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1 BEFORE THE WASHINGTON STATE
2 UTILITIES AND TRANSPORTATION COMMISSION
3 WASHINGTON UTILITIES AND) DOCKET NO. UG-080546
4 TRANSPORTATION COMMISSION,)
5) Volume II
6) Pages 21 to 48
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10 NORTHWEST NATURAL GAS)
11 COMPANY,)
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8 A hearing in the above matter was held on
9 Wednesday, November 12, 2008, from 2:30 p.m to 2:55
10 p.m., at 1300 South Evergreen Park Drive Southwest, Room
11 206, Olympia, Washington, before Administrative Law
12 Judge ANN RENDAHL and CHAIRMAN MARK H. SIDRAN and
13 Commissioner PATRICK J. OSHIE and Commissioner PHILIP B.
14 JONES.

15 The parties were present as follows:
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30 Joan E. Kinn, CCR, RPR
31 Court Reporter

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

2 JUDGE RENDAHL: Good afternoon, I am Ann
3 Rendahl, an Administrative Law Judge with the Washington
4 Utilities and Transportation Commission. I'm designated
5 today as the presiding officer in this proceeding to
6 assist the Commissioners, Chairman Mark Sidran to my
7 immediate right and Commissioners Patrick Oshie and
8 Philip Jones next to my right. Administrative Law Judge
9 Adam Torem is in fact calling in on the bridge line this
10 afternoon from South Korea, welcome, Judge Torem.

11 JUDGE TOREM: Thank you.

12 JUDGE RENDAHL: And we're here before the
13 Commission on Wednesday, November 12th, 2008, for a
14 hearing on a full settlement by the parties in Docket
15 UG-080546 concerning Northwest Natural Gas Company's
16 request for an increase in rates.

17 We have a panel of witnesses today to present
18 testimony concerning the settlement stipulation filed by
19 all parties to the proceeding that proposes to resolve
20 all issues in the proceeding. So we've had an
21 opportunity to review the stipulation as well as the
22 joint testimony and other documents such as the
23 Company's prefiled testimony to which the parties agreed
24 to stipulate to admission. And these documents
25 including the Company's cost of service study are

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1 included on an exhibit list that I have distributed
2 electronically to the parties, and after we take
3 appearances we will address that exhibit list.

4 So before we go any farther, let's take
5 appearances from the parties beginning with the company.

6 MS. BARNETT: Donna Barnett.

7 JUDGE RENDAHL: Is the red light on?

8 MS. BARNETT: Yes.

9 JUDGE RENDAHL: Okay.

10 MS. BARNETT: Donna Barnett, attorney for
11 Northwest Natural, my address is 10885 Northeast Fourth
12 Street, Suite 700, in Bellevue, Washington 98004, my
13 phone number is (425) 635-1400, fax is (425) 635-2419,
14 and my E-mail address is dbarnett that's,
15 D-B-A-R-N-E-T-T, @perkinscoie.com.

16 JUDGE RENDAHL: Thank you, Ms. Barnett, have
17 you made an appearance yet in this proceeding?

18 MS. BARNETT: I have not.

19 JUDGE RENDAHL: All right, thank you.

20 For those of you who have already made an
21 appearance, we just need to have your name and the party
22 you are representing. If you have not yet made an
23 appearance, then you will need to make the full
24 appearance as Ms. Barnett did.

25 For Public Counsel.

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1 MR. FFITCH: Thank you, good afternoon,
2 Commissioners and Your Honor, Simon ffitch, Assistant
3 Attorney General for the Public Counsel Office.

4 JUDGE RENDAHL: Thank you.
5 For the Northwest Industrial Gas Users.

6 MR. STOKES: Good afternoon, this is Chad
7 Stokes from the Cable Huston law firm representing the
8 Northwest Industrial Gas Users.

9 JUDGE RENDAHL: Thank you.
10 For the Northwest Energy Coalition.

11 MR. WEISS: This is Steven Weiss, Senior
12 Policy Analyst for the Northwest Energy Coalition, my
13 address is 4422 Oregon Trail Court Northeast in Salem,
14 Oregon 98305.

15 JUDGE RENDAHL: Thank you. And have you made
16 a full appearance before?

17 MR. WEISS: Not for this proceeding.

18 JUDGE RENDAHL: Okay.

19 MR. WEISS: But yes before.

20 JUDGE RENDAHL: If you could give us also
21 just your E-mail address.

22 MR. WEISS: Steve@nwenergy.org.

23 JUDGE RENDAHL: Thank you.

24 For The Energy Project.

25 MR. ROSEMAN: My name is Ronald Roseman, and

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1 I believe I have made an appearance in this proceeding
2 representing The Energy Project.

3 JUDGE RENDAHL: Thank you very much.

4 And for Staff.

5 MR. TRAUTMAN: Good afternoon, Gregory J.
6 Trautman, Assistant Attorney General for Commission
7 Staff.

8 JUDGE RENDAHL: Thank you.

9 I previously listed and marked exhibits for
10 this proceeding and distributed this list electronically
11 to the parties. I will need to add as Exhibit 4 what
12 would be the compilation of written comments from the
13 members of the public. The Commission will accept
14 additional comments until next Wednesday, November 19th,
15 and I will indicate acceptance of that exhibit after
16 Public Counsel submits the exhibit.

17 Is that acceptable, Mr. Ffitch?

18 MR. FFITCH: Yes, thank you, Your Honor, and
19 we're in communication with Commission Staff gathering
20 the contents of the exhibit to be submitted following
21 the closing of the comment period. We expect to be able
22 to actually file the exhibit within one week after the
23 November 19th date if that's acceptable to the
24 Commission.

25 JUDGE RENDAHL: That is acceptable. So do

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1 the parties have -- do the parties stipulate to the
2 admission of the exhibits that are marked on the
3 previously distributed exhibit list?

4 MR. TRAUTMAN: Yes.

5 MS. BARNETT: Yes.

6 MR. FFITCH: Yes.

7 MR. STOKES: Yes.

8 MR. ROSEMAN: Yes.

9 MR. WEISS: Yes.

10 JUDGE RENDAHL: All right, well, the exhibits
11 will be admitted.

12 So are there any other preliminary matters we
13 need to address before we empanel the witnesses?

14 Hearing nothing, let's go off the record
15 while we reconfigure who's sitting where, so let's be
16 off the record.

17 (Discussion off the record.)

18 JUDGE RENDAHL: Before I have you stand and
19 take the oath, can you please, starting with Ms. Larue
20 on the left, state your name, spell your last name, and
21 state the party that you're representing or appearing on
22 behalf of.

23 MS. LARUE: Ann Larue, L-A-R-U-E,
24 representing Commission Staff.

25 MR. ZAWISLAK: Timothy Zawislak,

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1 Z-A-W-I-S-L-A-K, representing Commission Staff.

2 MR. EBERDT: Charles Eberdt, E-B-E-R-D-T, for
3 The Energy Project.

4 MR. MILLER: Alex Miller, M-I-L-L-E-R,
5 representing Northwest Natural.

6 MR. WEISS: Steven Weiss, W-E-I-S-S,
7 representing Northwest Energy Coalition.

8 MS. PYRON: Paula Pyron, P-Y-R-O-N, on behalf
9 of the Northwest Industrial Gas Users.

10 JUDGE RENDAHL: Okay, and Mr. McVay.

11 MR. MCVAY: Kevin McVay, M-C-V-A-Y,
12 representing Northwest Natural.

13 JUDGE RENDAHL: And Dr. Dismukes.

14 MR. DISMUKES: This is David Dismukes,
15 D-I-S-M-U-K-E-S, representing Public Counsel.

16 JUDGE RENDAHL: Thank you.

17 For those of you on the bridge line, you
18 can't necessarily stand up, but would you please raise
19 your right hand.

20 (Witnesses ANN M.C. LARUE, TIMOTHY W.
21 ZAWISLAK, CHARLES M. EBERDT, C. ALEX MILLER,
22 STEVEN WEISS, PAULA E. PYRON, KEVIN S. MCVAY,
23 and DAVID E. DISMUKES were sworn.)

24 JUDGE RENDAHL: Okay, please be seated.

25 We'll proceed to questioning from the

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1 Commissioners, and then if there are any other questions
2 I have, I will be asking them.

3 Do the Commissioners have any questions for
4 the panel?

5 COMMISSIONER JONES: Thank you, Judge.

6

7 Whereupon,

8 ANN M.C. LARUE, TIMOTHY W. ZAWISLAK,

9 CHARLES M. EBERDT, C. ALEX MILLER,

10 STEVEN WEISS, PAULA E. PYRON,

11 KEVIN S. MCVAY, and DAVID E. DISMUKES

12 having been first duly sworn, were called as witnesses
13 herein and were examined and testified as follows:

14

15 E X A M I N A T I O N

16 BY COMMISSIONER JONES:

17 Q. This is Commissioner Jones. I think this
18 question is more for the Company, but if Staff wishes to
19 add anything, you're welcome to. This regards The
20 Energy Trust of Oregon and the use of it. The
21 settlement mentioned using ETO to deliver energy
22 efficiency programs in Washington state but says doing
23 so is "subject to the resolution of any outstanding
24 issues regarding the legal capacity of The Energy Trust
25 of Oregon to deliver such programs in Washington". So

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1 first question is, what are the outstanding legal
2 questions?

3 A. (Mr. Miller) Commissioner Jones, there are
4 not as we understand any outstanding legal issues. The
5 ETO has been in contact with an attorney and understands
6 these relevant issues in the state of Washington, and
7 that attorney is busily preparing a memo which will be
8 presented to the energy efficiency advisory group at its
9 first meeting to show that we've resolved or that there
10 are no issues with the ETO doing energy efficiency
11 programs in the state of Washington.

12 Q. Is there a contingency plan if that -- or are
13 you fully confident that the ETO can operate on whatever
14 basis in this state?

15 A. (Mr. Miller) We're fully confident that they
16 can operate in the state of Washington and we can, while
17 we don't have a specific Plan B at this point in time,
18 if something comes up we would quickly move to RFP's and
19 other ways to get other providers in the state to
20 provide energy efficiency in our service territory.

21 Q. And would that take any period of time?

22 A. (Mr. Miller) It would take longer than
23 working with The Energy Trust, yes.

24 Q. Okay, that's it on ETO.

25 Staff, do you have anything to add? I know

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1 from the settlement agreement that your support of this
2 is implied by when it says the parties support this and
3 at least on a pilot basis for one year, so you've
4 evaluated this thoroughly I take it?

5 A. (Mr. Zawislak) That's correct, our counsel's
6 been in contact, and Staff fully supports the
7 settlement.

8 COMMISSIONER JONES: That's all, Judge.

9 JUDGE RENDAHL: Okay, any other questions
10 from the Bench?

11

12 E X A M I N A T I O N

13 BY CHAIRMAN SIDRAN:

14 Q. This is Mark Sidran, first I want to commend
15 all the parties for reaching a full settlement. As I am
16 fond of saying, settlements are favored as a matter of
17 public policy, early settlements are even more favored
18 than late settlements, and early full settlements are
19 blessed events that we welcome.

20 So with that, I just have one question, which
21 is really in the nature of a clarification. This has to
22 do with low income assistance, and the joint testimony
23 at page 10 says at line 8:

24 The parties acknowledge that the Company
25 faces unique challenges due to the

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1 structure of the local low income
2 agencies and organizations that
3 currently operate or oversee low income
4 energy assistance programs in its
5 service territory.

6 Could someone enlighten me as to what are
7 those unique challenges, which I assume are either
8 unique because they're different from Oregon, or do you
9 mean unique because your service territory in the
10 Southwest is different than the rest of the state of
11 Washington, I don't quite know what you're talking
12 about?

13 A. (Mr. Eberdt) If I may, this is Chuck Eberdt,
14 the situation in Clark County is unusual in many
15 respects, and in one respect it is that the community
16 action agency that provides these programs is in fact a
17 county government agency. That's unique. Well, not
18 completely, but it's unusual. The other aspect of it is
19 that about, several years ago, I don't even recall how
20 many years ago it was at this point, they entered into
21 an agreement with the Clark County PUD to actually run
22 the LIHEAP program, so the electric utility administers
23 all of the LIHEAP funding in their area, and that's the
24 largest part of the service territory that this utility
25 has in Washington. That's unique, that's in

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1 particularly very unique. That utility has provided
2 LIHEAP funding to gas heat customers and in the past has
3 also provided gas heat customers with funding from the
4 gas utility's voluntary rate payer assistance, but we
5 assumed this was going to be of somewhat greater
6 magnitude than that, and so it's an arrangement that
7 needs to be worked out at this point.

8 CHAIRMAN SIDRAN: Well, I won't take time at
9 this hearing, but I would like to sort of follow up
10 about how Clark County and the Clark County PUD
11 determine the allocation of LIHEAP funding as between
12 electric and gas customers for example.

13 Thank you.

14 JUDGE RENDAHL: All right, are there any
15 other questions from the Bench?

16

17 E X A M I N A T I O N

18 BY JUDGE RENDAHL:

19 Q. I have a few clarifying questions for the
20 parties. This question concerns the review, evaluation,
21 and modification of the existing low income
22 weatherization program that the settlement mentions on
23 page 19. This program was created as a result of the
24 settlement in the last general rate case in Docket
25 031885, how successful or not has the program been, and

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1 what are those problems, if there are any?

2 A. (Mr. Miller) I would say that the program
3 has not been terribly successful, that in fact it has
4 not done a lot of homes in the last couple of years, and
5 so the delivery action and the interaction between the
6 delivery mechanism and the Company has to some extent
7 not been keeping up, and there hasn't been significant
8 demand either. So we need to find a way to reinvigorate
9 that, and that's what we're agreeing to in the
10 stipulation.

11 Q. Okay, thank you.

12 I have a few questions about the result of
13 not going forward with the decoupling and the WARM, the
14 Weather Adjustment Rate Mechanism, in this settlement
15 and the plans for dealing with such proposals in the
16 future. So the first one is that the settlement appears
17 to restrict the Company from filing any lost margin
18 recovery mechanism until Avista files its evaluation in
19 its pilot decoupling program. Do the parties believe
20 that it's permissible under this settlement for the
21 Company to file a decoupling mechanism or a lost margin
22 recovery mechanism while that evaluation is still in
23 progress here at the Commission or until that evaluation
24 is complete?

25 A. (Mr. Miller) Alex Miller for the Company,

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1 our understanding is that we have two hurdles to get
2 over. First is the filing on March 31st as we
3 understand it to be expected in 2009 of the Avista
4 decoupling evaluation, and then secondly six months
5 after tariffs are approved for energy efficiency
6 programs in the state of Washington.

7 Q. Okay, and that leads into my next question
8 about the timing. So it was a bit confusing in the
9 settlement about having those two conditions, one, the
10 Avista evaluation having been filed, and the other six
11 months after the tariff filings were made. And so those
12 aren't intended to necessarily, what's the word, be
13 conjoined, there's no connection necessarily between
14 those two?

15 A. (Mr. Miller) no, they're just two
16 conditions.

17 Q. Okay.

18 MR. FFITCH: Your Honor, this is Simon ffitch
19 for Public Counsel, if I can address that, and I hope
20 consistently with what the Company has said. I don't
21 know if conjoined is the operative term or not, but our
22 understanding of that provision is that they both are
23 operative so that if the Avista evaluation has been
24 filed but the six months has not expired after the
25 tariff filing for the energy efficiency program that the

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1 Company would still have to await that expiration, the
2 expiration of that period.

3 A. (Mr. Miller) Yeah, we understand it to be an
4 and, not an or.

5 Q. Okay, thank you, that helps.

6 In addition, the settlement conditions the
7 filing of "a mechanism to address the issue of lost
8 margins associated with reduced usage attributable to
9 energy efficiency" in Paragraph 18 of the joint,
10 actually I think it's the settlement, and the supporting
11 testimony mentions both decoupling and a weather
12 adjustment mechanism. Does the settlement limit the
13 Company's ability to propose the WARM mechanism or
14 something like it or decoupling, or is it meant to cover
15 both? So it's a bit unclear.

16 A. (Mr. Miller) My understanding is that the
17 WARM mechanism is not to be proposed in this proceeding
18 and that lost margin and/or decoupling, and decoupling
19 is a form of a lost margin recovery mechanism, are tied
20 to the two conditions.

21 Q. Okay, but the WARM methodology is not tied to
22 the two conditions?

23 A. (Mr. Miller) Correct.

24 Q. Okay, I have one other question, and that
25 concerns Exhibit TWZ-2, which is the compliance tracking

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1 action list, and just for the purposes of this record
2 because this is the first time we've had such an exhibit
3 filed in a case, I guess I will ask Staff if they could
4 explain the purpose of this exhibit and how you wish us
5 to treat it.

6 A. (Mr. Zawislak) Sure, this is Tim Zawislak
7 from UTC Staff.

8 Q. And if you can speak closer into the
9 microphone, I don't know if it can move closer to you or
10 not.

11 A. (Mr. Zawislak) I think the cord's extended,
12 but I'll lean forward.

13 Q. Okay.

14 A. (Mr. Zawislak) Exhibit TWZ-2 is meant to
15 address a new process which the previous director of
16 regulatory services put into place, Mr. Chris Rose, he
17 developed a procedure to track orders going forward and
18 for compliance issues. And this exhibit is Staff's and
19 the parties' attempt to provide the Commission with a
20 document that includes some of the more definitive
21 deadlines that need to be met. Mr. Rose's process
22 outlined this, and it was anticipated that in terms of a
23 settlement, the Staff would provide that document to be
24 attached to an order, Commission order. In terms of a
25 contested case, the judge would have the responsibility

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1 to develop that on a going forward basis. So that's my
2 understanding of the regulatory services policy.

3 Q. Okay, so you would request the Commission to
4 attach this list that's on page 1 of the testimony to
5 the order to assist the parties in tracking compliance
6 items?

7 A. That's correct, and it's part of the process
8 that Mr. Rose developed, works into the Records
9 Management System, and I know our information technology
10 division created new fields within the RMS system,
11 Records Management System, that would enable Staff to
12 track compliance items and ensure that both the Company
13 and the Staff are ensuring that deadlines are met.

14 JUDGE RENDAHL: Okay, thank you.

15 I have no further questions, do the
16 Commissioners have any further questions before we
17 adjourn?

18 CHAIRMAN SIDRAN: Yes, thank you, Judge.

19

20 E X A M I N A T I O N

21 BY CHAIRMAN SIDRAN:

22 Q. This is Mark Sidran, I have one additional
23 question which I believe is for Public Counsel. As I
24 understand it with respect to the provision of the
25 settlement related to the possibility that the Company

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1 could after the six month period and the filing the
2 energy efficiency tariff could file a proposal to
3 implement some type of a decoupling mechanism, that
4 Public Counsel interprets that to mean that could take
5 place outside the context of a general rate case,
6 correct?

7 MR. FFITCH: Correct, Your Honor, I think
8 while we think there's arguments why it's perhaps
9 advantageous to have it happen in a general rate case,
10 this provision does not require that.

11 CHAIRMAN SIDRAN: All right, thank you,
12 that's all.

13 JUDGE RENDAHL: Okay, anything further from
14 the Bench?

15 All right, well, with that I wish to echo the
16 Chairman's remarks in thanking you all and commending
17 you on your efforts to work together and reach a
18 settlement, and the Commission will deliberate on the
19 proposed stipulation and will return an order in due
20 course. So thank you all, and we're adjourned.

21 Off the record.

22 (Hearing adjourned at 2:55 p.m.)

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