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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
2 COMMISSION

3 In the Matter of the Proposal by)  
4 PUGET SOUND POWER & LIGHT )  
COMPANY )  
5 ) DOCKET NO. UE-951270  
to Transfer Revenues from PRAM ) VOLUME 1  
6 Rates to General Rates. ) PAGES 1-123  
-----)

7 In the Matter of the Application)  
of )  
8 )  
PUGET SOUND POWER & LIGHT )  
9 and )  
WASHINGTON NATURAL GAS COMPANY ) DOCKET NO. UE-960195  
10 )  
For an Order Authorizing the )  
11 Merger of WASHINGTON ENERGY )  
COMPANY and WASHINGTON NATURAL )  
12 GAS COMPANY with and into PUGET )  
SOUND POWER & LIGHT COMPANY, and)  
13 Authorizing the Issuance of )  
Securities, Assumption of )  
14 Obligations, Adoption of )  
Tariffs, and Authorizations )  
15 in Connection Therewith. )  
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17 A pre-hearing conference in the above matter  
18 was held on April 30, 1996, at 9:35 a.m. at 2430  
19 Chandler Court SW, Olympia, Washington before  
20 Administrative Law Judges MARJORIE R. SCHAER and JOHN  
21 PRUSIA.

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23  
24 Cheryl Macdonald, CSR  
25 Court Reporter

1                   The parties were present as follows:

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

7                   FOR THE PUBLIC, ROBERT F. MANIFOLD,  
8                   Assistant Attorney General, 900 Fourth Avenue, Suite  
9                   2000, Seattle, Washington 98164.

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

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

16                   NORTHWEST INDUSTRIAL GAS USERS, by EDWARD  
17                   A. FINKLEA, Attorney at Law, 101 SW Main, Suite 1100,  
18                   Portland, Oregon 97204.

19                   INDUSTRIAL CUSTOMERS OF NORTHWEST  
20                   UTILITIES, by CLYDE H. MACIVER, Attorney at Law, 601  
21                   Union Street, 4400 Two Union Square, Seattle,  
22                   Washington 98101.

23                   WASHINGTON WATER POWER COMPANY, by DAVID  
24                   MEYER, Attorney at Law, 1200 Washington Trust  
25                   Building, Spokane, Washington 99204.

26                   AIR LIQUIDE AMERICA CORPORATION, by ANNE D.  
27                   REES, Attorney at Law, 5000 Columbia Center,  
28                   701 Fifth Avenue, Seattle, Washington 98104.

29                   PUBLIC POWER COUNCIL and BELLINGHAM COLD  
30                   STORAGE, by SHELLY RICHARDSON, Attorney at Law, 1300  
31                   SW Fifth Avenue, Suite 2300, Portland, Oregon 97201.

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33                   SEATTLE STEAM COMPANY, by FREDERICK O.  
34                   FREDERICKSON, Attorney at Law, 33rd Floor, 1420 Fifth  
35                   Avenue, Seattle, Washington 98101.

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## 1 APPEARANCES (Cont'd.)

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3 GEORGIA-PACIFIC WEST, INC., by JOHN GOULD,  
4 Attorney at Law, 800 Pacific Building, 520 SW Yamhill,  
5 Portland, Oregon 97204.

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7 WASHINGTON PUD ASSOCIATION, by JOEL MERKEL,  
8 Attorney at Law, 1910 One Union Square, 600 University  
9 Street, Seattle, Washington 98101.

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11 CITY OF SEATTLE, by WILLIAM H. PATTON,  
12 Director Utilities Section, 10th Floor Municipal  
13 Building, 600 Fourth Avenue, Seattle, Washington 98104.

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15 CITY OF TACOMA DEPARTMENT OF PUBLIC  
16 UTILITIES, by GLENNA MALANCA, Senior Assistant City  
17 Attorney, PO Box 11007, Tacoma, Washington 98411.

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19 PUD NO. 1 OF SNOHOMISH COUNTY, by ERIC E.  
20 FREEDMAN, Associate General Counsel, 2320 California  
21 Street, Everett, Washington 98201.

22

23 KING COUNTY, by TERESE RICHMOND, Senior  
24 Deputy Prosecuting Attorney, 4800 Columbia Center, 701  
25 Fifth Avenue, Seattle, Washington 98104.

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2 BONNEVILLE POWER ADMINISTRATION, by JON D.  
3 WRIGHT, Attorney at Law, Routing LQ, PO Box 3621,  
4 Portland, Oregon 97208.

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6 NORTHWEST CONSERVATION ACT COALITION AND  
7 NATURAL RESOURCES DEFENSE COUNCIL, by DEBORAH S.  
8 SMITH, Attorney at Law, 401 North Last Chance Gulch,  
9 Helena, Montana, 59601 (represented by SARA PATTON,  
10 NCAC director, 217 Pine Street, Suite 1020, Seattle,  
11 Washington 98101 and SHERYL CARTER, NRDC, 71 Stevenson  
12 Street, Suite 1825, San Francisco, California 94105.

13

14 IBEW LOCAL 77, by LYNN ELLSWORTH, Attorney  
15 at Law, 27th Floor, One Union Square, 600 University  
16 Street, Seattle, Washington 98101.

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18 TEAMSTERS LOCAL 117, by SUZANNE MOREAU,  
19 Business Representative, 553 John Street, Seattle,  
20 Washington 98109.

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APPEARANCES (Cont'd.)

UNITED ASSOCIATION PLUMBERS AND PIPEFITTERS  
(Locals 32, 82, 265), by JEFFREY J. OWEN, Business  
Representative, 2311 Second Avenue, Seattle,  
Washington 98121.

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I N D E X

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WITNESS: DIRECT CROSS REDIRECT RECROSS EXAM  
(None)

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	EXHIBIT	MARKED	ADMITTED
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## 1 P R O C E E D I N G S

2 JUDGE SCHAEER: The hearing will come to  
3 order. This is a pre-hearing conference in docket  
4 UE-951270, which is a proposal by Puget Sound Power  
5 and Light Company seeking approval to transfer  
6 revenues from PRAM rates to general rates, and docket  
7 No. UE-960195, which is the application of Puget Sound  
8 Power and Light Company and Washington Natural Gas  
9 Company for an order authorizing the merger of  
10 Washington Energy Company and Washington Natural Gas  
11 Company with and into Puget Sound Power and Light  
12 Company and authorizing the issuance of securities,  
13 assumption of obligations, adoption of tariffs, and  
14 authorizations in connection therewith.

15 These dockets were consolidated for hearing  
16 in determination by Commission order entered April 10,  
17 1996. This is a pre-hearing conference that was set  
18 by notice of pre-hearing conference dated April 10,  
19 1996. It's taking place on April 30, 1996 at Olympia,  
20 Washington. The hearing is being held before  
21 administrative law judges Marjorie R. Schaer and  
22 John Prusia. We had some discussion off the record.  
23 I indicated we would take appearances first. We will  
24 take motions and petitions to intervene. Then we will  
25 go off the record and discuss discovery scheduling and

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1 other issues. Taking appearances, let's begin with  
2 the appearance of the companies, please.

3 MR. VAN NOSTRAND: Thank you, Your Honor.  
4 On behalf of applicant Puget Sound Power and Light  
5 Company, James M. Van Nostrand, Perkins Coie, 411 -  
6 108th Avenue Northeast, Bellevue, Washington 98004.

7 MR. HARRIS: On behalf of Washington  
8 Natural Gas Company, Matthew R. Harris, Heller Ehrman  
9 White McAuliffe, 6100 Columbia Center, 701 Fifth  
10 Avenue, Seattle, Washington 98104.

11 JUDGE SCHAEER: Thank you. For the  
12 Commission staff, please.

13 MR. CEDARBAUM: My name is Robert  
14 Cedarbaum. I'm an assistant attorney general. My  
15 business address is the Heritage Plaza Building, 1400  
16 South Evergreen Park Drive Southwest in Olympia,  
17 Washington 98504.

18 JUDGE SCHAEER: For public counsel.

19 MR. MANIFOLD: My name is Robert F.  
20 Manifold, assistant attorney general. Appearing as  
21 public counsel. My address is 900 Fourth Avenue,  
22 Suite 2000, Seattle, Washington 98164.

23 JUDGE SCHAEER: And for the intervenors,  
24 please. Starting with you Mr. MacIver.

25 MR. MACIVER: Thank you, Your Honor. My

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1 name is Clyde H. MacIver and I am appearing on behalf  
2 of Industrial Customers of Northwest Utilities which  
3 are industrial customers of both electric and gas  
4 utilities, but I'm appearing here as representing  
5 industrial customers of electric utilities.

6 JUDGE SCHAEER: And you, sir.

7 MR. FINKLEA: I'm Edward Finklea. My  
8 business address is 101 Southwest Main, Suite 1100,  
9 Portland, Oregon, 97204 with the law firm of Ball  
10 Janik, and I'm appearing on behalf of the Northwest  
11 Industrial Gas Users who are industrial customers of  
12 Washington Natural Gas.

13 MS. JOHNSTON: Excuse me. It's extremely  
14 difficult to hear back here so if you could speak up,  
15 please do.

16 JUDGE SCHAEER: Thank you, Ms. Johnston.  
17 Parties have heard that request. We have a problem  
18 with a noisy ceiling fan that we cannot eliminate so  
19 we do need to shout in this room. Your turn.

20 MS. MOREAU: My name is Susan Moreau. I  
21 represent Teamsters Local 117, Seattle. We represent  
22 the workers of Washington Natural Gas. Our address  
23 is 553 John Street, Seattle, 98109.

24 JUDGE SCHAEER: Would you spell your last  
25 name for the record.

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1 MS. MOREAU: It's M O R E A U.

2 MS. RICHARDSON: My name is Shelly  
3 Richardson. Business address is 1300 Southwest Fifth  
4 Avenue, Suite 2300, Portland, Oregon, 97201. I'm  
5 appearing today on behalf of the Public Power Council,  
6 and I am also -- while not appearing on behalf of I  
7 will be providing the petition to intervene of  
8 Bellingham Cold Storage Company for consideration  
9 in these proceedings.

10 JUDGE SCHAEER: Has that petition been  
11 previously distributed?

12 MS. RICHARDSON: It has not.

13 JUDGE SCHAEER: And you, ma'am.

14 MS. PATTON: My name is Sara Patton. I'm  
15 the coalition director of the Northwest Conservation  
16 Act Coalition. Business address is 217 Pine Street,  
17 Seattle, Washington 98112. Our attorney could not be  
18 present this morning and so I am here along with  
19 Sheryl Carter of the Natural Resources Defense Council  
20 on behalf of our joint petition to intervene. Our  
21 attorney is Deborah S. Smith, 401 North Last Chance  
22 Gulch, Helena, Montana 59601.

23 JUDGE SCHAEER: And you, ma'am.

24 MS. CARTER: My name is Sheryl Carter. I  
25 represent the Natural Resources Defense Council.

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1 Deborah Smith is our attorney. My address is 71  
2 Stevenson Street, Suite 1825, San Francisco,  
3 California 94105.

4 JUDGE SCHAER: You, sir.

5 MR. MERKEL: My name is Joe Merkel. I'm  
6 here on behalf of the Washington PUD Association. We  
7 have interests as customers of Puget Power and as a  
8 potential competitor. My address is Caine McLaughlin  
9 law firm, C A I N E M C L A U G H L I N, Suite 1910,  
10 One Union Square, 600 University Street, Seattle,  
11 Washington 98101.

12 MR. ELLSWORTH: My name is Lynn Ellsworth.  
13 I represent IBEW Local 77. It's the McNaul Ebel law  
14 firm. 27th floor, One Union Square, Seattle,  
15 Washington 98101.

16 JUDGE SCHAER: You, sir.

17 MR. FREDERICKSON: My name is Frederick O.  
18 Frederickson. My address is 33rd floor, 1420 Fifth  
19 Avenue, Seattle, Washington, and I represent  
20 intervenor Seattle Steam Company.

21 MR PATTON: My name is William H. Patton,  
22 P A T T O N. My address is 10th Floor Municipal  
23 Building, 600 Fourth Avenue, Seattle, Washington  
24 98104. I represent the city of Seattle.

25 MS. MALANCA: Glenna Malanca, P.O. Box

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1 11007, Tacoma, Washington, and I represent the city of  
2 Tacoma department of public utilities.

3 MR. MEYER: Good morning. I'm David Meyer  
4 and I represent the Washington Water Power Company.  
5 The name of my firm is Paine, Hamblen, Coffin, Brooke  
6 & Miller. Address is 1200 Washington Trust Building,  
7 Spokane, Washington 99204.

8 MS. REES: My name is Anne Rees. I'm with  
9 the law firm of Preston Gates Ellis. I represent Air  
10 Liquide America Corporation. My address is 701 Fifth  
11 Avenue, 5000 Columbia Center, Seattle, Washington  
12 98104.

13 MR. WRIGHT: I'm Jon Wright, W R I G H T,  
14 representing Bonneville Power Administration. My  
15 business address is Routing LQ, Post Office Box 3621,  
16 Portland, Oregon.

17 JUDGE SCHAER: And are you an attorney,  
18 sir?

19 MR. WRIGHT: Beg pardon?

20 JUDGE SCHAER: Are you an attorney?

21 MR. WRIGHT: I'm an attorney, yes.

22 JUDGE SCHAER: Is there anyone else in the  
23 hearing room here on behalf of an intervenor who has  
24 not spoken up yet?

25 MR GOULD: Yes, thank you. John Gould

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1 representing Georgia-Pacific West, Inc., Bellingham.  
2 I'm their attorney. My address is 800 Pacific  
3 Building, 520 Southwest Yamhill Street, Portland,  
4 97204.

5 JUDGE SCHAER: Have you previously filed a  
6 petition, sir?

7 MR. GOULD: I have a petition with me.  
8 Last night I faxed a petition to the parties.

9 JUDGE SCHAER: And I saw another.

10 MR. FREEDMAN: Yes. My name is Eric  
11 Freedman, F R E E D M A N. I'm the attorney for  
12 Public Utility District No. 1 of Snohomish County.  
13 My address is 2320 California Street, Everett,  
14 Washington 98201.

15 JUDGE SCHAER: Is anyone here on behalf of  
16 King County, Washington?

17 MS. JOHNSTON: (Inaudible) Ms. Richmond,  
18 I saw her in the parking lot. She's over to the  
19 attorney general's office so it is quite possible that  
20 she will arrive shortly (inaudible) on behalf of King  
21 County but I can't speak for her.

22 JUDGE SCHAER: Thank you, Ms. Johnston. Is  
23 there anyone else in the hearing room who represents  
24 someone who wants to be an intervenor in this matter  
25 who has not yet spoken up? All right.

1           As the first order of business then we will  
2 have petitions and motions to intervene, and I believe  
3 that many of those have been distributed prior to this  
4 hearing. I believe there are at least two petitioners  
5 in the hearing room and possibly Ms. Richardson, you  
6 have a petition for Bellingham Cold Storage?

7           MS. RICHARDSON: Yes, I do.

8           JUDGE SCHAEER: I would ask that those three  
9 petitions be distributed to the bench and to the other  
10 parties at this time.

11          MS. MALANCA: City of Tacoma had ours filed  
12 yesterday and 19 copies provided here. Should we go  
13 make further copies for those in the room?

14          JUDGE SCHAEER: If you did not serve those  
15 on parties of --

16          MS. MALANCA: Parties of record were served  
17 yesterday and 19 copies were served here yesterday  
18 with the secretary.

19          JUDGE SCHAEER: I have received a copy of  
20 your petition so at this point I don't believe you  
21 need to do anything unless at the point we call on you  
22 and someone who raises their hand doesn't have a  
23 copy and would like one. Do you have a few extras?

24          MS. MALANCA: I don't have extras and  
25 that's what I'm asking. Should I go obtain extras?

1                   JUDGE SCHAER: I think probably you don't  
2 need to at this point.

3                   MS. MALANCA: I will provide copies to  
4 anyone who has requested.

5                   MS. RICHARDSON: Your Honor, I have the  
6 same concern insofar as the attorney of record for  
7 Bellingham Cold Storage has asked me to serve you with  
8 the original and 19 copies and to date concurrent with  
9 this proceeding he is serving the parties to this  
10 proceeding. I don't have extras with me. I would be  
11 glad to obtain some should parties to the proceeding  
12 care for it.

13                   JUDGE SCHAER: What I would like you to do,  
14 Ms. Richardson, is I believe the original and 19 which  
15 you filed with the Commission are for internal  
16 distribution to Commission staff. They do not go to  
17 the other parties. I believe that it's appropriate  
18 for the other parties to have a copy of your petition  
19 before them this morning, so what I would like you to  
20 do -- what I think would be workable would be for you  
21 to give me a copy and distribute the ones that you  
22 would normally file with the Commission to the other  
23 parties and then have you keep the original, make 19  
24 new copies and file the original and 19 at the  
25 Commission record center and if that is done

1 sometime after this morning that is -- I think as  
2 long as everyone here in the room has a copy that's  
3 more important. You can go to the record center  
4 (inaudible) --

5 MS. RICHARDSON: I will provide you with  
6 the copy, keep the original?

7 JUDGE SCHAEER: Yes.

8 MS. RICHARDSON: very good.

9 MR. GOULD: I'm in a similar position.

10 JUDGE SCHAEER: I think the same manner of  
11 proceeding is what I would suggest.

12 MR. GOULD: I believe that I faxed a copy  
13 of this to all parties that had --

14 JUDGE SCHAEER: I would like a copy.

15 MR. GOULD: So --

16 JUDGE SCHAEER: You might want to check with  
17 the parties as you go around to see if they got it but  
18 I have not received it.

19 MR. GOULD: I will make them available to  
20 those interested. I will make a petition of  
21 Georgia-Pacific available to anyone who would like  
22 one.

23 JUDGE SCHAEER: In addition to providing  
24 copies to me please provide a copy to Judge Prusia as  
25 well.

1           I'm going to start with the petitions now  
2 in roughly the order in which I received them starting  
3 with the petition of the Public Utility District No. 1  
4 of Snohomish County, Washington and asking you, Mr.  
5 Freedman, is there anything that you would like to add  
6 to the information provided in your petition.

7           MR. FREEDMAN: Not at this time, thank you.

8           JUDGE SCHAEER: Okay. I don't have any  
9 questions of you. Does any party object to the  
10 intervention of the Public Utility District No. 1 of  
11 Snohomish County?

12           MR. CEDARBAUM: Your Honor, the staff does  
13 have an objection to the intervention of this  
14 particular PUD, and I would note at the outset that  
15 part of our objection goes to not only the merits of  
16 the intervention itself but also the fact that we have  
17 by my count 17 parties wishing to intervene, and if  
18 everyone gets in who might be able to meet the  
19 intervention rule we're going to have I think an  
20 unworkable proceeding. So I think even for parties  
21 that may meet the rule the Commission should be  
22 exercising some discretion in denying interventions.  
23 With regard to Snohomish PUD, I don't think they have  
24 met the intervention rule which requires either  
25 substantial interest or a public interest. That rule

1 has been construed by our state supreme court in the  
2 Cole decision at 72 Wn.2d -- excuse me, 79 Wn.2d 302  
3 to focus on consumer interests, the interests of the  
4 public being ratepayers, and since the PUD is a  
5 nonregulated utility, it would not fall within the  
6 parameters of the intervention rule, so we would  
7 object on that basis.

8           JUDGE SCHAEER: Are there any other  
9 objections to the participation of PUD No. 1 of  
10 Snohomish County? Mr. Freedman, would you like to  
11 come up to the table and briefly respond to the  
12 objection of Commission staff.

13           MR. FREEDMAN: We believe that our petition  
14 is in the public interest for reasons that the  
15 ratepayers -- concerns the ratepayers we believe  
16 are at stake in Snohomish County. Washington Natural  
17 Gas Company is already an energy provider in Snohomish  
18 County. Upon the consummation of the merger Puget  
19 Sound energy will be serving retail customers in our  
20 existing service territory, and we believe that the  
21 nature of the merger -- the quality concerns that are  
22 at issue in the merger are precisely of enormous  
23 public interest in Snohomish County to our ratepayers  
24 and to the ratepayers who are customers of Puget Sound  
25 Energy.

1                   JUDGE SCHAER:  So when you speak of  
2  ratepayer interest you're speaking of customers of  
3  your utility?

4                   MR FREEDMAN:  Well, residents of Snohomish  
5  County who are customers of ours and will be customers  
6  -- they will be customers of Puget Sound Energy.  Our  
7  existing customers with Washington Natural Gas Company  
8  who will be customers effective immediately upon  
9  consummation of the merger of the surviving company  
10 and they will be regulated ratepayers and Puget Sound  
11 Energy will be a competitor of ours for retail  
12 customers in Snohomish County.

13                  JUDGE SCHAER:  So your concern is that this  
14 company will be a competitors of yours?  Am I hearing  
15 that correctly?

16                  MR. FREEDMAN:  Yes, our primary concern is  
17 as a competitor.

18                  MR. CEDARBAUM:  Can I just ask one  
19 clarifying question?  There's been a motion to  
20 intervene by Public Utility District Association.

21                  MR. FREEDMAN:  Right.

22                  MR. CEDARBAUM:  Are you a member of that  
23 association?.

24                  MR. FREEDMAN:  We are.

25                  MR. CEDARBAUM:  Your Honor, I guess

1 admittedly there might be a fine line between the  
2 interests that the Snohomish PUD wants to protect,  
3 whether that's their own customers' interests or  
4 customers of the applicant's, but I also think in the  
5 situation where they're represented by an association  
6 that has intervened where some of those members are  
7 customers of Puget, going to have a clear basis for  
8 intervention, that we have a duplication here and that  
9 at least in the Commission's discretion it can act to  
10 deny intervention where those interests are  
11 represented by someone else. That seems to be the  
12 case here.

13 JUDGE SCHAER: Mr. Freedman, is there any  
14 reason why your interests and issues could not be  
15 represented by the association?

16 MR. FREEDMAN: I can't say that at this  
17 time although I do think that our interest by virtue  
18 of the fact that we are in the existing service  
19 territory of Washington Natural Gas Company, more  
20 directly affected than most of the other public  
21 utility district members, members of the association.  
22 We are more directly at stake and our customers are  
23 more directly at stake so I cannot tell you at this  
24 time that the association would be able to represent  
25 our interests fully, but I do believe that our

1 interests are greater -- we have more at stake in this  
2 merger than many of the members of the association.

3 JUDGE SCHAEER: Is there any comment from  
4 the company?

5 MR. VAN NOSTRAND: Yeah, Your Honor. I  
6 would agree with Mr. Cedarbaum. A case can be made  
7 under WUTC vs. Cole that utilities in the surrounding  
8 public utility district such as Snohomish, Seattle,  
9 Tacoma arguably do not fall within the scope of  
10 interest which the Commission may consider under that  
11 decision. It was the company's feeling that given the  
12 thousands of customers that are served by both these  
13 utilities and Puget Sound Energy and the joint efforts  
14 that the company has under way with those utilities  
15 and the impact of programs which the company may be  
16 proposing in this case as far as fuel conversions and  
17 consumer education regarding dual fuels that we would  
18 not oppose the intervention of Snohomish, Seattle or  
19 Tacoma on those grounds arguably being within the  
20 public interest although, as Mr. Cedarbaum points out,  
21 probably not having a substantial interest under the  
22 WUTC vs. Cole decision.

23 JUDGE SCHAEER: Well, I'm going to take --  
24 Mr. Manifold.

25 MR. MANIFOLD: Yes. Just briefly. I don't

1 wish to speak in favor or against the intervention but  
2 just note that there are a number of parties seeking  
3 intervention who may have similar interests as Mr. Van  
4 Nostrand just indicated, and one of the things the  
5 Commission can do is require those parties to  
6 consolidate their presentations, to designate one  
7 person to conduct cross-examination where the issues  
8 are the same and so forth, and I would commend that to  
9 your consideration for those parties who appear to  
10 have similar interests.

11           JUDGE SCHAEER: Mr. Freedman, in regard to  
12 what was just raised by Mr. Manifold, have you had  
13 discussions with counsel of any parties or are there  
14 any other parties that you consider to be parties with  
15 similar interests?

16           MR. FREEDMAN: I think the other municipal  
17 utilities in and/or around Puget Sound Energy's  
18 service territory would have similar interests to ours  
19 and would be willing to consider a consolidation of  
20 pleadings with them that would allow us to continue as  
21 an intervenor.

22           JUDGE SCHAEER: I'm going to take your  
23 petition under advisement at this point in the hearing  
24 and go through and hear from the other parties who  
25 wish to intervene and then we'll take this up again

1 before the conclusion of the hearing, and I am going  
2 to encourage you at some point when we have a break to  
3 perhaps speak with counsel of the similarly related --  
4 similar interested groups and see if perhaps you can  
5 craft a proposal whereby there would be one contact  
6 person and one counsel so that we can try to keep a  
7 handle on this proceeding, manageable from the  
8 Commission's perspective. Thank you.

9           The next petition that I received is from  
10 Public Power Council, Ms. Richardson.

11           MS. RICHARDSON: Yes.

12           JUDGE SCHAEER: Do you have anything that  
13 you would like to add to your petition?

14           MS. RICHARDSON: Two points if I might.  
15 First in anticipation of Mr. Cedarbaum's concerns  
16 similar to those just heard with respect to Snohomish  
17 County PUD, the case that this state looks to, Cole  
18 vs. Washington Utilities and Transportation  
19 Commission, I believe, is quite distinguishable on the  
20 facts while acknowledging that the court in that case  
21 did provide the guidelines that interventions may be  
22 permitted under the facts that gave rise to that case  
23 I think are significantly different than the facts  
24 before us in this merger proceeding. As I've  
25 indicated in our pre-hearing -- in our petition to

1 intervene, the Public Power Council represents  
2 consumer and utilities -- jurisdictionally  
3 (inaudible) utilities, if you will, throughout the  
4 Pacific Northwest whose interests are directly at  
5 stake in this proceeding and, as I say, I believe an  
6 examination of the facts of this proceeding and  
7 contrast it to those of Cole will distinguish that  
8 case.

9           The second point I would make is simply I  
10 appreciate your concern as well as the state's concern  
11 for a manageable proceeding. I have spoken with other  
12 counsel representing somewhat similarly situated  
13 parties in this proceeding and while I do not believe  
14 that the Public Power Council's interests are  
15 represented adequately by any other potential  
16 intervenor or intervenor to this proceeding, certainly  
17 consolidation with another party is something that we  
18 would consider.

19           JUDGE SCHAER: What other party would you  
20 be thinking of?

21           MS. RICHARDSON: There are, I believe, two  
22 parties to this proceeding who have residential  
23 exchange issues similar to the Public Power Council.  
24 Those parties would be the Bonneville Power  
25 Administration and potentially the Washington PUD

1 Association. Now, I am not privy to the legal  
2 strategy of either of those intervenors. However, my  
3 anticipation is that the narrow issue for Public Power  
4 Council's interests would be something that they would  
5 potentially be addressing.

6 JUDGE SCHAEER: Is there anything else you  
7 want to add to the petition before we take comment  
8 from other parties?

9 MS. RICHARDSON: That would be all, Your  
10 Honor. Thank you.

11 JUDGE SCHAEER: Is there any objection to  
12 the intervention of Public Power Council in this  
13 proceeding?

14 MR. CEDARBAUM: Just to speak up first,  
15 I talked with Ms. Richardson before we went on the  
16 record and expressed my concerns with the  
17 intervention. I do have a position that under the  
18 Commission's intervention rule Public Power Council  
19 doesn't meet the substantial interests or public  
20 interest test. The interests that they have are of  
21 their member utilities, and not Washington ratepayers,  
22 at least ratepayers of the applicants.

23 I would also note that as I understand the  
24 interest it has mostly to do with how the residential  
25 exchange works at BPA and how Puget's average system

1 costs will be determined and utilized in the  
2 residential exchange calculation. Those are issues  
3 that really, as I understand this proceeding, will not  
4 be impacted by the case. There will be no tariffs  
5 filed as a result of the merger. There will be no  
6 filing by Puget of its average system costs with BPA  
7 as a result of this case, and so this case may not  
8 impact the exchange at all. Even if it did, as I  
9 understand it, that's a methodology that BPA utilizes  
10 and that it's not bound by the state Commission's  
11 determination, and so either way I don't see how the  
12 residential exchange interest ought to bear on  
13 intervention in this case.

14           And finally, that calculation by Bonneville  
15 is a function of their methodology. It just falls out  
16 of whatever happens at the state level if Bonneville  
17 decides to utilize that determination, so it doesn't  
18 seem to me to have an impact -- that doesn't seem to  
19 me that this case will impact how Bonneville does its  
20 job or how the Public Power Council will be impacted  
21 as well.

22           JUDGE SCHAEER: Any other comment?

23           MR. VAN NOSTRAND: Yes, Your Honor.

24 Applicant also opposes the intervention of Public  
25 Power Council. The interest asserted by Public Power

1 Council regarding the implications of the merger on  
2 Puget's average system costs are exactly the same  
3 interests as asserted by BPA in its petition to  
4 intervene in this proceeding, and although Puget will  
5 not oppose BPA's intervention, the Public Power  
6 Council's interests in this proceeding are even more  
7 indirect than Bonneville. As Mr. Cedarbaum pointed  
8 out, members of the Public Power Council do not have  
9 contracts with Puget; they have power contracts with  
10 BPA. And Puget has a residential exchange agreement  
11 made with BPA to which PPC and its members are not  
12 parties and the amount paid by BPA under its  
13 residential exchange agreement with Puget may have  
14 some impact on the amount that PPC's members have to  
15 pay for power they purchase from BPA from under their  
16 separate contracts with BPA, but the interests of PPC  
17 in this proceeding are indirect to the second degree.  
18 This Commission determines costs which are then used  
19 by BPA to determine average system costs and a Puget  
20 residential exchange contract which then may have some  
21 impacts on amounts paid by PPC members under their  
22 contract with BPA, and the applicants view this as a  
23 stretch which does not satisfy the substantial  
24 interest standard.

25 We also have some concerns that the

1 intervention may be duplicative of parties that are  
2 already seeking to intervene. The PPC does not  
3 identify its members but it does state that they are  
4 consumer-owned electric utilities doing business in  
5 Washington state which may be to a large degree the  
6 same parties represented by the PUD Association and  
7 the intervention may also be denied on the grounds  
8 that it's duplicative of an interest already  
9 represented.

10 JUDGE SCHAEER: Ms. Richardson, who are your  
11 members or the members who you think would be directly  
12 affected by this proceeding?

13 MS. RICHARDSON: As a practical matter,  
14 Your Honor, the consumer utilities that are members of  
15 Public Power Council are in excess of 100 utilities  
16 located throughout the Pacific Northwest. Probably --  
17 I can't tell you the number that are located in  
18 Washington, but for purposes of this proceeding their  
19 geographic location is not necessarily at issue. All  
20 of these utilities, the consumer-owned utilities,  
21 members of Public Power Council, pay over 50 percent  
22 of the subsidy known as the residential exchange  
23 program that the Bonneville Power Administration  
24 administers. That residential exchange program  
25 impacts directly the rates of consumers of Puget

1 Power. The proceeding here is a proceeding where the  
2 costs of the company, the merged company, are an  
3 issue, and it's those costs which form the baseline  
4 for Bonneville's calculation of the subsidy, which is  
5 later then paid to the utilities. My clients pay that  
6 subsidy. That's their interest, so the 105 utilities,  
7 whether they're in Cutbank, Montana or city of  
8 Seattle, city of Tacoma, are directly implicated.

9           If I might take a moment, Your Honor, and  
10 address a couple of the points that Mr. Cedarbaum and  
11 Mr. Van Nostrand made.

12           JUDGE SCHAER: Yes.

13           MS. RICHARDSON: Thank you. Beginning with  
14 the comments of Mr. Cedarbaum, Public Power Council  
15 acknowledges that the Bonneville Power  
16 Administration's calculation of residential exchange  
17 subsidies to Puget are not bound by the state  
18 Commission. That's a function of Bonneville's  
19 methodology. That's -- clearly we agree with that.  
20 However, to say that the average system costs of the  
21 company in this proceeding are not impacted by the  
22 case, I strongly disagree with. To the contrary, in  
23 the application itself, applicants identify that a  
24 proposed methodology to allocate the costs between the  
25 gas and the electric sides of the operation are at

1 issue. That methodology is one of the items put  
2 squarely before the Commission. If those costs are  
3 allocated in a manner so as to place so-called  
4 unexchangeable costs on the electric side, in effect,  
5 my clients are subsidizing the merger and that's not  
6 an acceptable outcome from the Public Power Council's  
7 perspective. So clearly, average system costs, the  
8 residential exchange program, is implicated.

9           Now, with respect to the opposition of  
10 Puget, identifying the interests of consumer owned  
11 utilities as being identical to the interests of the  
12 Bonneville Power Administration is flat wrong. The  
13 Bonneville Power Administration is the conduit for  
14 which my clients' money flows for purposes of the  
15 residential exchange. I would submit to you that  
16 those interests are quite dramatically different.  
17 Bonneville Power Administration should be relatively  
18 indifferent as to the administration of the  
19 residential exchange; if it comports with the  
20 methodology they're happy. My clients on the other  
21 hand are by and large folks funding that program.  
22 Their interests are different than the Bonneville  
23 Power Administration's.

24           Secondly, to imply that those interests are  
25 indirect interests to the second degree, I would put

1 myself in the place of a utility. If I am Seattle  
2 City Light, Tacoma, Snohomish, a consumer-owned  
3 utility who is paying for a program that's being  
4 passed through a federal power marketing  
5 administration, I submit to you those interests are  
6 very direct. They're certainly not indirect to the  
7 second degree.

8           And finally with respect to the Public  
9 Power Council interests as being duplicative with  
10 those, for example, of the PUD Association, I have  
11 examined the petition to intervene of the PUD  
12 Association and while our interests may be similar,  
13 the more narrowly focused residential exchange issue  
14 with which my clients are concerned is not an issue  
15 which I think necessarily the PUD Association would  
16 arrange front and center. While we may be able to  
17 participate in terms of a consolidated briefing, and  
18 that's certainly something we would consider, if  
19 that's Your Honor's decision, the duplicity of  
20 interests is not complete. There is some overlap  
21 potential.

22           JUDGE SCHAER: How much overlap is there  
23 between your members and members of the PUD  
24 Association?

25           MS. RICHARDSON: My understanding is that

1 there are members of the PUD Association who are not  
2 electric utilities, and Mr. Merkel will correct me if  
3 that's incorrect.

4 MR. MERKEL: That's correct.

5 MS. RICHARDSON: On the other hand the  
6 Public Power Council consist entirely and exclusively  
7 of consumer-owned utilities throughout the northwest.  
8 As I said, the jurisdictional issue is broader. The  
9 PUD Association in addition to having nonelectric  
10 utility members is located here directly in  
11 Washington, obviously, whereas my members are spread  
12 throughout the northwest and the monies that they're  
13 paying aren't -- it's no greater for a Washington  
14 utility than it is a Montana utility who is funding  
15 the residential exchange.

16 MR. MERKEL: Your Honor?

17 JUDGE SCHAEER: Yes.

18 MR. MERKEL: My name is Joe Merkel. I'm  
19 representing the PUD Association. I have spoken with  
20 Ms. Richardson prior to this conference, and I would  
21 just say on the record that we would be willing to  
22 enter into some sort of arrangement whereby we would  
23 consolidate our efforts so that you did not have a  
24 multiplicity of parties and attorneys.

25 MS. RICHARDSON: The last point I would

1 make, Your Honor, whereas the PUD Association consists  
2 of just that, public utility districts in the state of  
3 Washington, the Public Power Council is comprised of  
4 electric utilities which are governed in three  
5 different manners. While there are public utility  
6 district members there are also cooperatively owned  
7 electric utilities which function under a completely  
8 different structure as well as municipal utilities  
9 which vary depending on the municipality, so the  
10 coincidence of interests, again, similar but it's  
11 fairly slim reed.

12 JUDGE SCHAER: I'm going to take your  
13 petition under advisement at this point also and  
14 we'll get you a decision by the completion of this  
15 conference.

16 MR. MANIFOLD: Your Honor, may I ask a  
17 question?

18 JUDGE SCHAER: Yes, you may.

19 MR. MANIFOLD: Ms. Richardson, Rob Manifold  
20 for public counsel. In your response it wasn't clear  
21 to me how the interests of your members who are not in  
22 Washington or are municipals or are co-ops how their  
23 interests in the residential exchange that is funded  
24 you say through them and you allege a subsidy, how  
25 that interest is any different from the members who

1 are members of the Washington PUD Association.

2 MS. RICHARDSON: Insofar as the electric  
3 utility members of the Washington PUD Association  
4 through their rates paid to Bonneville help fund the  
5 residential exchange, then the interests of a utility  
6 in Cutbank or Salem, Oregon or wherever are similar to  
7 that. The point I was trying to clarify is that the  
8 sets may interlock to a degree, but they're not even  
9 in the ballpark of being overlap.

10 JUDGE SCHAEER: Thank you. Next we have Mr.  
11 Frederickson for Seattle Steam Company.

12 MR. FREDERICKSON: Yes, Your Honor. I  
13 don't have anything further to add to our intervention  
14 petition at this time.

15 JUDGE SCHAEER: Is there any objection to  
16 the participation of Seattle Steam in this proceeding?

17 MR. CEDARBAUM: Just a question. Mr.  
18 Frederickson, is your client a member of either -- of  
19 any of the industrial groups that are trying to  
20 intervene?

21 MR. FREDERICKSON: No. And as I indicated  
22 in my petition, no other party represents our  
23 interests in this proceeding.

24 MR. CEDARBAUM: I have no objection.

25 JUDGE SCHAEER: Hearing no objection that

1 intervention is granted. Next I have King County. I  
2 believe Ms. Richmond has joined us. Would you first  
3 make your appearance.

4 MS. RICHMOND: Apologize for being late. I  
5 was down here but was waiting for a fax to arrive and  
6 the fax is an amendment to our original petition to  
7 intervene.

8 JUDGE SCHAER: Would you please distribute  
9 to the parties.

10 MS. RICHMOND: As it states, it's just  
11 superseding a -- section 5 and 6 of the original  
12 petition are replaced by this language. And I have  
13 nothing further to add.

14 JUDGE SCHAER: Have parties had sufficient  
15 time to look at the amendment to the petition of King  
16 County? Is there any objection to -- excuse me, Ms.  
17 Richardson, would you please make your appearance at  
18 this time.

19 MS. RICHMOND: Yes. My name is Terese  
20 Richmond. I'm senior deputy prosecuting attorney with  
21 King County, 701 Fifth Avenue, Seattle, Washington,  
22 98104.

23 JUDGE SCHAER: Is there any objection to  
24 the participation by King County in this matter?  
25 Hearing none that petition will be granted.

1                   Next petition to be considered is the  
2 petition of the Washington Public Utility District  
3 Association. Mr. Merkel, do you have anything to add  
4 to your petition at this point?

5                   MR. MERKEL: Well, only to note that with  
6 respect to your previous discussions with Ms.  
7 Richardson, I think PUD members do have an interest in  
8 the exchange issue, but would look to the PPC actually  
9 to articulate that interest better than we could, and  
10 we would certainly reiterate my offer to consolidate  
11 our efforts and do joint briefing, joint participation  
12 with the PPC if that would relieve any administrative  
13 burden. Beyond that I think the petition is clear:  
14 we have an interest. Some PUDs are water-only PUDs  
15 and are customers of Puget. Other PUDs are water and  
16 power and would be interested in intervening to  
17 comment on the competitive aspects of this merger, and  
18 we are aware of course that the Commission has another  
19 docket involving competition in the advancement of --  
20 encouragement of competition in the state of  
21 Washington, and our interests would be intervening to  
22 provide some advice and comment what you think would  
23 be in the public interest on that issue as well as on  
24 the issue of how this affects PUDs as customers and  
25 their rates that they pay to Puget.



1 operate water systems all of which have large pumping  
2 loads. Whatcom -- I believe those three pay rates  
3 under tariffs administered by this Commission. My  
4 understanding is that Whatcom has a direct contract --  
5 or Whatcom -- excuse me, it's not a direct contract.  
6 I think it is also under tariff but it's a smaller  
7 water pumping load so those four utilities, Whatcom,  
8 Skagit, Jefferson and Kitsap, are customers.

9           MR. CEDARBAUM: Your Honor, I don't have  
10 any objection to the intervention given that some of  
11 the members are customers, although most are not, and  
12 so I guess if they were trying to intervene -- if  
13 noncustomers of Puget were trying to intervene I might  
14 have some concerns but given that some are customers  
15 and given that we might be able to consolidate some  
16 interests of other parties, I would have no objection.

17           JUDGE SCHAEER: Any other party wish to  
18 comment?

19           MR. VAN NOSTRAND: Yes, Your Honor.  
20 Applicants object to the intervention of the PUD  
21 Association. The petition asserts two interests.  
22 First as to retail customers of Puget we've now just  
23 heard that of the 28 members of the PUD Association  
24 only four are actual retail customers of Puget. And  
25 Puget won't deny that its retail customers generally

1 in most circumstances have an interest which justifies  
2 intervention. However, in this particular situation  
3 we have an organization of 28 members that seeks to  
4 intervene by bootstrapping on the interests of power  
5 members who have the status of retail customers of  
6 Puget.

7           It seems that with regard to the interests  
8 of public utility districts generally we already have  
9 three other public utility districts who have  
10 attempted to intervene one of whom is a member of the  
11 PUD Association. As far as interests asserted in the  
12 petition that several members are potential  
13 competitors engaged in the retail distribution of  
14 electricity, under the Cole vs. WUTC decision, which  
15 has been cited a number of times this morning, this is  
16 not an interest in the public which may be considered.  
17 Commission has not traditionally granted intervention  
18 where the only interest asserted is that of a  
19 competitor. Indeed it would place the applicants at a  
20 competitive disadvantage if its competitors were  
21 allowed to intervene, gain access to confidential  
22 information and have a role in fashioning merger  
23 conditions which may hamper the applicant's ability to  
24 compete.

25           Finally, the whole issue of competition as

1 set forth in the petition is speculative as it  
2 presumes a competitive situation in this state which  
3 does not exist and presumes a change in the law that  
4 will allow such competition. For those reasons the  
5 applicants oppose the intervention of the PUD  
6 Association.

7 JUDGE SCHAER: Mr. Manifold.

8 MR. MANIFOLD: I don't have a copy of your  
9 written petition but is Whatcom County PUD a member of  
10 your association?

11 MR. MERKEL: Yes.

12 MR. MANIFOLD: Is that the PUD that serves  
13 one industrial customer that's also been bidding for  
14 some of Puget's industrial customers?

15 MR. MERKEL: Yes.

16 JUDGE SCHAER: Brief response, Mr. Merkel.

17 MR. MERKEL: Respond briefly. I think the  
18 landscape has changed considerably since Cole. We now  
19 have competition being a model as being advanced or  
20 advocated in the electric industry including by this  
21 Commission through its separate docket. And,  
22 therefore, the public interest is in what effect this  
23 merger will have on the new competitive model that is  
24 being advocated by the Commission, and I don't think  
25 it is possible to have a proceeding in which you

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1 examine that without hearing impacts and getting the  
2 advice of some of the potential competitors. You  
3 can't have competition without competitors, and it is  
4 not the interests -- their interests as competitors  
5 that you should be considering. It is their -- the  
6 PUD Association's ability to provide useful input,  
7 advice and information to the Commission about how the  
8 merger will affect the Commission policy which has  
9 been articulated in the separate competition  
10 proceedings. So I think the circumstances have  
11 dramatically -- are dramatically different from the  
12 Cole case in which you simply had the oil heat  
13 institute seeking to protect the direct competitive  
14 interests and not advising the Commission on  
15 competition as a model for the electric industry.

16 JUDGE SCHAER: What docket are you  
17 referring to, sir, for competition?

18 MR. MERKEL: UE-940932.

19 JUDGE SCHAER: Is that a notice of  
20 inquiry on those issues?

21 MR. MERKEL: It's a docket entitled  
22 Examining Regulation of Electric Utilities in the Face  
23 of Change in the Electric Industry. It is the  
24 Washington state version, as I understand it -- and  
25 maybe the staff could explain it further -- of the --

1 it's a docket designed to examine moving from a  
2 regulatory to a competitive model at the retail level  
3 in the Washington electric industry.

4 JUDGE SCHAER: I'm going to take your  
5 petition under advisement at this time.

6 MR. VAN NOSTRAND: Your Honor, can I have a  
7 brief comment?

8 JUDGE SCHAER: Yes.

9 MR. VAN NOSTRAND: All this discussion  
10 about competition, the competitive issues are not  
11 raised in this filing. The interests of the PUD  
12 Association if they apply at all in this case they are  
13 as retail customers of Puget, and under the  
14 Commission's rules of intervention it is possible to  
15 condition intervention and participation and limit the  
16 participation only to those interests in which a  
17 demonstrated interest in the outcome has been shown.  
18 And that's the Commission's rule 480-09-430(b) which  
19 also cites Administrative Procedure Act 3405443(2),  
20 and we would ask that if the PUD Association  
21 intervention is granted that their intervention be  
22 limited to that of its interests as a retail customer  
23 of Puget and that we not open it up to competitive  
24 issues which plainly are not raised by this filing.  
25 JUDGE SCHAER: Mr. Van Nostrand, if there

1 were to be some consolidation of the interventions of  
2 Public Power Council and PUD Association, perhaps the  
3 public entities who are seeking intervention, what  
4 would your position be on whether the Bonneville  
5 exchange issue framed by the Public Power Council  
6 would also be one that should or should not be allowed  
7 in any kind of a limited intervention?

8           MR. VAN NOSTRAND: Well, Your Honor, on the  
9 residential exchange aspect, I think we need to keep  
10 in mind there are -- Puget has a contract with BPA and  
11 Public Power Council's members have a contract with  
12 BPA, and BPA determines Puget's average system costs  
13 using as a starting point the costs determined by this  
14 Commission. And if Public Power Council members have  
15 an issue with how those average system costs are  
16 determined, the proper forum is before BPA. They have  
17 routinely exercised that opportunity and intervened  
18 in, I recall, Puget's average system costs cases with  
19 BPA. We don't believe Public Power Council has a role  
20 in this proceeding that justifies intervention on  
21 residential exchange grounds. As I indicated before,  
22 BPA has also intervened on those grounds. BPA is the  
23 one that determines Puget's average system costs and  
24 we will not oppose the intervention of BPA. If that  
25 interest is to have a place at the table BPA is the

1 party of first resort. If Public Power Council  
2 doesn't like BPA's determinations of average system  
3 costs it has a forum. It's not here.

4 MR. CEDARBAUM: I have got to make one  
5 brief comment. Mr. Van Nostrand indicated that the  
6 filing didn't raise any competitive issues. I don't  
7 think the staff would agree with that. The question  
8 is what are the extent of those issues and who is  
9 qualified to raise them. Certainly there are issues  
10 involving competition that the staff will be  
11 investigating, so I didn't want to let that comment go  
12 by without responding. With regard to his discussion  
13 on Public Power Council's interests through the  
14 residential exchange I pretty much agree with what he  
15 was discussing.

16 JUDGE SCHAEER: As I started to state, I'm  
17 going to take this petition under advisement also at  
18 this time, and continue to move through the remaining  
19 petitions. At this point I am going to suggest that  
20 we take our morning recess and be off the record.  
21 We'll be back -- please be back at quarter to 11 and  
22 we will reconvene at that point.

23 (Recess.)

24 JUDGE SCHAEER: Let's be back on the record  
25 after our morning recess. Next petition that we will

1 take up is the petition of the Bonneville Power  
2 Administration. Mr. Wright, do you have anything that  
3 you would like to add to your written petition?

4 MR. WRIGHT: Yes. I would like to clarify  
5 a few things about the ASC methodology as it's been  
6 discussed in several different contexts. It is true  
7 that BPA retains discretion to make an independent  
8 determination of costs in an ASC filing. However, it  
9 should be recognized that that discretion is not  
10 exercised in a vacuum. Back when the 1984 methodology  
11 was adopted, it was adopted with the participation of  
12 all of the interested parties in the region. And what  
13 eventually came out of that process was something that  
14 we now call the jurisdictional approach. The  
15 jurisdictional approach relies heavily on what happens  
16 at the state Commission hearing level. That is in  
17 fact a foundation on which the ASC program is built.

18 I think I go through that pretty well in  
19 our petition. The definition of costs, for example,  
20 in the methodology itself says it's the aggregate  
21 dollar amount relied on by the state Commission. Two  
22 cases cited in the petition, Simple Electric Co-op and  
23 CP National, discuss the interrelationship between the  
24 state Commission's work and BPA's work in the ASC  
25 filing. And I think another thing to be remembered is

1 that BPA's interests do diverge from the interests of  
2 BPA's customers. I don't think -- I don't read the  
3 methodology to suggest in any way that a customer's  
4 exclusive forum for involvement is at the state -- is  
5 at the ASC filing level. I think very clearly the  
6 methodology envisions vigorous analysis, vigorous  
7 scrutiny of costs at state Commission level as well.

8 JUDGE SCHAEER: Thank you. Is there any  
9 comment on the petition of Bonneville Power  
10 Administration in this proceeding?

11 MR. CEDARBAUM: Yes, Your Honor. I would  
12 object to the petition for similar reasons as I did to  
13 the Public Power Council. As has become clear here  
14 this morning, Bonneville's average system cost  
15 calculation is done independently through its own  
16 methodology. As Mr. Wright indicated, to the extent  
17 that Bonneville does rely upon state Commission  
18 action, as I understand it, its retail rate  
19 determinations that Bonneville utilizes, that's not  
20 what this case is about. And finally with regard to  
21 the notion that Bonneville relies -- again relies  
22 heavily upon state determinations, I would only note  
23 that in I think in about 1992 or so the Washington  
24 Utilities and Transportation Commission was involved  
25 in an appeal of a Bonneville average system cost

1 calculation to the Ninth Circuit Court of Appeals in  
2 which the issue was how to treat some costs related to  
3 abandoned nuclear projects in the average system cost  
4 calculation. In that case the Commission told  
5 Bonneville and FERC time and time again how it treated  
6 those costs and how it ought to be utilized in the  
7 average system cost calculation, and time and time  
8 again, Bonneville and FERC told this Commission that  
9 it wasn't going to listen to that communication. And  
10 the Ninth Circuit Court of Appeals upheld Bonneville's  
11 determination in that proceeding, so the notion that  
12 Bonneville has to be in this case because it has to  
13 know what we're doing because it has to use that in  
14 its own calculations just isn't borne out by the  
15 history of Bonneville and Commission court proceedings  
16 or by the methodology Bonneville utilizes. So, again,  
17 I would --

18 JUDGE SCHAER: Would you speak up.

19 MR. CEDARBAUM: I'm sorry. I would object  
20 for those reasons and for the reasons that I indicated  
21 earlier with regard to Ms. Richardson's client.

22 JUDGE SCHAER: Mr. Cedarbaum, let me ask  
23 you, if you said that there's no retail rate  
24 determination to be made in this proceeding, how would  
25 you characterize the decision to be made in docket No.

1 UE-951270 which seeks to transfer amounts collected  
2 from PRAM rates into general rates?

3 MR. CEDARBAUM: To the extent the tariffs  
4 will be filed as a result of that proceeding, I know  
5 the Commission has characterized that as a request for  
6 general rate relief, but again, as I understand it,  
7 all of the costs that have been examined in the PRAM  
8 that the company is asking to transfer into general  
9 rates have been examined by Bonneville, and so there  
10 will be no additional examination necessary. To the  
11 extent that there is any kind of an examination that  
12 has to be done from Bonneville's independent point of  
13 view, that can be done before Bonneville.

14 JUDGE SCHAER: Any other party wish to  
15 comment?

16 MS. RICHARDSON: Your Honor, if I might be  
17 heard.

18 JUDGE SCHAER: Yes.

19 MS. RICHARDSON: Shelly Richardson  
20 representing Public Power Council. Just a couple of  
21 notes of clarification. Counsel for the state  
22 represents that the participation of the Bonneville  
23 Power Administration and, in earlier comments,  
24 participation of the Public Power Council in  
25 proceedings of this nature is inappropriate and the

1 implication is unprecedented. I would point the  
2 hearing officers to precedent contained not only in  
3 the Bonneville Power Administration methodology for  
4 determining average system cost where it provides  
5 quite expressly BPA may intervene in each  
6 jurisdictional rate proceeding for each utility  
7 participating in a residential purchase and sale  
8 agreement. Moreover, I would point you to the  
9 precedent established by the Bonneville Power  
10 Administration's participation as well as the  
11 participation of the Public Power Council in  
12 proceedings such as this and state jurisdictional  
13 proceedings impacting the retail rates of  
14 investor-owned utilities in both the jurisdictions of  
15 Washington and Oregon. Those participations, those  
16 interventions, have occurred on a regular basis, and  
17 to leave the impression to the contrary is I think a  
18 mistake.

19                   JUDGE SCHAEER: Ms. Richardson, I think that  
20 you framed the issue very precisely that I was asking  
21 Mr. Cedarbaum about also and I will be asking you  
22 also, to -- what in either of these filings, upon  
23 what in either of these filings do you base your  
24 allegation that this is a jurisdictional rate  
25 proceeding.

1           MS. RICHARDSON: There are several  
2 components in this filing, Your Honor, that I believe  
3 implicate the rates of the merged companies. As I  
4 described in Public Power's petition to intervene,  
5 one of the actions that the applicants request  
6 authorization for is an implementation of a so-called  
7 rate stability plan, and under that rate stability  
8 plan, it's our understanding that the merged company  
9 would not request general rate changes for electric  
10 power in excess of one percent annual increases  
11 through the year 2000. Now, to read that a different  
12 way, it's our understanding that if authorized the  
13 company would have the ability to request one percent  
14 annual rate increases through the year 2000. That's  
15 the authorization that's being requested here.

16           JUDGE SCHAEER: And if the company did so,  
17 wouldn't those be the jurisdictional rate proceedings?

18           MS. RICHARDSON: It's unclear to me from  
19 reading this filing, Your Honor, as to whether there  
20 would be subsequent proceedings or whether, having  
21 obtained authorization for the merger, further  
22 proceedings would be necessary. I simply can't answer  
23 that. There are, however, I think other rate  
24 implications beyond that of the rate stability plan  
25 which applicants seek authorization for.

1           For example, the applicants seek, as I had  
2 mentioned prior, authorization for a methodology with  
3 which to allocate costs. They seek accounting  
4 treatment for several of the merged company's program  
5 expenditures. The rate implication of those actions  
6 if authorized I don't know is something that could be  
7 addressed, if there were subsequent rate proceedings,  
8 if you will.

9           JUDGE SCHAER: Mr. Wright, is there  
10 something in these two proceedings that you would  
11 characterize as a jurisdictional rate filing?

12           MR. WRIGHT: Well, I think for terms of --  
13 well, in terms of an ASC filing, when the methodology  
14 was adopted certainly that was --

15           JUDGE SCHAER: Could you speak up, please.

16           MR. WRIGHT: The traditional rate hearing  
17 was envisioned as the model for what would happen with  
18 an ASC determination. I think in subsequent years the  
19 -- lots of different things have obviously happened in  
20 the electric industry with Puget in particular that --  
21 for example, the PRAM and the letter of understanding  
22 that BPA has with Puget regarding treatment of the  
23 program. Certainly anything that implicates that  
24 agreement for purposes of ASC that has an effect on  
25 that is a jurisdictional rate proceeding from BPA's

1 point of view. Any proceeding that envisions, as this  
2 one does, a system where a utility will receive a rate  
3 increase based on just a one percent rate increase on  
4 a periodic basis, that has serious implications for  
5 ASC determination because we rely at BPA on the  
6 scrutiny and analysis that normally goes into a  
7 traditional rate case. So, the question from BPA's  
8 standpoint is not what you call the proceeding; the  
9 question is does it trigger a new exchange period.  
10 BPA's position from where it sits is that this  
11 proceeding will trigger -- the result of this  
12 proceeding will trigger a new exchange period.

13 JUDGE SCHAEER: What's the company's  
14 position on that, Mr. Van Nostrand?

15 MR. VAN NOSTRAND: Your Honor, our  
16 testimony addresses the fact that we believe  
17 procedures will have to be worked out with BPA to  
18 accommodate the rate stability proposal. I don't  
19 think it's our position that this proceeding in and of  
20 itself triggers a rate exchange, but obviously a one  
21 percent increase in electric rates annually would, and  
22 Mrs. Lynch's prefiled testimony does address the fact  
23 that we will have to work something out with BPA to  
24 accommodate the average system cost procedures.

25 JUDGE SCHAEER: Is the company asking in

1 this merger filing that the Commission approve a one  
2 percent increase per year for the future years or is  
3 it intending to file tariffs with that one percent  
4 increase in those tariffs each year at the time that  
5 it seeks that increase?

6 MR. VAN NOSTRAND: Tariffs will be filed  
7 each year. That's addressed in Ms. Lynch's prefiled  
8 testimony. It won't be -- automatically envisions  
9 tariff filings to be made for each of those increases.

10 JUDGE SCHAEER: To the best of your  
11 knowledge, and I will ask you this also, Mr. Wright,  
12 has Bonneville Power Administration already reviewed  
13 the PRAM rates that are -- that you are seeking to  
14 transfer to general rates in the docket UE-951270  
15 portion of this case?

16 MR. VAN NOSTRAND: That's what the  
17 company's understanding was. PRAM rates have been  
18 reviewed and separate PRAM filing for each of those  
19 rate changes occurred. ASC filings were made with  
20 Bonneville and were the subject of review by  
21 Bonneville.

22 JUDGE SCHAEER: Is there anything in what  
23 the company is seeking in either of the dockets before  
24 us that would trigger a change in your ASC filings  
25 with Bonneville?

1           MR. VAN NOSTRAND: I do not believe so  
2 other than when the first one percent change rolls  
3 around we will have to have a procedure in place with  
4 BPA, but this does not propose a rate change. This  
5 filing in and of itself does not propose a rate  
6 change.

7           MR. MANIFOLD: May I?

8           JUDGE SCHAEER: Just a moment. I want to  
9 follow up this with Mr. Wright. Mr. Wright, is it  
10 your understanding that BPA has already examined the  
11 PRAM rates that are the subject of docket UE- 951270?

12           MR. WRIGHT: If I could defer to my client  
13 for a moment. Our PRAM 4 and 5 review occurred this  
14 fall, and is it your understanding that nothing in  
15 this hearing will affect the determination of the PRAM  
16 4 and 5 filing?

17           MR. VAN NOSTRAND: Right.

18           MR. WRIGHT: BPA would not agree with that  
19 at this time. We're not -- I think we could say that  
20 that might be a possibility, but we can't tell until  
21 this hearing is over whether it has an effect or not.

22           JUDGE SCHAEER: Mr. Manifold.

23           MR. MANIFOLD: I had a question for the  
24 company if I could and it's not just because it's my  
25 only question to cross-examine Mr. Van Nostrand. Do I

1 understand that the company anticipates that the one  
2 percent that they've asked for as a rate  
3 predictability program would be something that would  
4 be not only new tariffs filed each year but that would  
5 be contested as to the amount rather than a pre-  
6 approved amount as a result of this application?

7 MR. VAN NOSTRAND: It's the latter, a pre-  
8 approved amount that would just be a tariff filing  
9 done to implement the change. Not a contested  
10 proceeding, that is true.

11 JUDGE SCHAEER: So you are seeking approval  
12 in this proceeding of the amount that would be one  
13 percent each year?

14 MR. VAN NOSTRAND: Yes. Not taking effect  
15 immediately, obviously.

16 JUDGE SCHAEER: Mr. Cedarbaum.

17 MR. CEDARBAUM: I was just going to say  
18 that there's no way in this proceeding for us to know  
19 what the company is going to be filing in those later  
20 proceedings from BPA's perspective, and whatever they  
21 file will be subject to -- they will then make their  
22 average system cost filings with BPA and BPA will have  
23 its review.

24 JUDGE SCHAEER: I'm trying to understand  
25 what the Commission is being asked to do in this

1 proceeding by Puget and Washington Energy, and it's my  
2 understanding from what Mr. Van Nostrand just said is  
3 that the Commission is being asked to approve in this  
4 proceeding one percent rate increases for those future  
5 years. Is that your understanding also?

6 MR. CEDARBAUM: That's my understanding of  
7 what they're asking for, but I guess my question,  
8 then, is, is that anything that BPA can utilize for  
9 its own purposes, and I don't know. I don't think  
10 it is. I mean, if a company says, Commission, give us  
11 a one percent approval each year for the next five  
12 years, they haven't filed anything yet with the  
13 Commission for BPA to know what the underlying costs  
14 are for average system cost purposes.

15 JUDGE SCHAEER: But wouldn't they have to  
16 file that information in this proceeding for the  
17 Commission to be able to determine whether or not to  
18 give them one percent a year over the next five years?

19 MR. CEDARBAUM: Well, I don't think that's  
20 what they're proposing to do.

21 MR. WRIGHT: Excuse me. It's my  
22 understanding that this one percent increase will not  
23 be cost-based. It would just be a one percent  
24 increase. The cost determination, the ground level  
25 cost information that we would work from to work

1 something out with Puget on this would be determined  
2 in this hearing, as I understand it, through the cost  
3 allocations and all the other things that transpire  
4 here, so from BPA's perspective, it's the wrong issue  
5 to focus on when this one percent will go into effect.  
6 We have to think about it now. We have to think about  
7 it in this context and what happens here.

8           JUDGE SCHAER: Ms. Richardson, I'm not  
9 going to take another round of comment. I'm going to  
10 grant the intervention sought by Bonneville Power  
11 Administration. Sounds to me like they have a  
12 significant enough interest in knowing what costs  
13 would be possible -- basis of possible future  
14 increases that they should be a party to this  
15 proceeding.

16           Next petition in order is from the  
17 Washington Water Power company. Mr. Meyer.

18           MR. MEYER: Your Honor, I will stand on my  
19 petition as filed.

20           JUDGE SCHAER: Is there any objection to  
21 the participation by the Washington Water Power  
22 company in this proceeding?

23           MR. CEDARBAUM: Yes. Staff objects to the  
24 intervention. In reading the intervention it appears  
25 that the primary interest is for Washington Water

1 Power to stay apprised of Commission policy on merger  
2 applications given that Water Power just went through  
3 that process with the Commission. I don't think that  
4 rises to the intervention rule.

5 I would also note that -- I can provide Mr.  
6 Meyer a copy of this, because it just came out  
7 yesterday, but yesterday the Commission issued an  
8 order in a Cascade Natural Gas general rate proceeding  
9 in which the Commission affirmed the denial of  
10 Northwest Natural's intervention in the Cascade case.  
11 Northwest Natural had claimed that they needed to be  
12 apprised of Commission policy on various issues that  
13 were raised by Cascade. The intervention was objected  
14 to by staff and that intervention or that objection  
15 was sustained. And I can pass this over to you if you  
16 need to take a look at it, but I think that the  
17 intervention just doesn't state the interests that the  
18 rule requires.

19 I do know that also in the intervention  
20 notice or petition Water Power indicated that Puget  
21 had intervened in Water Power's merger and that was  
22 one of the bases that they wanted to intervene back  
23 with Puget's merger, and the basis for that, Puget's  
24 intervention, was a power supply contract that Puget  
25 has with Water Power. That power supply contract

1 would have been impacted by the merger of Water Power  
2 and Sierra Pacific. I don't know that there's any  
3 reason why the power contract would be changed any way  
4 by the merger if approved of Washington Natural and  
5 Puget, so I don't think that provides a basis for the  
6 intervention as well.

7 JUDGE SCHAEER: Any other party wish to  
8 comment?

9 MR. MANIFOLD: Your Honor, just very  
10 briefly, we're a party in the Cascade case and I just  
11 got that decision recently and I would support the  
12 staff's motion on that basis.

13 MR. VAN NOSTRAND: Your Honor, I can  
14 confirm what Mr. Cedarbaum said regarding Puget's  
15 intervention in the Water Power merger was done  
16 without objection, and the circumstances were that  
17 Puget has a contract with Water Power the rates under  
18 which would have been impacted by that merger inasmuch  
19 as they're tied to the average power costs of the  
20 Water Power system. There's no similar such interest  
21 in this case. Although Water Power claims that there  
22 are a number of contracts between Water Power and  
23 Puget and the gas company none of those contracts  
24 would be impacted by the merger, and based on the  
25 precedent cited by Mr. Cedarbaum in the Cascade

1 decision it would seem that there is no substantial  
2 interest. We share no customers. We share no service  
3 territory, and we share no service provision with  
4 Water Power and this is not an investigation of issues  
5 that have generic application in the industry, and we  
6 would also oppose intervention.

7 JUDGE SCHAEER: Mr. Meyer, any brief  
8 response?

9 MR. MEYER: Before I do, were there any  
10 other responses that I might address at the same time?  
11 So I can be heard I will stand. Number of points to  
12 raise. First and foremost, we didn't just go through  
13 a merger proceeding. We're still in the midst of a  
14 merger proceeding, and as Mr. Cedarbaum and public  
15 counsel are well aware, that merger is yet to be  
16 consummated. There's still matters pending before the  
17 FERC, and the parties to the stipulation entered into  
18 in this jurisdiction have expressly reserved the right  
19 should issues emerge to reopen the merger as approved  
20 in this state. We have a merger that is in the works.

21 To the extent that this Commission in the  
22 context of the Puget proceeding, Washington Natural  
23 proceeding, should put a different gloss on the  
24 interpretation of the law governing mergers or this  
25 Commission's policy with respect to mergers we would

1 be affected and not just we, Water Power, but our  
2 customers who are constituents of this Commission. I  
3 think we can certainly make the claim and no one can  
4 dispute that there are constituents, and those are  
5 customers, Water Power customers, who will be impacted  
6 by merger policy as it evolves in this Commission.

7           Secondly, we are a combination gas and  
8 electric company and have been so for many years.  
9 This is a proposed merger between an electric and gas  
10 company to create just such a combination, a gas and  
11 electric company. I should note that in the prefiled  
12 testimony, for example, there is discussion of the  
13 allocation issues that come about as a result of a  
14 merger of a combination -- to be a combination gas and  
15 electric utility. We have those same allocation  
16 issues pending and not yet resolved in our merger.  
17 Those allocation issues are the subject of studies  
18 which are due to be presented over the next year or  
19 two in joint fashion before the regulators in Nevada,  
20 this state and Idaho as well. So there are issues  
21 unique, if you will, to a combination gas and electric  
22 company that also have a bearing or could have a  
23 bearing in Water Power.

24           Thirdly, we are, as I mentioned in the  
25 petition and has been referred to here, we are the

1 parties along with Puget, multiple agreements  
2 governing everything from transmission to Colstrip  
3 generation to midColumbia projects. We are parties,  
4 participants, active participants, in the intercompany  
5 pool, and just to correct a statement that had been  
6 made earlier, the intervention by Puget in the Water  
7 Power merger case was predicated not just on the one  
8 contract calling for the 100 megawatt sale, which did  
9 key in part on allowed returns for Water Power, but  
10 the Puget petition was premised on a multitude of  
11 interconnections, just as I've represented to you here  
12 today, and that intervention by Puget was protested by  
13 public counsel and over the -- not this public counsel  
14 but Mr. Trotter.

15           Over the objection of Mr. Trotter Puget was  
16 allowed to intervene on, I would submit, a much lesser  
17 showing than Water Power has made here. Northwest  
18 Natural, take your word for it they were not granted  
19 their intervention in the Cascade case, but to the  
20 best of my knowledge Northwest Natural is not now  
21 undergoing a merger with another company, a merger  
22 that remains open, and so there are a number of issues  
23 that are particularly germane at this point in time to  
24 Water Power as a party undergoing the merger process.

25           I will represent to you, as I did represent

1 in the petition, that we have no desire to broaden the  
2 issues in this proceeding. We, having gone through  
3 this process in not just this state but in four others  
4 and currently before FERC, are mindful of the burden  
5 placed by having multiple intervenors requesting  
6 multiple requests for information, submitting multiple  
7 testimonies, that sort of thing. We do not intend to  
8 broaden the issues. We may or may not be an active  
9 participant in the sense of submitting prefiled  
10 testimony. We do, however, intend to participate and  
11 monitor these proceedings to assure that our interests  
12 as a company in the process of merging are not  
13 adversely impacted so that our customers as  
14 constituents of this Commission are not adversely  
15 impacted.

16 JUDGE SCHAEER: Well, Mr. Meyer, I am going  
17 to deny your petition for intervention on the basis of  
18 the Cascade order. I do not believe that there is  
19 sufficient interest by your company in the issues  
20 involving Puget Sound Power and Light or Washington  
21 Energy in this proceeding to warrant your involvement,  
22 and I believe you will be able to monitor this  
23 proceeding for your company's purposes without being a  
24 party to the proceeding, so your intervention will be  
25 denied. I would like to go off the record for just a

1 moment. There's a second pre-hearing conference that  
2 was continued from last week.

3 (Discussion off the record.)

4 JUDGE SCHAEER: Let's go back on the record.  
5 While we were off the record we discussed timing of  
6 another pre-hearing conference, another Puget  
7 proceeding that has been continued to today. We will  
8 now take up the petition of the Northwest Industrial  
9 Gas Users, Mr. Finklea.

10 MR. FINKLEA: Thank you, Your Honor. I  
11 don't have anything big to add to the petition. I  
12 would like to clarify that the members of the  
13 Northwest Industrial Gas Users that take service from  
14 Washington Natural Gas are the Boeing Company, Domtar  
15 Gypsum, James Hardie Gypsum, Occidental Chemical,  
16 Simpson Paper and Sonoco Products Company. These are  
17 all industrial customers of Washington Natural Gas.  
18 The Northwest Industrial Gas Users represent their  
19 interests, have regularly represented their interests  
20 in Washington Natural proceedings, and we believe the  
21 interests of their customers would not otherwise be  
22 represented without the participation of the  
23 industrial gas users.

24 JUDGE SCHAEER: Mr. Finklea, have you had  
25 any opportunity to talk with Mr. Gould who I believe

1 is representing Georgia-Pacific here today and may  
2 have interests similar to those of your members?

3 MR. FINKLEA: Your Honor, I spoke with John  
4 Asmundson who is the company representative from  
5 Georgia-Pacific. Georgia-Pacific is a members of the  
6 Northwest Industrial Gas Users but they only take  
7 service from Cascade Natural Gas not Washington  
8 Natural, so our representation, while Georgia-Pacific  
9 is a member of the industrial gas users group, one of  
10 the reasons that I listed the members who are  
11 Washington Natural customers was in anticipation of  
12 the issue about Georgia-Pacific. They are not  
13 customers of Washington Natural on the gas side of  
14 their energy purchasing, so my understanding is that  
15 their interest is on the electric side of their energy  
16 purchasing.

17 JUDGE SCHAEER: Thank you. Is there any  
18 objection to the petition to intervene by the  
19 Northwest Industrial Gas Users? Hearing none their  
20 petition is granted.

21 Next petition I would like to consider is  
22 Natural Resources Defense Council and Northwest  
23 Conservation Act Coalition.

24 MS. PATTON: We have nothing to add to the  
25 petition.

1                   JUDGE SCHAER: Do I correctly understand  
2 that you have already made arrangements to consolidate  
3 your representation and have one counsel representing  
4 the interests of both groups in this proceeding.

5                   MS. PATTON: That's correct.

6                   JUDGE SCHAER: Is there any objection to  
7 the petition to intervene by Natural Defense Council  
8 and the Northwest Conservation Act Coalition? Hearing  
9 none that petition will be granted.

10                  Next we have the petition of the city of  
11 Tacoma, please.

12                  MS. MALANCA: Glenna Malanca, senior  
13 assistant city attorney. We want to make it clear as  
14 we have in our petition to intervene that we are not  
15 here to oppose or interfere with this merger. We do  
16 want to point out to the Commission that this will be  
17 a large entity, the new company, with a potential  
18 impact of up to -- on our 500,000 Washington  
19 residents. The city of Tacoma feels it has the  
20 expertise to maintain a level playing field with  
21 proposed procedures and monitoring of this procedure.  
22 There is some short-term price and service issues that  
23 could be in the long-term disadvantageous to customers  
24 in the state of Washington, and we do feel that we  
25 have something to add to maintain the level playing

1 field in this new era of competition. Thank you.

2 JUDGE SCHAER: Ms. Malanca, have you had  
3 any discussion with any of the other counsel for  
4 public entities or perhaps city of Seattle or King  
5 County?

6 MS. MALANCA: Not at this time, Your Honor.

7 JUDGE SCHAER: Would you be willing to  
8 explore with them the possibility of consolidating  
9 your appearance and presenting one counsel to do  
10 cross-examination, one set of witnesses and one brief,  
11 or are you seeking to appear separately?

12 MS. MALANCA: Your Honor, to the extent --  
13 the philosophy would be consistent with the city of  
14 Tacoma, department of public utilities, we do not want  
15 to actively resist this merger, so I believe  
16 discussions would have to occur perhaps during the  
17 lunch break prior to the city committing to that.

18 JUDGE SCHAER: Is there any objection to  
19 participation by the city of Tacoma in this  
20 proceeding?

21 MR. CEDARBAUM: Yes, Your Honor. If the  
22 city of Tacoma can consolidate interests with other  
23 parties, that's helpful if they're allowed in, but at  
24 the same time I don't think that the interests that  
25 they have shown satisfy the Commission's intervention

1 rule. Their interests are their own competitive  
2 interests and I just don't think that's sufficient, so  
3 similar to my objection to the Snohomish County PUD, I  
4 would object to the city of Tacoma intervention.

5 JUDGE SCHAEER: Does any other party wish to  
6 comment in this petition? Yes, Ms. Malanca, brief  
7 response.

8 MS. MALANCA: The city of Tacoma's response  
9 is that we believe that we're a resource making  
10 ourselves available to the Commission. We feel we  
11 have something that is very much in the interests of  
12 the public to offer to this proceeding.

13 MR. CEDARBAUM: Your Honor, I guess perhaps  
14 one way of handling some of these petitions, and  
15 again, I would object to party status, but the  
16 Commission does have public hearings that it will  
17 conduct or in the course of these proceedings, and  
18 perhaps that's the time when some of these types of  
19 parties or entities can present that information to  
20 the Commission in a helpful way, but I don't see a  
21 party status nature for Tacoma.

22 JUDGE SCHAEER: Ms. Malanca, I note that  
23 your petition indicates that you intend to submit  
24 testimony from two witnesses. May I ask what kind of  
25 testimony you're contemplating? Is that going to be

1 technical expert testimony or is this going to be  
2 policy testimony?

3 MS. MALANCA: First of all, Your Honor,  
4 we've attempted just to reserve that right if it  
5 should become appropriate in our estimation, if the  
6 concerns that we feel will be reflective of the public  
7 interest are not being addressed. Only under those  
8 circumstances would we want to then provide that  
9 testimony, but it would involve issues such as the  
10 impact on Washington residents, some of the reduction  
11 of market options. A large entity is being created in  
12 an era of attempted through federal and state  
13 legislation opening of competition. This could be the  
14 converse of what is being attempted. There are  
15 short-term cross subsidies, bundling in the retail  
16 wheeling environment. There are some issues that we  
17 are uniquely in a position to perceive and perhaps  
18 offer some procedures that will eliminate obstacles to  
19 open competition. So again, we only reserve the -- we  
20 would wish to reserve the right to offer testimony and  
21 evidence if there intends to be a direction that  
22 Tacoma feels is not in the public's best interest.

23 MR. MANIFOLD: I have a question.

24 JUDGE SCHAEER: Mr. Manifold.

25 MR. MANIFOLD: I have a question. Am I

1 correct that the city of Tacoma -- and I presume the  
2 city of Seattle -- have franchises to Washington  
3 Natural Gas for it to provide service within the city?  
4 And if that's the case I wonder if there are any  
5 implications in your intervention of transference of  
6 that franchise to NewCo or whatever the new company is  
7 going to be called.

8 MS. MALANCA: We're just electric. Tacoma  
9 public utilities.

10 MR. MANIFOLD: But the city of Tacoma,  
11 which you represent, I assume --

12 MS. MALANCA: Well, I'm here representing  
13 Tacoma public utilities.

14 MR. MANIFOLD: Not the city of Tacoma?

15 MS. MALANCA: That's correct.

16 JUDGE SCHAEER: I'm going to take the  
17 petition under advisement at this point. I'm going to  
18 ask you over the lunch hour to talk to Mr. Patton from  
19 the city of Seattle, talk to him, talk to Ms. Richmond  
20 from King County and to explore what joint interests  
21 you may have, whether it may be possible to  
22 consolidate interests that you have into one counsel  
23 appearing in this hearing, and you report back after  
24 the lunch hour if you would.

25 MS. MALANCA: Thank you. At this point.

1                   JUDGE SCHAER: I'm going to break this  
2 hearing for the lunch hour. Actually, we're going  
3 to give you a long lunch hour because of the need to  
4 take up the other hearing, so I would like members of  
5 this hearing to be back at 1:15 and we'll be off the  
6 record until that time.

7                   (Lunch recess taken at 11:25 a.m.)

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## AFTERNOON RECESS

2

1:15 p.m.

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JUDGE SCHAEER: Let's be back on the record after our lunch recess. I believe at this point in the hearing we are ready to take up the petition to intervene of the International Brotherhood of Electrical Workers, Mr. Ellsworth. And just before you begin your presentation, let me note that following that we will take up the presentation of Teamsters and then I've been approached by a gentleman who is in the hearing room, a Mr. Jeff Owen on behalf of United Association of Plumbers and Pipefitters, and following presentations of the first two unions, Mr. Owen is going to make an appearance and make an oral petition to intervene on behalf of that union as well. I'm interested in hearing from each of you as you present your petitions what efforts or what possibilities you see of presenting a consolidated position to intervene in this matter. I will start with you, please, Mr. Ellsworth.

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MR. ELLSWORTH: I don't have anything to add on the merits of our petition unless there's some objections. As to consolidating with the other organizations, I think you need to understand the structure of the two companies. IBEW represents a

25

1 wall-to-wall unit of Puget Power, which means we have  
2 all classifications under one labor agreement. My  
3 understanding is Washington Natural Gas has labor  
4 agreements with multiple organizations. I really  
5 don't know how they function or what their issues are,  
6 so there may be some room for us to work together, but  
7 to try and lump those groups that are coming from  
8 entirely different backgrounds, there may be different  
9 interests there, there may be overlapping interests, I  
10 just don't know at this point but to condition them  
11 all under one participation I think might be  
12 inappropriate at this point.

13 JUDGE SCHAEER: Is there any objection to  
14 the intervention of the International Brotherhood of  
15 Electrical Workers local No. 77 in this proceeding?

16 MR. CEDARBAUM: Yes. I have an objection.  
17 In looking at the petition itself, it appears that the  
18 main interest of the union is staffing levels, which  
19 is not something the Commission -- it's not an  
20 interest the Commission can directly impact or  
21 protect. I do understand that the union is trying to  
22 tie the staffing level issue into safety concerns, and  
23 those are certainly issues that the Commission ought  
24 to be looking at on the merger, but the Commission has  
25 its own engineering staff, its own staff of experts,

1 that does look at those types of concerns and will be  
2 looking at them in this proceeding, and so I think to  
3 that extent the union's interests are covered.

4 I would also, I guess, raise the same  
5 possibility -- and I don't know what Your Honor wants  
6 to do about the notion of letting nonparty but  
7 interested persons testify at the public hearing. It  
8 seems like this would be a good situation where the  
9 union could put on a witness and testify to staffing  
10 levels from their perspective and how they might  
11 impact safety. So for those reasons, I would object.  
12 I do, though, think that if the petition is granted  
13 there ought to be a condition placed -- and I don't  
14 know how much of an overlap there is, but that that  
15 overlap ought to be represented amongst all three  
16 unions to the greatest extent possible. So I would  
17 ask for the Commission to exercise its discretion in  
18 that regard and condition petitions for overlapping --  
19 parties with overlapping interest to be represented by  
20 one unit if possible.

21 JUDGE SCHAEER: Does any other party wish to  
22 comment on the IBEW petition?

23 MR. ELLSWORTH: I do have some responses in  
24 view of that objection.

25 JUDGE SCHAEER: Certainly. Let me ask you a

1 couple of questions first, if I may. When I read your  
2 petition it appeared to me that you were focused on  
3 safety concerns. Is that correct?

4 MR. ELLSWORTH: One of the primary driving  
5 forces, as I understand it, behind this merger is the  
6 proposed efficiencies that will occur as a  
7 consolidation of the companies takes place. Most of  
8 the comments I've heard this morning have been  
9 addressed to how much is that going to cost. I think  
10 the local 77 is uniquely positioned to address the  
11 issue of how is it going to get done. That's also an  
12 extremely important issue for the individual consumer  
13 who has to have installation and has to have direct  
14 contact with employees of a new company. Certainly as  
15 a labor organization we have a perspective as an  
16 organization, but I think that the framework we're  
17 coming here today in is not as a labor organization  
18 but as an organization that can provide some unique  
19 information to the Commission to analyze that how-it-  
20 will-be-done concern as it relates to public issues.

21 Certainly everyone knows about the floods  
22 and the wind storms they've had this year. We're not  
23 certain that the staffing levels that have been  
24 proposed will allow consumers to be safely dealt with  
25 or that the response times given staffing levels will

1 be appropriate. I think that is a legitimate public  
2 interest that I haven't heard addressed in this room  
3 so far today.

4 JUDGE SCHAER: What kind of witness  
5 testimony were you contemplating presenting?

6 MR. ELLSWORTH: At this point we're not  
7 contemplating actually putting witnesses on. We may  
8 be able to coordinate with other folks to put that  
9 evidence on, which is why I sort of hedged my bet  
10 there. The issues we are concerned with might very  
11 well come up, but if they don't then we would probably  
12 put on union officials that would deal with the hours  
13 that have been worked, response times, issues that are  
14 relating to actually getting the work done in the  
15 field and how it would impact the consumers as a  
16 result of the merger.

17 JUDGE SCHAER: I think I would like to take  
18 this under advisement until I hear from the other two  
19 union representatives and then rule on those as a  
20 group, so the next petition would be that of the  
21 Teamsters local union No. 117 represented today by Ms.  
22 Moreau. Do you have anything that you would like to  
23 add to your petition?

24 MS. MOREAU: I would like to add --

25 JUDGE SCHAER: You're going to need to

1 speak up quite a bit.

2 MS. MOREAU: I would like to add that one  
3 of the differences between the Puget Power employees  
4 and Washington Natural Gas employees is basically the  
5 product that they have been handling traditionally  
6 throughout the years. There are a lot different  
7 safety issues involved with the handling of gas  
8 products. It's not just a no heat situation or a  
9 pilot situation. We're dealing with some real serious  
10 problems out there for the customers, and although I  
11 don't challenge the credibility of the engineers that  
12 are on staff by the Commission to review that, we have  
13 some front line credible members out there that could  
14 help in that testimony about the safety as it relates  
15 to the merger for efficiency sake here of these two  
16 companies. And we feel that it's very important to  
17 look out for the interest of the consumer here in  
18 addition to the benefits and the things involved with  
19 the jobs. We've had some joint operation going on  
20 already with power outages, wind storm things already  
21 where our members could testify to what really  
22 happened in those sorts of operations, front line.

23 JUDGE SCHAEER: In looking at your petition,  
24 in paragraph No. 5 and 6 where you list your interests  
25 and your issues, interests and issues identified there

1 are for the protection of workers, their jobs and the  
2 wages and benefits. Are those the issues that you  
3 would be wanting to present to the Commission or what?  
4 I heard -- your oral statement I heard that you were  
5 focused on safety issues.

6 MS. MOREAU: Well, these issues including  
7 the others. Without going through all these  
8 proceedings and being involved up to this point, and  
9 fully understanding what the two companies have in  
10 mind for the merger, it's a little bit premature for  
11 us to anticipate what those other situations are going  
12 to be, so we're looking out for the safety and  
13 benefits as well. There is some overlap operationally  
14 between the IBEW and the Washington Natural Gas  
15 workers in the (inaudible) situation and in customer  
16 contact, but the difference being what the product is  
17 as far as what they handle and the safety that's  
18 involved and the different emergency situations that  
19 they're called upon to deal with.

20 JUDGE SCHAEER: Is there any objection to  
21 the participation of the Teamsters in this proceeding?

22 MR. CEDARBAUM: I have the same comments,  
23 and I would just hope that if intervention is allowed  
24 there is a more efficient way of getting the  
25 information from this union as well. But my concern,

1 as it has been in other situations, is that if we're  
2 going to have 20 lawyers around the room whenever we  
3 have a hearing it's going to be hard to get anywhere  
4 in this case, and so I think that the union's  
5 interests are represented to some extent already by  
6 Commission staff, but any consolidation that's  
7 possible ought to be pursued.

8 JUDGE SCHAER: Any comment by any other  
9 party? Would you like to make any brief response?

10 MS. MOREAU: I may add that the Teamsters  
11 union did not intervene during the rate case hearings  
12 where there was a lot of consolidation and downsizing  
13 that resulted from some of those efficiency moves and  
14 we've seen subsequent to that what has happened, and  
15 it's important that we do intervene at this time on  
16 behalf of the public and our members as far as what's  
17 going on just to make sure that there really is  
18 adequate response for all the (inaudible) evaluation.  
19 We're not opposed to the merger but we're wanting to  
20 make sure that all the facts get out.

21 JUDGE SCHAER: Again, I'm going to take  
22 this under advisement until we've heard from Mr. Owen.  
23 Mr. Owen, would you come up to the table.

24 MR OWEN: I can talk loud enough from here.

25 JUDGE SCHAER: We're having a lot of

1 trouble hearing because of this fan. Please come  
2 closer so the court reporter can see you as well as  
3 hear you, sir, that would help. First thing I'm going  
4 to need you to do is make an appearance by which I  
5 need you to state your name, your business address and  
6 who you're here representing.

7 MR OWEN: My name is Jeffrey G. Owen. I  
8 represent locals 32, 82, 265 of the United Association  
9 Plumbers and Pipefitters out of Seattle, Washington.  
10 Address is 2311 Second Avenue, Seattle, 98121. What  
11 else? Our attorney will be Steve Buckley, 1618  
12 Southwest First Street, Suite 410, Portland, Oregon,  
13 97201. At this present time he was unable to attend.

14 JUDGE SCHAER: What are the number of  
15 members in your organization?

16 MR. OWEN: Between the three locations is  
17 480 members roughly.

18 JUDGE SCHAER: How many of those members  
19 are employed by Puget Power or Washington Natural Gas?

20 MR OWEN: 480 members employed by  
21 Washington Natural Gas at this time. Zero by the  
22 other company.

23 JUDGE SCHAER: Are you authorized to  
24 petition on behalf of the union?

25 MR. OWEN: Yes, I am.

1           JUDGE SCHAER:  Has your union participated  
2 in any UTC cases in the last two years?

3           MR. OWEN:  No, ma'am.

4           JUDGE SCHAER:  What is your interest in  
5 this proceeding?

6           MR. OWEN:  Our interest is, as well as  
7 previously stated, in the employee involvement.  We've  
8 been involved with this merger process since it became  
9 known as far as through our employees' involvement in  
10 the companies, through task forces and so on.  Our  
11 interests also come down to the rates to the  
12 Commission itself as far as the rates and how they're  
13 administered towards the companies because that  
14 adversely affects positively or negatively the  
15 employees that work there at the present time on the  
16 decisions that are made, so in that area we are an  
17 interested party.

18           JUDGE SCHAER:  And what issues would your  
19 unions address in this case if you were allowed to  
20 intervene?

21           MR. OWEN:  The issues are in the regulated  
22 work versus nonregulated work because the decisions  
23 that come from there negatively or positively affect  
24 the workers, and what we're trying to accomplish there  
25 and the underlying theme of course is the jobs there

1 because the decisions that are made here somewhere  
2 down the line is going to affect them.

3 JUDGE SCHAEER: If you were allowed to  
4 intervene, do you contemplate submitting written  
5 testimony of any witnesses?

6 MR. OWEN: Possibly but at this time I am  
7 not ready to present that.

8 JUDGE SCHAEER: Do you contemplate that your  
9 attorney would be cross-examining the witnesses called  
10 by other parties?

11 MR. OWEN: Possibly but at this time I am  
12 not ready to present any of that.

13 JUDGE SCHAEER: Does any party object to the  
14 intervention of the United Association of Plumbers and  
15 Pipefitters in this proceeding?

16 MR. CEDARBAUM: I just have the same  
17 comments as before with the other two unions.

18 MR. OWEN: Which was? I couldn't hear  
19 them.

20 MR. CEDARBAUM: I'm sorry. I had objected  
21 to the Teamsters and the IBEW as not having an  
22 interest in the proceeding the Commission can grant  
23 intervention status for, and so I was just renewing  
24 that same thought for yours.

25 JUDGE SCHAEER: Any other party wish to

1 comment on this petition?

2                   Mr. Owen, did you have any brief response  
3 to the Commission staff counsel?

4                   MR. OWEN: Yes, I would. I think in the  
5 Commission reports that will come out in the future --  
6 and I've read a lot of what has been put forward to  
7 you -- I think the labor organizations here should be  
8 considered for this, for the interventions, to have  
9 some of the questions answered. Some of the decisions  
10 that you're making have to be carried out by the labor  
11 organizations involved. So, yes, lots of your  
12 decisions are financial but then to make those  
13 decisions happen in a positive way that both benefits  
14 the companies involved and the work force I think the  
15 intervention or the testimony that we can provide  
16 should and would be helpful here, and that's all.

17                   JUDGE SCHAER: Let me ask for  
18 clarification -- I think I've got this straight -- Mr.  
19 Ellsworth, you're representing employees only of Puget  
20 Power; is that correct?

21                   MR. ELLSWORTH: Yes.

22                   JUDGE SCHAER: And Ms. Moreau and Mr. Owen,  
23 you're representing employees only of Washington  
24 Natural Gas; is that correct?

25                   MS. MOREAU: Yes.

1 MR. OWEN: Yes.

2 JUDGE SCHAEER: I'm going to grant the  
3 petition of the IBEW to intervene, but I am going to  
4 limit the issues that you may address to the issues of  
5 safety and effect of this merger if approved on the  
6 customers, ratepayers of the combined companies. The  
7 Commission will not address in this hearing the labor  
8 issues between unions and the employee companies.

9 And Ms. Moreau, I am going to grant a  
10 consolidated petition to intervene to your  
11 organization and Mr. Owen's organization. I am going  
12 to instruct the two of you to go back to your  
13 attorneys and explain that your intervention has been  
14 limited to a joint presentation of issues, and I am  
15 going to ask you to encourage them to the extent  
16 possible to also coordinate their presentations with  
17 Mr. Ellsworth but recognize that there may be  
18 different issues, and, again, I am going to limit the  
19 issues you may address to the issues of safety and  
20 adequacy of the plan presented for the merged utility  
21 to meet the needs of the customers. The Commission  
22 will not go into issues of job protection for your  
23 members or their wages or benefits. That is not going  
24 to be an issue that's considered in this forum.

25 The next petition I have is that of Air

1   Liquide.

2                   MS. REES:  As I stated in the petition, Air  
3   Liquide electricity is the company's largest  
4   (inaudible) --

5                   JUDGE SCHAER:  Let's be off the record for  
6   a moment to give our court reporter a chance to switch  
7   to the other end of the table.

8                   (Recess.)

9                   JUDGE SCHAER:  We'll be back on the record  
10  after a brief recess to allow the court reporter to  
11  rearrange where she was sitting and Ms. Rees was  
12  speaking to her petition.

13                  MS. REES:  As I stated in the petition,  
14  electricity is Air Liquide's single cost of doing  
15  business.  Because it has a substantial interest in  
16  insuring that electric rates remain competitive, Air  
17  Liquide has participated in other proceedings before  
18  the Commission in the past.  It filed a petition to  
19  intervene in docket No. 950570 which was the proposed  
20  tariff provision by Puget Sound Power and Light  
21  Company, which I understand did not go to hearing, as  
22  well as docket No. 940932 which was the Commission's  
23  notice of inquiry examining regulation of electric  
24  utilities in the face of change in the electric  
25  industry.

1           I have also spoken briefly with Mr. MacIver  
2 and Mr. Gould regarding avoiding duplication of our  
3 client's efforts, and while each party would like to  
4 obtain separate intervenor status, we have agreed that  
5 it makes sense to cooperate and avoid duplication of  
6 efforts and avoid burdening these proceedings.

7           JUDGE SCHAER: I would like to pursue that  
8 last point just a little bit further if I could. One  
9 of the goals of consolidating representation of  
10 persons with like interests is to have perhaps one  
11 attorney rather than three attorneys asking  
12 cross-examination questions of a witness and to try to  
13 move the hearing forward in ways where similar  
14 interests aren't being addressed by different counsel.  
15 In what ways did you discuss that you might be able to  
16 coordinate your efforts?

17           MS. REES: We haven't discussed specific  
18 circumstances where we would have possibly one  
19 attorney taking questions at the hearing, but I think  
20 that that's something that we would work on as these  
21 proceedings go on and we figure out where we have  
22 common interests and where we may diverge as well.

23           JUDGE SCHAER: Is Air Liquide a member of  
24 Industrial Customers of Northwest Utilities?

25           MS. REES: Yes.

1           JUDGE SCHAEER: Does any party object to the  
2 intervention of Air Liquide America Corporation?

3           MR. MANIFOLD: I'm going to object on the  
4 basis that they are already represented through the  
5 association as a (inaudible) member. I recognize that  
6 they have intervened in other cases, but as you've  
7 noted we've often also had difficulties in hearings  
8 with repetitive cross-examination, and I think if  
9 they're already a member of this association seems to  
10 me that that ought to be -- I guess -- I haven't heard  
11 yet at least how their interests are not represented  
12 by the association, so I would object pending hearing  
13 that.

14           MR. CEDARBAUM: I guess my only comments  
15 are I don't have any objection to the intervention  
16 separately with the representation that there are  
17 divergent interests. I agree with Mr. Manifold, we  
18 haven't heard what those are, but I don't know how  
19 much detail we can get into at this point in time, so  
20 I don't object, but I think it needs to be clear about  
21 the issue of consolidation of efforts whether that  
22 means at the attorney level, the witness level or any  
23 level possible. I look at that as being kind of a  
24 condition to the intervention being granted.

25           MR. GOULD: I'm sorry. John Gould,

1 Georgia-Pacific. what was the condition?

2 MR. CEDARBAUM: That Air Liquide, and if we  
3 get to Georgia-Pacific, would make every possible  
4 effort to coordinate their representation, their  
5 witnesses, their briefing, their argument, whatever  
6 happens in the case.

7 MR. GOULD: Yes. I believe that's what Ms.  
8 Rees said and that's what we would agree to also, but  
9 we are asking for separate status as parties for the  
10 reason the common interests cannot be guaranteed to be  
11 100 percent absolute.

12 MR. CEDARBAUM: I understand that and  
13 I'm agreeing with that. I guess I have some -- at a  
14 certain level I agree with Mr. Manifold that we need  
15 to make sure that the interests that you represent  
16 individually are going to be separate from other  
17 parties, but I'm not expecting to have a laundry list  
18 today of what those divergent interests may be.

19 MR. GOULD: And we would agree to cooperate  
20 to the utmost.

21 JUDGE SCHAEER: Any comment from any other  
22 party on Air Liquide's petition?

23 Could you identify for me how your  
24 interests would differ from those of the Industrial  
25 Customers of Northwest Utilities or --

1 MS. REES: Air Liquide is concerned that  
2 its interest may potentially differ because of its  
3 great dependence of its electric power in its business  
4 operations, the fact that it competes in markets where  
5 its competitors enjoy substantially lower rates, as  
6 well as the fact that the Industrial Customers of  
7 Northwest Utilities represent such diverse interests.  
8 So it's concerned that its individual interests may  
9 not be represented in that organization and that's why  
10 it desires separate status. But again I would  
11 reiterate that we would work closely with Mr. MacIver  
12 and Mr. Gould to insure that we don't burden these  
13 proceedings, and I think that there's going to be a  
14 great room for consolidation and overlap here.

15 JUDGE SCHAEER: With that assurance then I  
16 will grant the petition to intervene. The next  
17 petition is that of the city of Seattle. Mr. Patton.

18 MR. PATTON: At the risk of being treated  
19 like the lawyer from Washington Water Power, I'm going  
20 to stand up so that we can hear.

21 JUDGE SCHAEER: I could hear Mr. Meyer and  
22 that's not why I ruled against him. I appreciate your  
23 effort.

24 MR. PATTON: I wanted to expand slightly on  
25 our petition to intervene, that is, to emphasize the

1 fact that we intervened as the city of Seattle not  
2 just a city that owns an electric utility. The city  
3 of Seattle represents one of the geographic areas  
4 which is not going to provide the efficiencies of  
5 overlapping territories that is espoused as one of the  
6 main reasons why this merger is important for Puget  
7 and Washington Natural Gas. Therefore, we have a  
8 concern as the city representing our constituents who  
9 live in the city who receive gas service in that city  
10 that it not be left as a back water of neglect in a  
11 merged entity. In fact there are many areas inside  
12 the city of Seattle which are not served by the gas  
13 company because they haven't extended the lines  
14 throughout the city, so we have an additional concern  
15 that the gas company and new merged company make a  
16 concerted effort to extend that service to those  
17 customers in Seattle who are not now customers of the  
18 gas company but who wish to be and are served by their  
19 company.

20           Additionally, we have a concern that the  
21 advantages that are promised to be there between --  
22 the cooperation between the gas company and the  
23 electric part of the new company are available in  
24 those areas where they don't overlap but the same  
25 benefits of cooperation are available to the publicly-

1 owned electric utility that Seattle runs.

2                   For example, we have had a pilot project  
3 with Washington Natural Gas for fuel replacement  
4 programs. We seek to have an additional cooperation  
5 between the gas company in joint meter reading.  
6 There's going to be many requirements in the near  
7 future for trenching in the downtown area of Seattle,  
8 a very difficult area in which to do construction, so  
9 cooperation with the gas company that you would expect  
10 the electric and gas parts of the new company to  
11 cooperate in, we hope that that same benefit will be  
12 extended in Seattle.

13                   A number of years ago in -- number of years  
14 ago now -- in 1987 city of Tacoma and Seattle had a  
15 case before Pierce County Superior Court and the  
16 supreme court in which the Washington Natural Gas  
17 Company intervened against us seeking to prohibit  
18 publicly owned electric utilities from investing in  
19 conservation programs. We observed the view of the  
20 gas company has changed in the interim time, but we're  
21 going to make sure that in this merged company there  
22 isn't an antipathy to conservation programs by  
23 publicly-owned utilities, that we cooperate with the  
24 gas company in those areas.

25                   Additionally, I want to say it kind of goes

1 without saying that the city of Seattle is a major  
2 customer of both utilities. Obviously the gas  
3 company, various heating aspects of our government-  
4 owned buildings but also as a customer of Puget Power  
5 we have many far flung water department operations in  
6 which Puget Power is an electric source, but that's  
7 another focus of our intervention.

8           Additionally, to answer your question, we  
9 would cooperate as much as possible in pretty much of  
10 a complete overlap of the interests of the city of  
11 Tacoma which has a broader interest than just  
12 (inaudible). Thank you.

13           JUDGE SCHAEER: Is there any objection to  
14 the participation by or the participation of the city  
15 of Seattle in this proceeding?

16           MR. CEDARBAUM: Just so I understand,  
17 you're not intervening for Seattle City Light? You're  
18 intervening for the city of Seattle?

19           MR. PATTON: Yes.

20           MR. CEDARBAUM: I'm sorry. I didn't get a  
21 copy of your written petition. If I could get one  
22 after the hearing. I don't have any objection.

23           JUDGE SCHAEER: Any other party wish to  
24 comment on the petition by the city of Seattle?

25           I would like to ask a clarifying question

1 about what you were saying about working with Tacoma.

2 MR. PATTON: I believe in your effort to  
3 consolidate the representation by attorneys in  
4 hearings that we could probably do that effectively  
5 with the city of Tacoma.

6 JUDGE SCHAEER: And Ms. Malanca, do you  
7 agree with that?

8 MS. MALANCA: Yes.

9 JUDGE SCHAEER: And in terms of  
10 consolidation, then, am I hearing that you could work  
11 together to jointly present your witnesses, have one  
12 counsel cross-examine and one brief for both parties?

13 MR. PATTON: Probably. That is, there may  
14 be a separate part from each city in a brief and we  
15 might switch off lawyers, which counsel, but we can  
16 confine ourselves to one lawyer and one --

17 JUDGE SCHAEER: One lawyer per witness.  
18 Given those representations I will grant the petitions  
19 to intervene of both Seattle and Tacoma at this point.

20 The next petition that I received was from  
21 the Industrial Customers of Northwest Utilities. Mr.  
22 MacIver.

23 MR. MACIVER: Thank you, Your Honor. I  
24 have nothing to add to the petition other than I do  
25 not believe I gave my address for the record when I

1 initially appeared, and I am partner with the Miller  
2 Nash Wiener Hager and Carlson law firm Seattle office  
3 whose address is 4400 Two Union Square, 601 Union  
4 Street, Seattle, Washington, 98101. And to further  
5 clarify, to make sure that my initial comments were  
6 not misconstrued, ICNU represents users of electric  
7 power only, not gas power.

8           JUDGE SCHAER: Let me ask you a couple of  
9 questions. First, do you know who your members are  
10 who are customers of either Puget or Washington  
11 Natural?

12           MR. MACIVER: I do not have my complete  
13 list with me. There are 31 members. Some of them are  
14 served by both; some are served not by both. And I  
15 believe we gave a list to counsel for Puget but I'm  
16 sorry, I don't have it with me today. I have no  
17 objection if you give it to her.

18           JUDGE SCHAER: Mr. Van Nostrand has just  
19 handed me a list that was produced in docket No. UE-  
20 960299 which shows the members of the Industrial  
21 Customers of Northwest Utilities and shows by asterisk  
22 Puget customers who are members, and I am wondering if  
23 you would be willing to update this list by showing  
24 with another symbol which members are Northwest  
25 Natural Gas customers as well and to send that to me

1 and to the other parties to this proceeding.

2 MR. MACIVER: Yes.

3 MR. FINKLEA: Your Honor, if I might  
4 clarify -- Mr. Finklea for the Northwest Industrial  
5 Gas Users -- as Mr. MacIver notes, the Industrial  
6 Customers of Northwest Utilities don't represent their  
7 members on natural gas issues, first; and second, if  
8 it is members I assume you want the members who are  
9 customers of Washington Natural not Northwest Natural,  
10 but certainly up to Mr. MacIver whether he provides  
11 that information. I just want the record to be clear  
12 that Northwest Industrial Gas Users are the trade  
13 association representing gas customers in this  
14 proceeding.

15 MR. MACIVER: That's why I wanted to make  
16 that clear that we are not representing gas customers  
17 in this proceeding.

18 JUDGE SCHAEER: While we've got  
19 clarification perhaps it would be just as well to have  
20 this list produced and redistributed in this  
21 proceeding, Mr. MacIver.

22 MR. MACIVER: That would be fine.

23 JUDGE SCHAEER: It appears to me that Air  
24 Liquide, Bellingham Cold Storage, Georgia-Pacific and  
25 Intel are all members of your organization; is that

1 correct?

2 MR. MACIVER: Yes.

3 JUDGE SCHAEER: Is there any objection to  
4 the petition to intervene of Industrial Customers of  
5 Northwest Utilities? Hearing none that petition will  
6 be granted. Mr. MacIver, I discussed briefly with  
7 counsel for Air Liquide, and I will raise this issue  
8 again with counsel for Georgia-Pacific -- will not be  
9 able to raise it with counsel but will mention it to  
10 counsel for Bellingham Cold Storage -- it appears that  
11 we have companies seeking to intervene individually  
12 who are members of your organization, and I guess what  
13 I'm looking for from you is some kind of commitment  
14 that you will work with other counsel to try to  
15 coordinate your presentations to the extent  
16 appropriate and to limit cross-examination so that it  
17 is not duplicative to the extent you can do so.

18 MR. MACIVER: I will do my utmost to do  
19 that, Your Honor, yes.

20 JUDGE SCHAEER: Next we have a petition to  
21 intervene of Georgia-Pacific. Mr. Gould.

22 MR. GOULD: John Gould for Georgia-Pacific.  
23 I have nothing to add to the petition other than to  
24 say that we will agree with the commitment that you  
25 requested of Air Liquide and ICNU, and we will avoid

1 duplication.

2 JUDGE SCHAER: Is there any objection to  
3 the petition to intervene of Georgia-Pacific? Hearing  
4 none that petition is granted.

5 Final petition that I have had presented to  
6 me is from Bellingham Cold Storage Company, and this  
7 was distributed by Ms. Richardson. Are you able to  
8 speak to it in any manner?

9 MS. RICHARDSON: Yes, Your Honor. While I  
10 am not the attorney of record for Bellingham Cold  
11 Storage -- Mr. John A. Cameron is. He is employed by  
12 the same firm as I and has asked me to represent him  
13 insofar as he had a conflict and has oral argument in  
14 another case today and could not be here. I can, I  
15 believe, represent to you that Bellingham Cold Storage  
16 would assure you it will make every attempt to  
17 coordinate not only with ICNU but with the other  
18 similarly situated intervenors in this proceeding.

19 JUDGE SCHAER: Thank you. Is there any  
20 objection to the petition of Bellingham Cold Storage  
21 to intervene in this matter? Hearing none that  
22 petition will be granted.

23 At this point I would like to go back to  
24 the three petitions to intervene which are still under  
25 advisement, and after discussions with Judge Prusia, I

1 have determined to rule as follows: The petition to  
2 intervene of Public Utility District No. 1 of  
3 Snohomish County, Washington will be denied. The  
4 interests that are represented in the petition appear  
5 to be those of a competitor of Puget and do not  
6 represent interests that the Commission -- that  
7 (inaudible) issues related to the ratepayers of these  
8 two companies in the cases before the Commission.

9           The petition of the Public Power Council  
10 will be denied. I believe that their interest in this  
11 proceeding is indirect if at all and that the proper  
12 forum for their concerns would be the Bonneville Power  
13 Administration proceedings on the average system cost  
14 rather than the Puget merger proceedings, particularly  
15 so because there are not tariffs on file in this  
16 proceeding at this point.

17           And the petition of the Washington Public  
18 Utility District Association is going to be granted  
19 with the following limitation. Limit it to the  
20 interests of the customers -- the interest as  
21 customers of those members of the association who are  
22 customers of either of the companies. Again, the  
23 competition issues of an entity that will be in  
24 competition with the merged entity we believe are  
25 under the Cole case and its consideration, not issues

1 that the Commission takes into consideration in a  
2 proceeding such as this one.

3 I believe that with those rulings all of  
4 the petitions for intervention have been ruled upon.  
5 If there is anyone who does not believe I've ruled  
6 upon their petition, please so indicate now.

7 Before we go on I would like to confirm  
8 that the counsel who are listed on the various  
9 petitions that have been granted will be the contact  
10 persons for your clients and that other parties to the  
11 proceeding may distribute materials to that contact  
12 person and rely on that person to distribute to  
13 whomever else needs to receive materials.

14 MS. MOREAU: If I may make a correction on  
15 the Teamsters, if our communication could be with us  
16 first as primary contact and redistribute to our  
17 attorney.

18 JUDGE SCHAER: The primary contact person  
19 for the Teamsters union will be Ms. Moreau whose name  
20 and address are listed on the Teamsters' petition  
21 rather than their counsel.

22 MS. MOREAU: Thank you.

23 JUDGE SCHAER: All other parties the  
24 counsel listed on the petition should be the contact  
25 person, and Mr. Finklea, if other parties want to make

1 courtesy copies available to Ms. Hutton, your  
2 executive director, they may do so but my general rule  
3 is that I only require parties to distribute to one  
4 person for any other party and then rely on you to  
5 make whatever internal distribution is needed beyond  
6 that.

7 MR. FINKLEA: That's acceptable, Your  
8 Honor. That's fine.

9 MR. PATTON: Your Honor, will the  
10 Commission put together a service list or do you just  
11 have --

12 JUDGE SCHAEER: Yes. There will be a  
13 pre-hearing conference order coming out from this  
14 hearing, and attached to that will be a service list  
15 that will have the names and addresses of who we will  
16 need to serve. Yes, Ms. Malanca.

17 MS. MALANCA: I should be noted as the  
18 contact person though both Mark Bubinek and myself  
19 will show on the petition, and all communications  
20 should come to me, Glenna Malanca, Tacoma public  
21 utilities.

22 JUDGE SCHAEER: So the contact person for  
23 city of Tacoma public utilities is Ms. Malanca and not  
24 Mr. Bubinek, correct?

25 MS. MALANCA: That's correct.

1                   MR. MANIFOLD: Your Honor, I wondered if  
2 you want to get fax numbers to put on that service  
3 list.

4                   JUDGE SCHAER: That's the next paragraph in  
5 my script, Mr. Manifold. Thank you very much. What I  
6 would like to do at this point is start a sheet of  
7 paper around the table. I would like to have a fax  
8 number for every party in the case so that if we need  
9 to reach you quickly we can do so, and at the  
10 conclusion of this hearing I will walk across the  
11 street and make copies of that and anyone who wants a  
12 copy may obtain one so that you will be able to reach  
13 the other parties in the case as well.

14                   MS. RICHARDSON: Your Honor, will the  
15 pre-hearing conference order issue to all movants for  
16 intervention or solely to those who have been granted  
17 party status?

18                   JUDGE SCHAER: The order will issue to all  
19 movants for intervention and it will have instructions  
20 at the end on how to appeal the rulings contained in  
21 the order should any party wish to do so or any  
22 nonparty wish to do so, as the case may be. If your  
23 address or your fax number changes during the course  
24 of this proceeding, please be sure you notify the  
25 Commission by letter with copies to all of the other

1 parties.

2                   At this point in the hearing we will be  
3 going off the record to discuss scheduling, discovery,  
4 exhibits and the remaining topics for this hearing.  
5 We will come back on the record once we have something  
6 to describe on the record. As I told you before when  
7 we went off the record, it's my intention to be sure  
8 that everyone has the opportunity to put into the  
9 official record any statements they need to make. By  
10 going off the record what I want to do is try to work  
11 the bugs out, try to have a free discussion and then  
12 go back on the record and recite what we did when we  
13 were off the record. We may go off the record in a  
14 couple of different stages. Be sure if there is  
15 something you feel that it is important to put on the  
16 record to preserve your client's position that you  
17 indicate that to me when we are back on the record  
18 following our off-the-record discussion. So let's go  
19 off the record.

20                   (Recess.)

21                   JUDGE SCHAEER: Let's be back on the record  
22 after an extensive discussion of scheduling. The  
23 first matter that we discussed scheduling is briefing  
24 of the joint motion by the Commission staff and public  
25 counsel in docket No. UE-951270 --

1                   MR. MANIFOLD: Excuse me, Your Honor. Did  
2 you mean to say staff and the applicants?

3                   JUDGE SCHAEER: I did. I'm sorry, Mr.  
4 Manifold, thank you. My fingers have been trained to  
5 type something else.

6                   -- is the joint motion by the Commission  
7 staff and Puget in docket UE-951270 seeking Commission  
8 approval to transfer certain amounts which are  
9 currently in PRAM rates into general rates. We agreed  
10 that there would be a conference call scheduled among  
11 the parties for 11 a.m. on May 8, 1996. Mr. Manifold  
12 would take responsibility for scheduling that call and  
13 for faxing the conference bridge number to all counsel  
14 so they could participate.

15                   It was agreed that the parties at that  
16 point would discuss a briefing schedule and would fax  
17 a letter to -- that Mr. Manifold would take  
18 responsibility for faxing a letter to the Commission  
19 by May 10, 1996 which reflects a briefing schedule  
20 whereby responsive briefs to the joint motion may be  
21 filed and then responses to those briefs may be filed  
22 by the parties making the motion. The general  
23 guideline that we have in place is that the  
24 Commission, if possible, would like to have  
25 opportunity to review those before the end of June.

1           It was noted in this discussion that  
2 there's already in place a protective order in docket  
3 No. 951270 and that any counsel who have not  
4 previously done so may wish to obtain a copy of that  
5 order from the Commission record center and sign the  
6 appropriate forms so that they may have access to  
7 information that is deemed confidential in that  
8 portion of this consolidated case.

9           Also, in regard to this, Mr. Cedarbaum  
10 offered to provide to the parties a briefing and  
11 response to questions by his expert staff on what data  
12 requests were made by staff and what determinations  
13 they made in deciding to go forward with the joint  
14 motion so that they may shortcut the need of other  
15 parties to do extensive data requests or discovery on  
16 their own.

17           In discussing scheduling, I also asked the  
18 company when certain matters which had been referred  
19 to a future proceeding by past Puget Power order would  
20 be considered, and those were as follows: I first  
21 asked when the treatment of amounts related to Puget's  
22 contract with ARCO, in particular in determination of  
23 the appropriate amount to be included in the final  
24 PRAM deferrals would be determined and was told that  
25 that would not be in this consolidated proceeding but

1 in the PRAM case that was to be filed in the fall.

2           Second question I asked was what treatment  
3 company proposed for the allowance for funds used  
4 conserving energy after September 30 of 1996, and I  
5 was told that that would be considered in this case  
6 and that a discussion of that is included in the  
7 prefiled testimony of Mr. John Story.

8           Third item was question regarding the  
9 treatment of Puget's contract with the Montana Power  
10 Company. And, Mr. Van Nostrand, I believe that you  
11 indicated that you would find that out and would  
12 reflect that in the letter that is to be faxed to the  
13 Commission by May 10, 1996. Is that correct?

14           MR. VAN NOSTRAND: That's correct, Your  
15 Honor.

16           JUDGE SCHAEER: Finally, we discussed a  
17 schedule for the remainder of the proceeding, and  
18 during those discussions I believe that Mr. Manifold  
19 became our scrivener so I am going to ask him to read  
20 those into the record at this point.

21           MR. MANIFOLD: Cross-examination of  
22 applicant companies, August 19 to 23rd; prefiling by  
23 all of the other parties, October 28;  
24 cross-examination of the other parties' testimony,  
25 December 2 to 6; and as needed December 9 to 13;

1 rebuttal by the applicant companies to be prefiled by  
2 December 31; cross-examination of the rebuttal,  
3 January 21 to 24th, and briefs, February 24. We did  
4 not discuss but I would presume that those are all  
5 receipt dates for parties and Commission and we did  
6 not discuss electronic filing.

7           JUDGE SCHAEER: Those should be considered  
8 to be receipt dates. Please plan on having your  
9 materials to the other parties and to the Commission  
10 by those dates, and please look at the Commission's  
11 procedural rule regarding electronic filing. It  
12 indicates the formats that are compatible with the  
13 Commission's computer equipment, and please attempt if  
14 possible given your computer capability to file along  
15 with your paper documents electronic copies that are  
16 in the format indicated in the rules. Is there  
17 anything else regarding scheduling that we discussed  
18 off the record that needs to be put on the record at  
19 this time?

20           MR. CEDARBAUM: Mr. Manifold.

21           MR. MANIFOLD: We did not discuss  
22 scheduling of public hearings for comments from  
23 members of the public. I am not prepared to discuss  
24 that now in any event but just note that that may be  
25 something to be discussed at a later time.

1                   JUDGE SCHAER: There will be a need to  
2 determine a time for hearings for members of the  
3 public. Those hearings usually take place after the  
4 cases in chief of parties and intervenors and before  
5 the company's rebuttal, and there will be an  
6 announcement made at a future hearing of what time has  
7 been set for public hearing or hearings in this  
8 matter. Is there anything else regarding scheduling  
9 that we need to discuss at this time?

10                   The remaining items that I think we need to  
11 cover this afternoon are discovery, whether there's a  
12 need for a protective order in the merger portion of  
13 the docket, and premarking of exhibits. We had some  
14 discussion of discovery while we were off the record  
15 in terms of scheduling, and I believe the parties  
16 indicated that they would like to have first two weeks  
17 of June available for company witnesses to be deposed.  
18 Is that still the timing that you have in mind or is  
19 there something else?

20                   MR. CEDARBAUM: That was our proposal. We  
21 hadn't talked any specifics yet, but I thought that we  
22 could at least block out those two weeks and then by  
23 agreement of parties decide which days and which  
24 witnesses to depose during that time frame. Beyond  
25 that we hadn't talked specifics.

1                   JUDGE SCHAEER: Is any party going to ask  
2 that the Commission's discovery rule be triggered in  
3 this proceeding?

4                   MR. CEDARBAUM: Yes.

5                   JUDGE SCHAEER: Commission staff has asked  
6 that the discovery rule be triggered, and I think that  
7 is appropriate, so I will invoke the discovery rule  
8 found in WAC 480-09-480 and the procedures available  
9 in that rule will be available to the parties. Let's  
10 go off the record for a brief discussion of other  
11 discovery issues such as assigning blocks of numbers  
12 to data requests or discussion of the timing for  
13 depositions, any other things that parties want to  
14 bring up. Let's try to keep this moving if we could.  
15 We're off the record.

16                   (Discussion off the record.)

17                   JUDGE SCHAEER: Let's go back on the record.  
18 While we were off the record we had discussion  
19 regarding discovery in this case. It was discussed  
20 that there will be a block of time set aside for  
21 depositions among the parties in the first two weeks  
22 in June. Mr. Cedarbaum has volunteered to coordinate  
23 the depositions with the other parties and so plan to  
24 work with him on coordinating who you wish to depose  
25 and setting up times for those depositions. It's my

1 understanding that there is not perceived to have any  
2 need to have administrative law judges present at  
3 those depositions. Is that correct?

4 MR. CEDARBAUM: That's right.

5 JUDGE SCHAEER: Next thing we talked about  
6 was data requests. There was a discussion of whether  
7 we should give out blocks of numbers for data requests  
8 to the parties. It was decided that the number of  
9 parties in this case that that would perhaps be more  
10 confusing than helpful. So instead all parties are  
11 instructed that when they send data requests, each  
12 data request is to be identified with that party's  
13 name and then the number of the request so that if at  
14 some time those responses are entered into the record  
15 the Commission will be able to distinguish between the  
16 data request responses of the stated number that are  
17 submitted by different parties.

18 Finally we discussed a moratorium on  
19 requiring responses to data requests in the period  
20 surrounding the hearings in this matter and the  
21 parties decided as follows: that there will be a  
22 discovery moratorium from August 1 to August 23rd  
23 during which time -- that data requests sent after  
24 August 1 or received by the companies after August 1  
25 would not have to be answered by them until after the

1 hearings. Any data requests sent to the companies up  
2 to and including August 1 will be responded to by the  
3 companies by August 12th.

4           During the time that parties are asking  
5 data requests of the companies up to the August  
6 hearings, company, other than this statement I've just  
7 made about shortening time right before the hearing,  
8 will have 10 working days to prepare and deliver its  
9 response. Those should be received by the other party  
10 by the 10th working day.

11           Then between that hearing and the hearing  
12 for cross-examination of the Commission staff, public  
13 counsel and intervenors in December, those parties  
14 will have ten calendar days in which to respond to  
15 data requests made by the applicant companies in this  
16 matter.

17           MR. MANIFOLD: Excuse me, Your Honor. Did  
18 you mean to say starting when we prefile our  
19 testimony?

20           JUDGE SCHAEER: Excuse me, thank you, Mr.  
21 Manifold. Starting from the time when parties file  
22 their testimony and first they ask questions until the  
23 time of their discovery moratorium they need to  
24 respond within ten calendar days, and the discovery  
25 moratorium surrounding that set of hearings will be

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1 from November 15 through December 14 so that requests  
2 that are received by Commission staff, public counsel  
3 and intervenors after November 15 do not need to be  
4 answered until after the cross-examination hearings in  
5 December. And then in the time that the company files  
6 its rebuttal case until cross-examination of that case  
7 or until discovery cutoff before that time company  
8 will have five working days to respond to data  
9 requests and data requests to the companies need to be  
10 concluded by January 10. Data requests made up to  
11 and including January 10 will be responded to before  
12 cross-examination hearings for the company's rebuttal.

13 Now, Mr. Van Nostrand and co-counsel have  
14 identified individuals at the two companies who should  
15 be the persons to whom parties address data requests  
16 in this matter. I'm going to ask them at this time to  
17 give the names, fax numbers and addresses of those  
18 people so that everyone has them available. Go ahead,  
19 please.

20 MR. VAN NOSTRAND: For Puget Power it's  
21 Kacee, K A C E E, Chandler. Her fax number is  
22 462-3453.

23 UNIDENTIFIED VOICE: One more time.

24 JUDGE SCHAEER: 462-3453.

25 MR. MACIVER: Name?

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1 MR. VAN NOSTRAND: Kacee, K A C E E,  
2 Chandler.

3 UNIDENTIFIED VOICE: Do you have E-mail?

4 MR. VAN NOSTRAND: The E-mail address would  
5 be Chandler KZ at Puget dot com, chandlerkz@puget.com.

6 JUDGE SCHAER: Do you have also a mailing  
7 address for people who might want to use it?

8 MR. VAN NOSTRAND: P.O. Box 97034.  
9 GEN 02 W Bellevue 98009-9734.

10 JUDGE SCHAER: Thank you.

11 MR. HARRIS: For Washington Natural Gas  
12 it's Colleen Lynch, and her fax number is 206-521-5239  
13 and the address is 815 Mercer Street, Seattle,  
14 Washington, 98109.

15 MR. MACIVER: Would you spell her name?

16 MR. HARRIS: C O L L E E N, Lynch, L Y  
17 N C H.

18 UNIDENTIFIED VOICE: Does Colleen have an  
19 E-mail address?

20 MR. HARRIS: She does not, and if she gets  
21 an E-mail address we will let you know.

22 JUDGE SCHAER: The parties also discussed  
23 off the record working informally together to use  
24 E-mail and other efficient means of exchanging  
25 information to the extent possible and also have been

1 instructed to work with the Commission's rule on  
2 electronic filing to see which formats to use and  
3 are encouraged to provide electronic versions of  
4 documents which they do file with the Commission.

5           Let me make it clear again that when you  
6 are sending out data requests and responses to data  
7 requests you do not file those with the Commission.  
8 Those should be sent to counsel for Commission staff  
9 but none of those are seen by the administrative law  
10 judges or the commissioners unless and until someone  
11 makes them an exhibit in the proceeding. If at some  
12 point in this proceeding the Commission makes a bench  
13 request then you would reply directly to the  
14 Commission with the original and 19 copies in addition  
15 to providing copies to all of the other parties.

16           Is there anything else regarding discovery  
17 that needs to be put on the record?

18           MR. VAN NOSTRAND: Your Honor, the  
19 applicants would request a protective order in the  
20 standard form issued by the Commission.

21           JUDGE SCHAEER: The next matter that's been  
22 brought up is a request for protective order. As I  
23 indicated previously, there has already been a  
24 protective order issued in docket No. UE-951270, and  
25 the Commission will issue a protective order covering

1 the other part of this case in docket No. UE-960195.  
2 It will be patterned after the order in docket  
3 UT-901029, the Electric Lightwave matter, which is a  
4 standard format used by the Commission. The  
5 Commission will enter that order as soon as possible.  
6 It makes sense to me to have the parties sign forms in  
7 a separate docket number in this proceeding instead  
8 of putting together a consolidated protective order so  
9 that if you are interested in only one portion of the  
10 proceeding you only need to have access to  
11 confidential material in that portion of the  
12 proceeding. If any party sees a problem with that or  
13 thinks it would be easier to enter a consolidated  
14 order in place of the one that's already in place,  
15 speak up now, please.

16 MR. GOULD: John Gould. Is the standard  
17 order codified in the rule?

18 JUDGE SCHAEER: It is not in the rule, Mr.  
19 Gould.

20 MR. GOULD: Could you give me the docket  
21 reference then again?

22 JUDGE SCHAEER: I will. The docket number  
23 is UT-901029, and if you wish to see what one of  
24 these orders looks like, if you would go to the  
25 Commission's record center and request a copy of the

1 order that's already been issued in docket No.  
2 UE-951270 that is virtually identical to the order  
3 that will be issued for the other docket number as  
4 well.

5 MR. GOULD: I haven't seen that, and so  
6 it's hard to respond to your question about whether  
7 there's any comment about it. How do we take care of  
8 that problem?

9 JUDGE SCHAER: Well, I will be issuing a  
10 pre-hearing conference order as a result of this  
11 conference, and at the end of that order there will be  
12 instructions on how within 10 days you may raise  
13 concerns about anything in the order that you have  
14 concerns with.

15 MR. GOULD: I will probably just reserve  
16 formally then the right to comment so that appears in  
17 writing.

18 JUDGE SCHAER: Certainly.

19 MR. PATTON: Your Honor, have we considered  
20 the issue of public agencies in Washington subject to  
21 the public disclosure in terms of we always have  
22 issues from Seattle in signing protective orders  
23 because we are subject to Public Disclosure Act in  
24 Washington which is conservatively enforced by the  
25 courts.

1           JUDGE SCHAER: The Commission is also  
2 subject to the Public Disclosure Act, and there are  
3 specific provisions in the Public Disclosure Act  
4 regarding the kind of protective orders the Commission  
5 is allowed to have in place in its proceedings, I  
6 believe. If you have concerns about whether your  
7 access to confidential documents would make them more  
8 discoverable than having them in the Commission's  
9 files, you might want to explore those concerns with  
10 the assistant attorney general representing the  
11 Commission staff or with the companies to see if there  
12 are any additional protections that could be put in  
13 place.

14           MR. MACIVER: Your Honor, when might we  
15 expect to get the protective order itself? When do  
16 you plan to have that document prepared to serve?

17           JUDGE SCHAER: I would hope to have it out  
18 this week, Mr. MacIver.

19           One other matter on the protective order,  
20 we have procedures established for distribution of  
21 protected materials both in discovery and as prefiled  
22 documents, and the order will tell you that those need  
23 to be segregated. They need to be placed in envelopes  
24 and the envelopes need to have stamped on them or  
25 written on them confidential per protective order in

1 docket number and the docket number that relates to  
2 the documents. The specifics on that will be spelled  
3 out very clearly in the protective order, but please  
4 remember that anything that you file that is  
5 confidential needs to be segregated, and please do not  
6 distribute anything that is protective material to  
7 anyone who has not signed a protected order. Is there  
8 anything further we need to discuss regarding a  
9 protective order?

10           The final topic I would like to bring up  
11 then is premarking the exhibits that have been  
12 prefiled in this docket. Have all of the parties  
13 received copies of the prefiled testimony and exhibits  
14 in both portions of the consolidated case? If anyone  
15 has not and needs a copy would you please speak to Mr.  
16 Van Nostrand.

17           MR. CEDARBAUM: Your Honor, are we -- I was  
18 wondering how you wanted to treat the testimony and  
19 exhibits of the 1270 portion of the case for marking  
20 purposes versus the merger portion of the case.

21           JUDGE SCHAEER: I had contemplated asking  
22 you guys that question.

23           MR. CEDARBAUM: I anticipated the question.  
24 I had a chance to talk with Mr. Van Nostrand this  
25 morning about that, and at least our preference is to

1 at least hold in abeyance the marking of those  
2 materials, and the reason why we say that is that at  
3 this point in time we just don't know -- we have the  
4 staff/company joint motion on PRAM transfer pending  
5 and we don't know at this point in time just how  
6 controversial that's going to be. It seems preferable  
7 to mark respective to -- unless that joint motion is  
8 resisted by parties, and we need to get into the  
9 substance of the company's testimony and exhibits in  
10 the PRAM transfer piece of the case, we prefer, at  
11 least I prefer, to not mark those exhibits yet.  
12 Certainly if we need to we can do that at a later time  
13 in sequence with the merger documents.

14 JUDGE SCHAEER: The documents that are being  
15 discussed are the testimony and exhibits of Mr.  
16 Gaines, Mr. Hadaway, Mr. Lehenbauer, Mr. Owens, Ms.  
17 Robinett, Graham, Stranik, Mr. Story and Ms. Omohundro  
18 filed under docket No. UE-951270. Do you agree with  
19 the Commission staff that we should not mark those at  
20 this time, Mr. Van Nostrand?

21 MR. VAN NOSTRAND: Yes, I do, Your Honor.  
22 I think -- as Mr. Cedarbaum said, I think we'll have a  
23 better idea once we've had this conference call and a  
24 chance to see how controversial that motion is and we  
25 can mark those if it turns out to be necessary.

1                   JUDGE SCHAER: Do all parties have copies  
2 of those so you can get prepared for conference call  
3 and the discussions?

4                   MR. MERKEL: I do not.

5                   JUDGE SCHAER: Let's go off the record for  
6 a moment.

7                   (Recess.)

8                   JUDGE SCHAER: Let's go back on the record.  
9 While we were off the record we determined a number of  
10 parties do not have copies of the materials that were  
11 prefiled in docket No. UE-951270. Mr. Van Nostrand  
12 has agreed to provide copies of those by messenger  
13 overnight mail to all parties who need them so they  
14 may prepare for the conference call and further  
15 discussions regarding this portion of the case, and  
16 these materials will not be premarked for  
17 identification at this point, which brings us to the  
18 materials which have been prefiled in docket No.  
19 UE-960195. Do all parties have copies of those  
20 materials?

21                   FROM THE AUDIENCE: (Shaking head).

22                   JUDGE SCHAER: Do you have extra copies of  
23 those with you, Mr. Van Nostrand?

24                   MR. VAN NOSTRAND: Yes.

25                   JUDGE SCHAER: Can they be provided to Mr.

1 Owen, please.

2 MS. REES: Can I get a copy also?

3 JUDGE SCHAEER: Let's go off the record for  
4 just a moment and get those passed out.

5 (Recess.)

6 JUDGE SCHAEER: Let's be back on the record.  
7 While we were off the record copies of the prefiled  
8 materials were distributed to the parties who needed  
9 them. At this time I'm going to mark for  
10 identification as Exhibit T-1 Exhibit RRS-1 which is  
11 the testimony of Richard Sonstelie. Marked as Exhibit  
12 2 for identification Exhibit RRS-2 which is Mr.  
13 Sonstelie's exhibit.

14 As Exhibit T-3, I'm going to mark Exhibit  
15 WPV-1 which is the testimony of William P. Vititoe.

16 As Exhibit T-4 I'm going to mark Exhibit  
17 JPT-1, which is the testimony of James P. Torgerson.  
18 As Exhibit 5 for identification I will mark Exhibit  
19 JPT-2 which is a multi-page exhibit showing proxy  
20 statement, notices to shareholders and other  
21 information regarding the proposed merger. As Exhibit  
22 6, Exhibit JPT-3, which is a one page exhibit entitled  
23 Merger Analysis Debt Ratings. As Exhibit 7, Exhibit  
24 JPT-4, which is a series of articles from Standard and  
25 Poor's Credit Week and includes other ratings service

1 regarding Puget. As Exhibit No. 8, Exhibit JPT-5,  
2 which is a single page exhibit entitled S and P Debt  
3 Rating Benchmarks Historical Financial Ratios. As  
4 Exhibit 9, JPT-6, which is another series of articles  
5 from investor -- from Standard and Poor's Credit Week.  
6 Exhibit No. 10, JPT-7, which is information from  
7 Moody Investor Services, 22-page document. As Exhibit  
8 No. 11, JPT-8 single page exhibit entitled Merger  
9 Analysis Capitalization at September 30, 1995. As  
10 Exhibit 12 JPT-9, which is a 21-page document  
11 containing analysts reports from Smith Barney.

12 As Exhibit T-13 I have testimony of Thomas  
13 J. Flaherty, TJF-1. As Exhibit 14, Exhibit TJF-2  
14 which is a 10-page exhibit, Background and  
15 Qualifications of Thomas J. Flaherty. As Exhibit 15,  
16 we have TJF-3, two page document entitled Estimated  
17 Merger Savings. As Exhibit 16 we have TJF-4, which  
18 is a one-page document entitled Facilities In or Near  
19 Joint Service Territory.

20 As Exhibit T-17 we have the prefiled  
21 testimony of Lori Wile. As Exhibit 18 we have  
22 LJW-2, three-page document which is the background and  
23 qualifications of Lori J. Wile.

24 As Exhibit T-19 we have Exhibit PMW-1 which  
25 is the prefiled testimony of Paul M. Wiegand. As

1 Exhibit 20 we have Exhibit  
2 PMW-2, which is a one-page exhibit giving the  
3 background and qualifications of Paul M. Weigand.

4 As Exhibit T-21, a prefiled testimony of  
5 John H. Story, JHS-1. As Exhibit 22 one page document  
6 entitled Rate Changes, JHS-2. As Exhibit 23 we have  
7 JHS-3 which is a two page document entitled Rate  
8 of Return on Rate Base. As Exhibit 24, we have  
9 JHS-4, which is a one page document titled Puget  
10 Sound Power and Light Company Unit Analysis. As  
11 Exhibit 25 we have JHS-5 which is a one page document  
12 entitled NewCo Allegation Analysis.

13 As Exhibit T-26 we have CEL-1, which is the  
14 prefiled direct testimony of Colleen Lynch. As  
15 Exhibit 27 we have Exhibit No. CEL-2 which is a  
16 one-page exhibit providing the background and  
17 qualifications of Colleen E. Lynch. As Exhibit 28 for  
18 identification we have Exhibit CEL-3, which is a  
19 multi-page -- four page document including power cost  
20 forecasts and other projections.

21 As Exhibit T-29 we have Exhibit RJA-1,  
22 which is the prefiled direct testimony of Ronald J.  
23 Amen. And as Exhibit 30 we have Exhibit RJA-2, which  
24 is a two page document containing the background and  
25 qualifications of Ronald J. Amen.

1                   Is this all of the testimony and exhibits  
2 which the applicants have prefiled in this matter, Mr.  
3 Van Nostrand?

4                   MR. VAN NOSTRAND: Yes, Your Honor.

5                   (Marked Exhibits T-1, 2, T-3, T-4, 5 - 12,  
6 T-13, 14 - 16, T-17, 18, T-19, 20, T-21, 22 - 25,  
7 T-26, 27, 28, T-29 and 30.)

8                   JUDGE SCHAEER: And I have another notebook  
9 which contains exhibits, company's application. Did  
10 you intend for those to be marked as exhibits in this  
11 matter?

12                   MR. VAN NOSTRAND: Good question. I wasn't  
13 prepared to answer that question.

14                   JUDGE SCHAEER: Let's be off the record for  
15 a moment.

16                   (Discussion off the record.)

17                   JUDGE SCHAEER: Let's be back on the record.  
18 After examining the document I've been advised that  
19 Mr. Van Nostrand does not wish to have it marked as an  
20 exhibit. As I announced earlier, I will issue a  
21 pre-hearing conference order after today's conference.  
22 The pre-hearing order states that if you do not object  
23 to a portion of the pre-hearing conference order  
24 within ten days then the rulings in the order are the  
25 rules we will proceed under in this case. Is there

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1 anything further that any party wishes to bring up  
2 before us at this time?

3 MR. MACIVER: You offered to get copied the  
4 sign-up list and the fax numbers before we left today.  
5 Has that happened?

6 JUDGE SCHAEER: I have not had those copies  
7 made. Let me adjourn the hearing and I will check to  
8 see if I can get them made here and otherwise I will  
9 get them made across the street. Is there anything  
10 else to come before us?

11 Hearing nothing we will stand adjourned.  
12 We're off the record.

13 (Hearing adjourned at 4:35 p.m.)

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