

00050

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

2 -----)
3 WASHINGTON UTILITIES AND)
4 TRANSPORTATION COMMISSION,) DOCKET NO. UG-950278
5)
6 vs. Complainant,)
7)
8)
9 WASHINGTON NATURAL GAS) VOLUME 2
10 COMPANY,)
11 Respondent.) PAGES 50 - 66
12 -----)

13 A hearing in the above matter was held on
14 April 21, 1995, at 1:08 p.m. at 1300 South Evergreen
15 Park Drive Southwest, Olympia, Washington before
16 Chairman SHARON NELSON, Commissioners RICHARD HEMSTAD,
17 WILLIAM GILLIS and Administrative Law Judge ALICE
18 HAENLE.

19 The parties were present as follows:

20 WASHINGTON NATURAL GAS COMPANY, by DAVID
21 S. JOHNSON, Attorney at Law, 815 Mercer Street,
22 Seattle, Washington 98109.

23 WASHINGTON UTILITIES AND TRANSPORTATION
24 COMMISSION STAFF, by ANNE EGELER, Assistant Attorney
25 General, 1400 South Evergreen Park Drive Southwest,
Olympia, Washington 98504.

FOR THE PUBLIC, DONALD TROTTER, Assistant
Attorney General, 900 Fourth Avenue, Suite 2000,
Seattle, Washington 98164.

Cheryl Macdonald, CSR
Court Reporter

00051

1

I N D E X

2

WITNESSES:
SCHWEPPE

D
58

C

RD

RC

EXAM

3

4

5

6

7

EXHIBITS:
14

MARKED
64

ADMITTED

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

00052

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

2 JUDGE HAENLE: The hearing will come to
3 order. This is a second day of hearing in docket No.
4 UG-950278. The hearing is taking place on April
5 21, 1995, and this is a public hearing on the interim
6 rate request. The Commission set this for hearing at
7 1:00 on April 21. The hearing is being held before
8 Commissioners Richard Hemstad and William Gillis. I'm
9 Administrative Law Judge Alice Haenle, and I will be
10 conducting the hearing. I introduced counsel to you
11 before we went on the record, but let me just have you
12 state your name and your client's name.

13 MR. JOHNSON: David Johnson representing
14 Washington Natural Gas Company.

15 JUDGE HAENLE: Mr. Trotter.

16 MR. TROTTER: Donald T. Trotter, assistant
17 attorney general representing the public counsel
18 section of the attorney general's office.

19 MS. EGELER: Anne Egeler representing the
20 Commission.

21 JUDGE HAENLE: Originally this had been set
22 for testimony beginning at 9:00 in the morning
23 regarding the interim rate request and this public
24 hearing at 1:00. The testimony part was continued
25 until May 2 a few days ago because the parties are

00053

1 currently working on a settlement of the interim
2 request. There will be a hearing beginning at 9:00 in
3 the morning on May 2 regarding that settlement
4 request. It will be held in Lacey and I don't have
5 the address on me, but if you're interested we can let
6 you know what the address is after the public portion
7 of the hearing.

8 Mr. Trotter, you were going to indicate
9 what the status is of those negotiations or what this
10 is about. I guess I didn't mean the status.

11 MR. TROTTER: Well, just the status is that
12 we're talking, and that's all I can say, but I'm
13 willing to make my presentation regarding what this
14 case is about.

15 JUDGE HAENLE: Would you please. Do you
16 need the microphone?

17 MR. TROTTER: I don't think so. I will
18 speak loudly. Again, my name is Donald T. Trotter,
19 and I'm an attorney representing the public counsel
20 section of the attorney general's office and that
21 section is set up by the attorney general to assist
22 members of the public in presenting testimony to the
23 Commission as well as we litigate cases before the
24 Commission. We have our own expert witnesses that we
25 retain to present what we believe is proper proposals

00054

1 for the Commission to decide on, in particular,
2 utility cases.

3 This particular case started on March 3rd
4 of this year when the company filed for another
5 general rate increase, and they are asking for a total
6 of \$36.7 million. Hearings on that general rate
7 relief request have not begun yet because the company
8 also filed a motion or a petition seeking to have some
9 of that money now, \$17.8 million to be exact, claiming
10 that they are suffering from a financial emergency.
11 They are claiming that they can't finance with bonds
12 and they can't issue stock at this time, and so they
13 want money now to enable them to do that and finance
14 their ongoing operations. That's their claim. That's
15 why we have hearings to test those claims, and as the
16 judge said, we were to start those hearings today, but
17 because the parties have decided to get together to
18 see if there is a basis to resolve these issues, those
19 hearings were postponed for a couple of weeks to
20 permit that to occur. So as a result I can't tell you
21 what our position is and what testimony we filed
22 because we haven't filed our testimony yet in the
23 interim case. That's the name that we call these
24 types of emergency rate relief proceedings, interim
25 relief. That's why we call it interim case.

00055

1 So those hearings have been delayed a short time, and
2 we are having some discussions, and we just have
3 nothing to report on that other than we are having
4 them.

5 This case shouldn't be taken out of
6 context. Since about -- since the first of 1993
7 residential rates for this company have increased,
8 counting the last increase just granted by the
9 Commission, over 20 percent. That's of great concern
10 to our office, and we have participated in these
11 proceedings and argued that no further costs ought to
12 be shifted to the residential class and that rates are
13 -- particularly this rate increase that's been asked
14 for has not been justified.

15 On the handout that I gave to you the
16 Commission did issue an order on April 11 finishing a
17 case that's lasted about a year which determined what
18 the cost of service for each class of customer was,
19 and the end result, the bottom line of that case was
20 the Commission decision to shift costs between classes
21 and that generated approximately three percent
22 increase to the residential class. That's not based
23 on additional revenue need, just based on Commission
24 determination of what the cost of service for each
25 class was.

00056

1 So, again, one of our concerns is that
2 there have been a lot of rate increases, particularly
3 to residential customers, over the past couple of
4 years and we are very concerned about that and have
5 addressed our concerns to the Commission and encourage
6 you to do the same if you agree.

7 So this is the hearing -- technically it's
8 the hearing for ratepayers to testify on the company's
9 request for interim relief. I'm sure that if you have
10 some comments about the general rate case that no one
11 will object to that either. And so I will call you to
12 take the stand and you will be sworn in and ask you,
13 as the judge said, some foundation questions about who
14 you are and what your interest is in, and then I will
15 ask you to make whatever statement you wish and you
16 may be asked some follow-up questions about the
17 various people that might want to know more about your
18 opinion. So with that I will call --

19 JUDGE HAENLE: Before you call the first
20 witness, I was handed the address of the May 2
21 hearing. Let me read it to you so you can write it
22 down if you're interested in attending. It begins at
23 9:00 in the morning. The address is 670 Woodland
24 Square Loop Southeast in Lacey in conference room D as
25 in dog.

00057

1 MR. TROTTER: I would also state for the
2 record, Your Honor, this hearing as far as the public
3 was concerned was noticed out through print
4 advertising in newspapers and that was because a bill
5 stuffer, which is the normal way, simply could not be
6 accomplished due to time element. We have received
7 complaints over telephone regarding that. Some of the
8 initial print advertising did not contain the
9 Commission address, only their post office box. It
10 also did not contain directions to the Commission, but
11 we responded to any calls that we had with directions.

12 We also did get some complaints that the
13 print advertising was not easy to find. One customer
14 said the first ad she saw was in the paper yesterday.
15 I know checking the papers they were in on the weekend
16 but they were somewhat difficult to find. We're not
17 objecting to the notice, the failure to include the
18 address was an unfortunate mistake, but perhaps we can
19 work a little harder in the future if we have to do
20 this again to make sure that those are effectively
21 communicated.

22 JUDGE HAENLE: Well, we've asked the
23 various companies to work very closely with the staff
24 and sometimes these experiences can build on each
25 other and help prevent that kind of thing next time.

00058

1 MR. TROTTER: But I will say we have
2 received many calls, people who were interested, and
3 the short notice period did impact their ability to
4 attend today. I just thought I would make those
5 comments on the record.

6 JUDGE HAENLE: We will be providing, once
7 we've taken the ratepayer testimony, for an exhibit of
8 the ratepayer letters once that's prepared, so why
9 don't you go ahead, Mr. Trotter.

10 MR. TROTTER: Sure. I would call Mr.
11 Warren Schweppe.

12 Whereupon,

13 WARREN SCHWEPPE,
14 having been first duly sworn, was called as a
15 witness herein and was examined and testified as follows:

16

17 DIRECT EXAMINATION

18 BY MR. TROTTER:

19 Q. Could you please state your name and spell
20 your last name?

21 A. I'm Warren Schweppe from Edmonds,
22 Washington and I am a ratepayer, and that's why I'm
23 here.

24 Q. Could you just spell your last name?

25 A. S C H W E P P E, just like the quinine

00059

1 water you find in the grocery store.

2 Q. Your mailing address?

3 A. 8524 - 215th Street Southwest, Edmonds,
4 98026.

5 Q. And you indicated you're a residential
6 customer of the gas company?

7 A. Yes, sir.

8 Q. And you're speaking on your own behalf
9 today?

10 A. Right.

11 Q. Please provide us your statement.

12 A. My statement actually is a composite of my
13 letter of March 8, which is in the handout that
14 everybody has here. And basically what I thought of
15 these three articles was six basic reasons why WNG
16 wanted a rate increase. One was poor performance
17 which immediately asked me, what does this mean? Is
18 it due to lower sales, poor administrative practices?
19 Does Washington Natural Gas need a good CQI
20 program, which is continuous quality improvement?
21 Then it was warm weather, possibility of more layoffs.
22 These are points made to the board of directors and
23 stockholders by William Vititoe the CEO.
24 Then the follow-up article on the 5th of
25 March talked about, well, higher interest rates,

00060

1 growth, capital improvements, which meant plant
2 upgrades. I should say on the first article that I
3 mentioned on the first three points, that same article
4 noted the fact that Washington Natural Gas had cut
5 maintenance costs by 11 percent and their first
6 quarter earnings rose 74 percent and I thought, man,
7 that was terrific.

8 Next point I have here is the state
9 permission to allow six mill to homeowners delayed
10 until the request of the \$35.4 million has been
11 reviewed. Washington Natural Gas states increases
12 would be offset by lower gas prices. Here again, I'm
13 wondering why a request for an increase. Based on the
14 foregoing I see no reason to allow WGN a rate increase
15 of 8.5 percent. Washington Natural Gas hasn't done
16 too badly when you consider other major companies in
17 the area, like Boeing have had some really bad years,
18 even though I'm not quite matching apples and apples.
19 Most companies can't run around and ask for rate
20 increases, and they need to find a better way to do
21 things.

22 Other utility companies such as our
23 Snohomish County PUD held off for two years raising
24 the rates because they fought the BPA over rate
25 increases, and I remember at that time I personally

00061

1 wrote them a letter and congratulated their efforts.
2 And I think WNG needs to take a look at their costs,
3 their in-house operations and so forth.

4 With this statement I sincerely hope that
5 the Commission will reject this rate increase, and in
6 addition I recommend that an audit be done of
7 Washington Natural Gas's books and assets by a CPA
8 firm appointed by this Commission prior to any
9 consideration of another rate increase, and as I
10 recall, even though this doesn't say so on the back of
11 this news report, they were allowed a 5 percent
12 increase last June, and so what you're doing here is
13 giving them a 13 percent increase, and my feeling is
14 that they have to prove hardship as a necessity for
15 rate increase because part of their problem, I
16 realize, is reduced sales possibly because like me, I
17 reinsulated my house last year and I got a rate
18 reduction in a few months of \$8 a month and I'm not
19 anxious to see that go up again.

20 So my feeling is that companies like
21 Washington Natural Gas, which is a monopoly because
22 they have a product that nobody else can sell, needs
23 to have their feet held to the fire, and this is one
24 reason I came down here because I felt I hadn't done
25 this before and it's about time somebody did. I'm

00062

1 sorry there are not more people here like me
2 protesting. Thank you very much. Does anybody have
3 questions?

4 JUDGE HAENLE: I'm not sure whether you're
5 aware that the rate increase requests are always
6 reviewed by the Commission. Staff does an audit and
7 any of the other parties can do audits including
8 public counsel if they have the staff, including the
9 intervenor --

10 THE WITNESS: Right.

11 JUDGE HAENLE: -- entities, and so I think
12 what you requested in terms of an audit is in the
13 process of being done.

14 THE WITNESS: I wasn't sure, Your Honor,
15 how that worked. The main thing is work them over
16 thoroughly so they have their feet to the fire and
17 people like Mr. Nelson have to justify everything they
18 do.

19 JUDGE HAENLE: Mr. Trotter, did you have
20 questions?

21 MR. TROTTER: No.

22 JUDGE HAENLE: Counsel? Commissioners,
23 questions?.

24 COMMISSIONER HEMSTAD: I just wanted to
25 emphasize the point that the Commission staff does

00063

1 perform an audit of the company's books as it prepares
2 its case to present to the Commission. So it's not --
3 that is just the company's statement of what their
4 costs are. It's a contested proceeding in that sense.

5 THE WITNESS: Thank you very much. I just
6 didn't want to see anything rubber stamped.

7 JUDGE HAENLE: Other questions?.

8 COMMISSIONER GILLIS: Just a comment. We
9 appreciate you coming down today. It's a good
10 thorough statement.

11 THE WITNESS: Thank you. I was glad to
12 be here.

13 MR. TROTTER: If I could just ask Mr.
14 Schweppe, how did you find out about today's hearing?

15 THE WITNESS: Well, I read about it in the
16 papers. First article that came out at the end of
17 February is what really got me stirred up on this
18 thing, and then I talked to the people down here in
19 the office to find out how to go about it and I was
20 told wait until it's documented and then I wrote my
21 letter.

22 MR. TROTTER: So you got on the
23 Commission's mailing list?

24 THE WITNESS: Yes, sir, I did.

25 JUDGE HAENLE: Anything more of the

00064

1 witness?

2 Thank you, sir, you may step down.

3 JUDGE HAENLE: Was there anyone else that
4 wanted to give testimony or anybody else that didn't
5 sign up that wants to give testimony, would you
6 indicate by raising your hand.

7 MR. TROTTER: I don't see anyone.

8 JUDGE HAENLE: I don't see anyone else
9 here. You did at this point provide a packet of
10 letters entitled Exhibit of Ratepayer Letters through
11 April 21, 1995. The next exhibit in line is Exhibit
12 14 for identification. Let me mark that as 14 for
13 identification and ask you, I assume that there will
14 be additional letters as well. When would you propose
15 to put those in?

16 (Marked Exhibit 14.)

17 MR. TROTTER: Well, considering that this
18 docket potentially is an ongoing one, we would ask up
19 until the hearings on the interim case as one cutoff
20 date and then the end of the case for another cutoff
21 date.

22 JUDGE HAENLE: So the letters on the
23 interim would be accepted as long as they're received
24 by May 2?

25 MR. TROTTER: Yeah.

00065

1 JUDGE HAENLE: I was talking only about the
2 interim not about the general case.

3 MR. TROTTER: Because some of the letters
4 address one or both. To some extent they're the same
5 problems.

6 JUDGE HAENLE: Is that all right with you,
7 Mr. Johnson?

8 MR. JOHNSON: Only one question, Your
9 Honor. Would those additional letters simply be
10 appended to Exhibit 14 and made a part of Exhibit 14?

11 JUDGE HAENLE: Seems like the best way to
12 me to do it. Let's wait to rule on this portion of
13 Exhibit 14, and when we get the whole thing together
14 you can look it over. In the meantime you can look at
15 what we've got here and be prepared to address it if
16 you want to.

17 MR. JOHNSON: That's fine.

18 JUDGE HAENLE: Anybody else?

19 Generally I make the public counsel notice
20 that's sent to the public part of the public exhibit
21 from the hearing to show what people may be
22 addressing. Doesn't sound like this gentleman
23 addressed your notice so we can or don't have to do
24 that. That's up to you folks.

25 MR. JOHNSON: I have no objection.

00066

1 MR. TROTTER: That's fine.

2 JUDGE HAENLE: Shall we make that part of
3 -- I guess that would be separate then because this --

4 MR. TROTTER: Just make it page 34.

5 JUDGE HAENLE: Well, it's not --

6 MR. TROTTER: Your option, Your Honor.

7 JUDGE HAENLE: Let's just make it part of
8 Exhibit 14 then. Anything else we need to address at
9 this point then?

10 I will recess the hearing then until 9:00
11 in the morning on May 2. Remember that's the 670
12 Woodland Square Southeast address, conference room D,
13 and the hearing will be in recess.

14 (Hearing adjourned at 1:25 p.m.)

15

16

17

18

19

20

21

22

23

24

25