there anyone here who wishes the discovery rule to be invoked?
MS. JOHNSTON: We certainly do.
MR. CROMWELL: Yes, Your Honor.
JUDGE CAILLE: I've heard both from Commission staff and Public Counsel wishing to have the discovery rule invoked. In that case, WAC 480-09-480 will be available to you. Everything is set forth there, unless you want to offer any changes to what's there. If you have any discovery problems, please contact me. I will be available by phone, if necessary. Do you think we need a discovery cutoff?
MS. JOHNSTON: Not at this time, Your Honor.
JUDGE CAILLE: A protective order?
MR. VAN NOSTRAND: Yes, Your Honor. The applicants request a protective order.
JUDGE CAILLE: Applicants have moved for a protective order. Is there anyone that objects to that? Hearing none, then I will prepare a protective

order for the commissioner's signature, and we will get that out quickly.

That brings us to scheduling. Just as a prelude, I have the commissioners' schedule for the next year, and it's very full. I've just glanced at what you have requested. At least I've glanced at staff's. I don't know if everyone knows, but the Avista rate case and the PSE rate case is before the Commission, plus there are some outstanding telecom matters too that are taking up their time. I can tell you what the commissioners had scheduled in for this hearing, that's their availability.

Now, there apparently are some holes in the schedule, but let me tell you what they have proposed. They have proposed September 25th through the 27th for hearings. I see Staff has proposed June 17th through the 19th. I can tell you unless the chairwoman's schedule, unless she's willing to forego her trip to Washington D.C., she won't be available, but she may consider that. So what I will probably need to hear are arguments about why this needs to be heard earlier than September so that we can create a record for the commissioners to review.

Although on the record since I mentioned what the commissioners have proposed and what staff has

proposed, the company has proposed hearings for May 1st through the 3rd. So does it appear we are going to need four days of hearing? It looks to me like we have allotted only three.

MS. JOHNSTON: I think that would be adequate.

JUDGE CAILLE: You think three? May 1st through the 3rd, the commissioners are sitting on Olympic Pipe Line hearings, according to this schedule. I think probably what should happen now is I need to hear from the Company and the reasons for when you are proposing the hearing and then probably hear from staff, and I may have to issue an order with the procedural schedule at a later time than you folks walking out of here knowing today.

MR. CROMWELL: Your Honor, if I may be heard on that issue. I am not available through most of September. I've compared May and June dates to what I have got calendared for Avista and PGE, and it's close to other deadlines but does not directly conflict with what I've got on my calendar. So my only objection would be to those three days, the 25th through the 27th of September.

JUDGE CAILLE: All right. Mr. Van Nostrand?

MR. VAN NOSTRAND: Thank you, Your Honor.

Referring back to our original application, we had asked for a decision in this case by around the middle of May, which is also the date I believe we asked for in Oregon. Since the application was filed, there has been a prehearing conference in Oregon and a schedule developed in Oregon, and the schedule that I circulated to Ms. Johnston and that's been circulated today reflects the schedule that was adopted in Oregon, and the approach we took in developing that schedule was basically to allow like a three-week lag following the proceedings in Oregon, recognizing that there may be some benefits given that the vast majority of the ratepayers and the rate base represented in this transaction is okayed in Oregon and that the proceedings up here could be informed by what goes on down there.

The Oregon schedule provides for hearings April 24th, briefs May 8th, and a Commission decision on May 28th of 2002, so we had proposed a schedule roughly lagging that by about three weeks and including in there opportunities for settlement discussions and settlement conference where we would be able to present for consideration of parties here of any settlement that may be reached in the Oregon case.

The bullet point at the bottom of the

schedule that was distributed more or less sets out the reasons we are requesting a somewhat quicker schedule than the Commission has contemplated. The first point notes that the proposal would have largely tracks and lags by three weeks the Oregon schedule. The second point we made is that the application we filed here in Washington is somewhat different from what was filed in Oregon in that we are only seeking the approval of the corporate reorganization of Northwest Natural to form a holding company, and the fact that that holding company will then acquire Portland General is included in the application just as a matter of context only, but is not something for which we are seeking authorization for in this transaction. So we thought given that the scope of this proceeding is somewhat narrower than what is going on in Oregon, it was not unreasonable to somewhat track what is going on down there, albeit slightly behind that.

The third point we wanted to emphasize is that this company has been in front of the Commission fairly recently in a general rate case that was concluded about 16 months ago, so we feel the Commission is familiar with this company and the issues and should have some satisfaction that the rates are set on a cost-of-service basis and have been recently

reviewed and reset. The fourth bullet is the point we made in our application as far as interest rates being very low and the financing that it going to be necessary to procure an order to close this transaction. The applicant would like to take advantage of those currently low interest rates, and so basically, the sooner the better in terms of being able to take advantage of the rates that currently exist.

Finally, since the application was filed, or contemporaneous with the filing of the application was the Enron bankruptcy. As the Commission is aware, Portland General Electric is a subsidiary of Enron, and the whole Enron controversy lends a sense of urgency in closing some of these matters and removing PGE from that controversy, more or less. Some of the other agencies have stepped up the approval process in connection with this transaction.

So that's the schedule that we had proposed and the basis for it, and Ms. Johnston has circulated the staff proposed schedule to us yesterday, I believe, and that's perfectly acceptable to the Company as well, something along those lines. It's not materially different than what we sought, and we appreciate the willingness of staff to process this case more expeditiously probably than they would otherwise, and

that schedule is acceptable to the Company or the applicant as well.

JUDGE CAILLE: Does anyone else wish to be heard?

MS. JOHNSTON: I would just like to point out that Commission staff is willing to defer to the commissioners in terms of scheduling. We recognize the commissioners' calendars are very full this year. I also want to point out that Commission staff is interested in having some lead time built in in the early stages of the case, particularly in light of the fact that the case was reassigned to a different set of staff members, so we would appreciate having more time to study the application and prepare for technical conferences and settlement conferences and the like.

JUDGE CAILLE: So on both of these schedules, it shows technical conferences March 7th and 8th. Are you saying more time than that or no?

MS. JOHNSTON: That would be adequate, but in the event the commissioners are unable to sit before September in terms of hearing, I think we would have more time.

JUDGE CAILLE: Anyone else wish to be heard? I think I have enough to take to the commissioners and brief them on the proposed schedules, and as I said,

the dates that they selected in September are not written in stone, and I will convey the sense of urgency that there is connected with this case.

One of the things that I need to bring up is whether there is going to be a need for any public hearings. Public Counsel, have you given any thought to whether we would need to schedule a public hearing in this matter?

MR. CROMWELL: Yes, Your Honor. I think the concern which is legitimate is that the nature of the applicant's filing is not something that readily lends itself to public input, other than at a very sort of very general level, and there are certainly other methods by which the Commission can encourage public comments as it does already through other communications.

JUDGE CAILLE: Thank you.

MR. CROMWELL: Your Honor, just one last thing for your consideration. My conflict in September runs from the 6th through the 28th.

JUDGE CAILLE: I don't have anything more to discuss today. Did the parties want to discuss issues at all? I do notice that there are settlement discussions on both of these proposed schedules, and I would think that certainly if there could be some

agreement reached, it would hurry things along. The Commission always encourages alternative forms of dispute resolution, so if you need mediation services, we can provide them. Mr. Van Nostrand, I just want to check with you again, the hearings in Oregon are April...

MR. VAN NOSTRAND: Wednesday, April 24th is the day hearings begin.

JUDGE CAILLE: And then briefing is May 8th?

MR. VAN NOSTRAND: Briefing is May 8th, and a Commission decision is scheduled for May 28th.

JUDGE CAILLE: All right. I think most of the people in this room know that you need to file with the Commission secretary, and we would need at least 14 copies to take care of our internal distribution, so original plus 14, and I will prepare a prehearing conference order that memorializes what we've discussed today, and hopefully, it will also include a schedule, and I will ask that a protective order be prepared right away for the commissioners' signature.

MR. STOKES: If I could just add one thing. I think the Northwest Industrial Gas Users would prefer Staff's schedule. It would work better for the proceedings we are involved in. Thank you.

JUDGE CAILLE: I will note that. Is there

any other business to come before the Commission today?
Thank you very much.

(Prehearing conference concluded at 2:00 p.m.)