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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

2 COMMISSION

3 WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)

4)
Complainant,)

5)

6 vs.) DOCKET NO. UG-000073

7) Volume IV

8 NORTHWEST NATURAL GAS COMPANY,) Pages 81 - 113

9)

10 Respondent.)

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A public hearing in the above matter

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was held on October 12, 2000, at 6:28 p.m., at 4600

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Southeast Columbia Way, Vancouver, Washington, before

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Administrative Law Judge KAREN M. CAILLE, Chairwoman

16

MARILYN SHOWALTER, Commissioners RICHARD HEMSTAD and

17

WILLIAM GILLIS.

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The parties were present as follows:

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WASHINGTON UTILITIES AND TRANSPORTATION

COMMISSION, by ROBERT D. CEDARBAUM, Assistant Attorney

General, 1400 South Evergreen Park Drive Southwest,

Post Office Box 40128, Olympia, Washington 98504.

21

NORTHWEST NATURAL GAS COMPANY, by SUSAN K.

ACKERMAN, Manager of Regulatory Affairs and Associate

Counsel, 220 Northwest Second Avenue, Portland, Oregon

97209.

22

PUBLIC COUNSEL, by ROBERT W. CROMWELL, JR.,

Assistant Attorney General, 900 Fourth Avenue, Suite

2000, Seattle, Washington 98164.

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24 Kathryn T. Wilson, CCR

Court Reporter

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P R O C E E D I N G S

CHAIRWOMAN SHOWALTER: Good evening. I'm Marilyn Showalter. I'm the chairwoman with The Washington Utilities and Transportation Commission, and with me are my colleagues, Commissioners Dick Hemstad and Bill Gillis. We are here for a public hearing on a proposed rate increase of Northwest Natural Gas. Thank you all for coming here.

This is a formal hearing, a formal proceeding, and that is why we have a court reporter here to take all the words down. It's also why we have an administrative law judge, Karen Caille, who is to my left, who will run this proceeding, so I'm going to turn this over to her, and she can explain a little more what the nature of the proceeding is and how you can comment.

JUDGE CAILLE: Good evening. I'd like to add my welcome to the chairwoman's. This is a public comment hearing. It's part of the Commission's formal hearing process as it considers the settlement agreement submitted by the parties to resolve the issues in the Northwest Natural Gas rate case. The Commission's hearing process is one where we take both technical testimony from parties who formally appear in front of us, and then we also take public testimony and

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1 evidence from members in the public at sessions such as
2 the one we have tonight.

3 The Washington Utilities and Transportation
4 Commission is a state administrative agency responsible
5 for regulating various public utilities including
6 natural gas companies. When one of these companies
7 proposes a general rate increase, the Commission
8 examines the request to determine whether the company's
9 earnings are adequate, and if not, then the Commission
10 will determine new rates that will give the company the
11 opportunity to earn revenues that are fair, just,
12 reasonable, and sufficient. In this case, the parties
13 have reached a full settlement of the issues raised in
14 the proceeding, and they have submitted that settlement
15 to the Commission for approval.

16 The purpose of the hearing this evening is to
17 provide the commissioners with information which they
18 can use to make a decision about whether this
19 settlement is in the public interest and will provide
20 rates that are fair, just, reasonable, and sufficient.
21 The comments this evening will be given under oath and
22 recorded just as the testimony during formal
23 proceedings before the Commission. Your comments will
24 become part of the formal record, and that will be the
25 basis for the Commission decision.

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1 I am going to ask counsel who are here to
2 please make your formal appearance at this time.
3 Please state your name and spell it as well for the
4 court reporter and whom you represent. I would also
5 ask you to introduce any representatives you may have
6 with you, and let's begin with Northwest Natural.

7 MS. ACKERMAN: My name is Susan Ackerman.
8 I'm the manager of regulatory affairs and associate
9 counsel for Northwest Natural. With me is Gayle
10 Patterson, also an attorney for the company, and there
11 are a number of Northwest Natural company executives in
12 the audience. Would you like them introduced as well?

13 JUDGE CAILLE: Yes, please.

14 MS. ACKERMAN: I'd like to introduce first
15 Mr. Scott Milam who is our district manager. With him
16 is Larry Walker, in charge of industrial customer
17 relationships; Grant Yoshihara, marketing for the
18 company; Susan Dodge, residential customer services;
19 Bruce DeBolt our chief financial officer is here; Kevin
20 McVay, who is a senior financial analyst and business
21 consultant for the company; Mr. Mike McCoy, who is our
22 executive vice president for operations, and Scot
23 Walstra, also a consumer rep in our Vancouver office.

24 MR. CEDARBAUM: My name is Robert Cedarbaum.
25 I'm an assistant attorney general. I'm representing

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1 Commission staff in this case. There are no other
2 staff members here tonight, so if anyone has any
3 questions on the staff case, I'm certainly available to
4 answer those questions.

5 MR. CROMWELL: My name is Robert Cromwell
6 with Public Counsel.

7 JUDGE CAILLE: Next, I believe Mr. Cromwell
8 has some comments for us. Following Mr. Cromwell's
9 remarks, I will swear you all in at one time and we
10 will hear your comments. You will be assisted in the
11 process by Mr. Cromwell who has a list of those who
12 have indicated a desire to be heard tonight. When he
13 calls your name, we'll ask you to come up to the
14 podium, and when you finish speaking, please remain at
15 the podium because Mr. Cromwell or one of the
16 commissioners or other counsel may have a question for
17 you. After the opportunity for questions, you will be
18 excused, and Mr. Cromwell will call the next witness.
19 Mr. Cromwell?

20 MR. CROMWELL: Thank you, Judge Caille.
21 Before I begin, I was looking at the list of folks who
22 signed in, and a couple of people didn't indicate
23 whether they wished to speak or not, and I just want to
24 clarify that. Mr. and Mrs. Dvorak, did you wish to
25 speak tonight?

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1 MR. DVORAK: Yes, sir, please.

2 MR. CROMWELL: Mr. Kitzman, did you wish to
3 speak tonight, sir?

4 MR. KITZMAN: Not at this time, thank you.

5 MR. CROMWELL: As Judge Caille said earlier,
6 I'm Robert Cromwell. I'm an assistant attorney general
7 with the Public Counsel section of the attorney
8 general's office. Our job is to appear before the
9 Washington Utilities and Transportation Commission to
10 represent the citizens of the state, particularly the
11 customers of the regulated telecommunications and
12 energy utilities. So in plain English, we represent
13 the customers of Qwest, Verizon, Puget Sound Energy,
14 Pacific Power and Light, Northwest Natural Gas, and
15 other companies of that type. We've been an active
16 participant in this case.

17 To give you a bit more background of how this
18 case has gone, Northwest Natural Gas requested approval
19 for an increase of 6.3 million in revenues from their
20 Washington operations. As many of you know, Northwest
21 Natural Gas also serves a much larger territory in
22 Oregon. During the spring and summer, the parties in
23 this case exchanged data and carefully scrutinized the
24 information produced by the company. A number of
25 economists and other experts reviewed and analyzed the

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1 information produced by the company, and there was a
2 general agreement that an increase was warranted due to
3 a number of new costs incurred and other actions by the
4 company which are properly included in rates. Examples
5 of these are updating the customer information system
6 to prevent Y2K problems and the development of the gas
7 storage facility known as MIST, which allows the
8 company to purchase natural gas at times when the
9 wholesale cost is low and use it at times when the cost
10 is high and thereby avoiding incurring charges it would
11 otherwise have to pass along to customers.

12 After extensive negotiation, a comprehensive
13 settlement was reached the week before the case was set
14 to go to hearing before the Commission in late
15 September. The stipulation which encompasses the
16 parties' settlement was filed with the Commission and
17 presented to them by a panel of the parties' experts on
18 September 29th. The parties to the case have proposed
19 to the Commission that they adopt the settlement as a
20 just, fair, and reasonable resolution of this case.
21 This does not mean that the rate case is over. This
22 settlement is simply an agreement between the parties,
23 and we are recommending to the Commission that they
24 adopt the settlement agreement. That decision has not
25 yet been made. In fact, that's one of the reasons why

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1 I'm glad there is a good turnout here tonight because
2 this is the opportunity for the public to comment on
3 this proposed settlement and whether you think it is in
4 the public interest.

5 There were a couple of handouts at the back
6 of the room, and I hope you've had a chance to review
7 them. There is a fair bit of detail, and I won't cover
8 every point. If you'd like to know some more specific
9 details about the settlement, there is a couple of ways
10 to find out. First, there are copies of the actual
11 full agreement in the back for you to look at, and
12 there are also members of the staff -- Mr. Cedarbaum is
13 here for the staff, myself, Ms. Ackerman,
14 Ms. Patterson -- who can discuss the specifics of the
15 case with you as well as the representatives of the
16 company who have been introduced earlier by
17 Ms. Ackerman. We'll all be here both during the
18 hearing and afterwards if you have any questions.

19 Just let me cover a few key provisions in the
20 agreement. This rate increase will be phased in over
21 two years - three million the first year, 1.3 million
22 the second year. Residential customers will see an
23 increase of just below seven percent this fall and four
24 percent in year two with no increase in year three.
25 The company's original request was for 6.3 million.

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1 The settlement provides for 4.3. All customers are
2 getting smaller increases than the company had
3 originally requested. The basic customer charge will
4 increase to \$4.25 from \$4.00, it's current rate, on
5 October 1, 2001. A late payment fee will be one
6 percent or a minimum of one dollar. The company has
7 agreed not to file another general rate case before
8 June of 2002, so that any higher rate that might result
9 would not go into effect before April of 2003.
10 However, this settlement does not affect gas commodity
11 prices which are subject to market conditions. Because
12 the company passes the wholesale cost along directly to
13 customers each year to purchase gas adjustment filings
14 or PGA's, gas costs are still subject to change.
15 The settlement is an agreement by the parties
16 that represents in their collective view a reasonable
17 resolution of the issues presented by the case. After
18 substantial review and investigation by the parties, it
19 is the consensus of the parties to the settlement that
20 it is in the public interest and represents fair, just,
21 reasonable, and sufficient rates for all customers.
22 The parties recognize that if the settlement is
23 approved by the Commission, it will result in a large
24 rate increase for residential and small business
25 customers. Including the two purchase gas adjustments

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1 the Commission has approved for Northwest Natural Gas
2 in the last 12 months, the total impact to residential
3 customers will be an increase in rates from November of
4 last year to November of this year of 40.6 percent.
5 There will be an additional increase on October 1st of
6 2001 of approximately four percent.

7 Customers must understand that this
8 settlement covers only the company's general rate case
9 and does not affect any of the existing or possible
10 future rate increases that would result from purchase
11 gas adjustments, or PGA's. The PGA's are the mechanism
12 the Commission has approved for gas companies to pass
13 along charges in the wholesale cost of natural gas to
14 their customers. Current wholesale gas prices are
15 higher than they've been in almost 20 years and higher,
16 in fact, than the prices on which Northwest Natural's
17 August 1st PGA cost increase was based. Unless these
18 costs moderate in the coming months, customers may face
19 another wholesale gas cost increase in the next year.

20 All the parties to the settlement recognize
21 the severe impact this kind of rate increase can have
22 on customers, particularly as winter approaches.
23 Residential customers should consider whether an equal
24 payment plan, which spreads their total annual bill
25 equally over 12 months, would be in their best

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1 interest. All customers should check the
2 weatherization on their homes and businesses. Natural
3 gas furnaces should be inspected, tuned up, and filters
4 changed as necessary to operate at maximum efficiency
5 and safety. Further, if you qualify for low income
6 assistance, you should explore the options available to
7 you as well.

8 That is an oversight of the agreement. I
9 know that the one question on everyone's mind is, What
10 does it mean to me? What will happen to my bill? For
11 residential customers, your bill will go up about seven
12 percent over current rates and another four percent
13 next October 1st. Unfortunately, it's impossible to
14 predict what the outcome of the future processes will
15 be. At this point, I'm ready to call on members of the
16 public who have attended tonight and wish to speak.
17 The other thing that has to happen before we get
18 started is that Judge Caille will swear everyone in, so
19 I will pause at this moment for that to occur.

20 (Witnesses sworn.)

21 JUDGE CAILLE: Just before Mr. Cromwell calls
22 the witnesses to the podium, I would just like to
23 remind you to please speak slowly and distinctly for
24 the court reporter, and I would also like to remind you
25 that if you have any written materials that you would

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1 like to be submitted, would you please give those to
2 Mr. Cromwell. We will be making an exhibit out of
3 these materials, and they will be a formal part of the
4 record, and that goes for in the future, if there is
5 anything you want to add, you may see Ms. Penny Hansen
6 at the back of the room. She's from our public affairs
7 department, and she can tell you how to file written
8 comments at a later date, so with that, I will turn the
9 mike over to Mr. Cromwell.

10 MR. CROMWELL: Thank you, Judge Caille.
11 Mr. Phillips? Please state your name and spell your
12 last name.

13 MR. PHILLIPS: Mark Phillips,
14 P-h-i-l-l-i-p-s.

15 MR. CROMWELL: Are you a customer of
16 Northwest Natural Gas?

17 MR. PHILLIPS: Yes.

18 MR. CROMWELL: You receive business,
19 residential service or both?

20 MR. PHILLIPS: Both.

21 MR. CROMWELL: Tonight, are you testifying on
22 your own behalf or on behalf of others?

23 MR. PHILLIPS: I'm testifying on behalf of
24 the Columbia River Economic Development Counsel.

25 MR. CROMWELL: Do you have a statement to

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1 make tonight?

2 MR. PHILLIPS: Yes, I do. I'll be brief and
3 rely on the written statement in the record. The
4 Columbia River Economic Development Counsel supports
5 the agreement that the parties have reached. The
6 Economic Development Counsel is a public private
7 partnership. We are a membership organization
8 representing roughly 200 businesses in Clark County,
9 and we are in the business of economic development and
10 provide business expansion and business equipment
11 services.

12 Our interest in this is to seek some
13 equalization between the industrial rates between
14 Oregon and Washington and on behalf of our industrial
15 users here in Clark County. We need to be on a
16 competitive basis to be able to work with our clients
17 who are interested in locating and expanding here in
18 the area, and we want to see Northwest Natural Gas
19 provide gas rates at competitive prices to attract or
20 retain industries, and we support the position that all
21 industrial gas rates be competitive within the State of
22 Washington as well.

23 In addition, we believe the rates need to be
24 based on the actual cost of service, much as the cost
25 of electrical rates in the county which are provided by

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1 the Public Utility District. We support the agreement.
2 It has an industrial rate schedule of 90 and 91,
3 equivalent to that being introduced in the State of
4 Oregon.

5 I guess in summary, we do support the
6 agreement as approved and would appreciate any
7 consideration you give.

8 MR. CROMWELL: Thank you, Mr. Phillips.

9 CHAIRWOMAN SHOWALTER: I'm just going to
10 interrupt for a minute. I just want to remind anyone
11 who speaks to speak slowly enough so we can understand
12 you, but most importantly so the court reporter can get
13 all your words down.

14 MR. CROMWELL: Mr. Achziger, would you please
15 state your name and spell your last name?

16 MR. ACHZIGER: My name is Curtis Achziger.
17 The last name is spelled A-c-h-z-i-g-e-r.

18 MR. CROMWELL: Thank you, sir. Are you a
19 customer of Northwest Natural Gas?

20 MR. ACHZIGER: Yes, I am.

21 MR. CROMWELL: Do you receive business,
22 residential service or both?

23 MR. ACHZIGER: Residential.

24 MR. CROMWELL: Are you here tonight on your
25 own behalf or on the behalf of others?

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1 MR. ACHZIGER: I'm on my own behalf as well
2 as the more than 6,000 residents of the Northeast Hazel
3 Dell Neighborhood Association.

4 MR. CROMWELL: Do you have a statement to
5 make this evening?

6 MR. ACHZIGER: Yes, I do. The first thing I
7 would like to do is to separate out the two parts that
8 I see in the rate increase. The first one is the one
9 that deals with the actual cost of the raw material of
10 the natural gas. I'm well aware of the increases that
11 are coming. In fact, I don't know if Northwest Natural
12 Gas has received the full 50-percent increase in
13 natural gas that is anticipated for this year or not
14 because of the transfer of gas from west to east.
15 There has been a major pipeline completed in Canada
16 taking Alberta gas into the industrial Northeast. In a
17 way as my comments have to do with that part of the
18 increase, I think Northwest Natural Gas is entitled to
19 take and receive increased rates to compensate for
20 those increases that have come or that would come in
21 the future.

22 What I am concerned about is the
23 infrastructure that I feel the second part of the rate
24 increase deals with. First of all, let me say that
25 I've been a customer of Northwest Natural Gas for 25

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1 years. I've recently built a new home, which I've
2 tried to install major new technology in what is called
3 an Apollo System where I went from two burners to one,
4 and I heat my water as well as the house from one
5 burner, so as you can see, I'm very interested in the
6 economy that I receive from such new technology.

7 But I am concerned about Northwest Natural
8 Gas's aggressive, and I call it an aggressive campaign
9 in the media about free hookups which has occurred over
10 a number of years. They advertise that natural gas was
11 50 percent the cost of electricity. They did it on
12 television. They did it on radio. They did it over
13 multiple years. Now, because they are probably in a
14 pinch, I suppose these rates will go through, but I
15 object to the way that we were put into a corner; we
16 were actually painted into a corner as consumers.

17 As other utilities -- water, electricity,
18 sewer -- raised their hookup charges from approximately
19 \$2,000 to over \$10,000 for a new home, Northwest
20 Natural Gas continued to put out an aggressive campaign
21 to sign up new customers. I feel they should have put
22 into the cost of the hookup the additional cost of what
23 that hookup was going to mean to their business. Now,
24 I've spelled this out more in a written letter, which I
25 will take and allow to explain in more detail that I

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1 handed to the lady in the back.

2 The second part of it is that with this new
3 increase, we also have seen a decrease in services in
4 Clark County. I live here in Vancouver. I, for many
5 years, paid my bill downtown at the local Northwest
6 Natural Gas office. In fact, even during my previously
7 stated building of my home, there was a lady down there
8 who very kindly was able to take my old bill and my new
9 bill and combine it and send me out a bill that I could
10 pay for both of them as I made the transition from my
11 old home into my new home, and I greatly appreciated
12 that. It was a service that was very kind. I suppose
13 it was above and beyond what was necessary, but it was
14 something that I would go out of my way to help the
15 Northwest Natural Gas also, but you have to understand
16 that with the two increases, one coming on top of the
17 other, my bill is already up 50 percent. We haven't
18 even reached cold weather yet. I expect my bill to go
19 100 percent.

20 You can talk about seven percent and four
21 percent and so forth, but when you talk dollars and
22 cents to a resident customer, and because my home is
23 new and as I stated previously -- the Apollo System was
24 put in with additional cost. I don't think it's the
25 system that I use. In fact, I'm probably at maximum

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1 efficiency. Therefore, my bill is going to be much
2 higher than all of the statements that are being made
3 by the people involved at your level.

4 I'm just a citizen. I don't have access to
5 all the numbers and so forth. All I see is the numbers
6 that are on my bill. My bill just went from \$50 to
7 \$75. I anticipate with cold weather of going to \$100
8 or more, and if I want to talk to Northwest Natural
9 Gas, I've got to get in my car and I've got to go to
10 Portland because the customer service has moved into
11 Oregon. That's a hidden cost. I was surprised tonight
12 by company officials that said I could go up on the old
13 Stetson Road to their operational center and find
14 someone with customer service, but that isn't what they
15 tell me over the telephone when you call into their
16 phone center. They tell me if I want to talk to
17 somebody, I've got to go to Oregon. Now, four percent,
18 seven percent, but the cost in time and mileage and gas
19 to go to Oregon to see somebody face-to-face, that's a
20 hidden cost.

21 So therefore, I oppose this increase. They
22 probably will get it. I'm a realist. They probably
23 backed into a corner. They've painted themselves into
24 a corner, but I wish the Commission would take a very
25 hard look and in the future take and make sure that we

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1 ask consumers who are not the deep pockets that are
2 going to take up and pick up the costs that they go out
3 and advertise a free lunch with. In fact, my economy
4 professor in college told me, there is no free lunch.
5 Thank you.

6 MR. CROMWELL: Thank you, sir. Any
7 questions? Mr. Dvorak, are you going to speak?

8 MR. DVORAK: I'm Lawrence Dvorak. I live an
9 116 Southeast Zenith, Camas, Washington.

10 MR. CROMWELL: Sir, are you a customer of
11 Northwest Natural Gas?

12 MR. DVORAK: Yes, I am.

13 MR. CROMWELL: Are you receiving business,
14 residential service or both?

15 MR. DVORAK: Residential only.

16 MR. CROMWELL: Are you testifying on your own
17 behalf or on behalf of others?

18 MR. DVORAK: I'm testifying on behalf of my
19 wife.

20 MR. CROMWELL: Do you have a statement to
21 make this evening?

22 MR. DVORAK: Yes, I would like to make some
23 words. I'm a relatively newcomer of gas user. I'm
24 only going into my third year. Prior to this, my house
25 was heated with electric and wood, but I guess I'm

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1 committing a cardinal sin here. I'm starting to live
2 too long and I can't cut wood too well, and I can't get
3 the increases that they are having. When I retired, I
4 retired at a flat rate. There is no increases for me.

5 Now, Social Security, I will admit there is
6 one and I gladly take my Social Security check, but
7 with every increase that is coming along, with every
8 tax that is increasing, and I think we just seen what
9 was in the paper of what we pay in the State of
10 Washington, I think my Social Security increase is
11 going to be very good because the federal government
12 has said we have no inflation so we probably aren't
13 going to get any. I don't know where they are getting
14 these numbers, so I'm not anticipating -- if we get
15 two-dollar increase a month, I'll be happy, but that's
16 my point is this 11-percent increase you are putting
17 here, I don't know where it's going to come from. I
18 have no resources other than throw out the gas unit I
19 bought and go back to chopping wood. I think that may
20 be the only recourse now. Do you want me to put more
21 smoke in the atmosphere? Do you want me to go down and
22 cut some trees and things of that nature? I don't
23 believe this is justified in this case.

24 The other thing is the previous speaker has
25 said he had used gas for a long time, but I was, at

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1 least, lulled into a little bait and switch that I
2 thought was illegal in this state. Natural gas is the
3 greatest thing. I'll admit it's much lighter than
4 carrying wood in, but they got these increases in here,
5 and they didn't say anything about, "Boy, it's going to
6 be 40 percent increase of your natural gas and 11
7 percent." I think we were really led down the road
8 here. So if this is allowed, I don't think that we
9 should be doing this. I'm all for capital, making a
10 profit and things of that nature, but either they had
11 costs before when they were doing this advertising and
12 lulling these people in, myself included.

13 I've done quite a bit of research before I
14 put this gas in three years ago, and they said it was
15 comparable to electricity, and it was at the time and
16 this sort of thing, but with these increases and from
17 what I'm reading here, it don't look like there is any
18 stopping them now. It looks like they are going to say
19 natural gas is going and going. I really believe the
20 only recourse we have is just quit using it. We don't
21 like to do this, but at least if all of us would cut
22 down 30 percent, I think that would make them squirm in
23 their seats and say, "Hey, we are not selling this,"
24 because they are selling off volume. I thank you.

25 MR. CROMWELL: Thank you. Any questions? I

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1 have a Mr. or Mrs. Moszeter?

2 MS. MOSZETER: My name is Jean Moszeter,
3 M-o-s-z-e-t-e-r. I live at 214 Southeast Yale Street,
4 Camas. I can echo what both of these gentlemen said.
5 I'm on a fixed income. I'm also president of the
6 senior citizens in Camas, Washougal, and I'm not
7 speaking for them tonight, but I do hear what they have
8 to say about increases. We are all in the same boat.
9 We are on a fixed income, and any increase is a big
10 increase to us. It may not sound like much to somebody
11 who is working and making \$120,000 or \$150,000 a year,
12 but to us, it's a lot of money.

13 I would love to see a budget of Northwest
14 Natural Gas before we went into this because I would
15 like to see what they spend for lobbyists. I would
16 like to see what they spend for campaign contributions;
17 how much of a salary increase they received, and also
18 what they pay for consultants and who they have for
19 consultants and things of that nature. I think those
20 are things that should be made -- information that
21 should be given to the public so we can get a more even
22 perspective.

23 But this proposed increase, it's not just
24 what they are saying it is to the residential customer,
25 because when they furnish natural gas to the power

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1 company, that cost is passed on to us. When they serve
2 different businesses, those businesses aren't going to
3 absorb that cost. That comes onto the consumer too.
4 The school district uses gas for heating; we pay that
5 too. We are tax payers; we pay that. Any city office
6 or any city facility that uses gas, we pay for that.
7 So we are getting instead of just one increase, we are
8 getting five, six, maybe seven increases.

9 And another thing I do want to mention is
10 when I first received information about wanting
11 Northwest Natural Gas was asking for an increase, they
12 said they wanted to attract new customers. If they
13 need this kind of increase, it would seem to me, why
14 get more customers when you are in a deficit situation?
15 Why are they asking for more of the same? Also, they
16 offer free gimmicks to people to get them to sign up,
17 and again, information is given out how much cheaper it
18 is using gas, and I think it's at the point right now
19 where we can ill afford to have an increase. I thank
20 you for listening. That's my opinion, and I'm opposed
21 to any increase. Thank you.

22 MR. CROMWELL: Thank you. Any questions?

23 COMMISSIONER HEMSTAD: Ms. Moszeter, I just
24 want to make a comment. I appreciate and welcome your
25 remarks, which are entirely appropriate. I just want

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1 to make the comment, our staff and any other parties in
2 the proceeding have access to the books of the company
3 to review their costs. The one cost that the company
4 can't pass onto its ratepayers are its costs for
5 lobbying and campaign contributions. I just want you
6 to understand that is not a recoverable cost for the
7 ratepayers.

8 MR. CROMWELL: Mr. Hansen, did you wish to
9 speak?

10 MR. HANSEN: I'm Marvin Hansen, H-a-n-s-e-n,
11 720 West 36th Street, Vancouver.

12 MR. CROMWELL: Are you a customer of
13 Northwest Natural Gas?

14 MR. HANSEN: Yes.

15 MR. CROMWELL: Do you receive business,
16 residential service or both?

17 MR. HANSEN: Residential. I have a rental
18 house.

19 MR. CROMWELL: Are you testifying tonight on
20 your own behalf or on behalf of others?

21 MR. HANSEN: Myself.

22 MR. CROMWELL: Thank you. Please go ahead.

23 MR. HANSEN: In reviewing the settlement
24 document between the attorney general and Northwest
25 Natural Gas, I see in there that the primary rate

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1 increase is for the customer information services; is
2 that correct?

3 MR. CROMWELL: That was one of the charges.

4 MR. HANSEN: Did they prior to either
5 contracting to have the customer information service
6 installed, did they seek PUC permission prior to that
7 to gain prior approval to notify the commissioner that
8 they were going to ask for a rate increase based on
9 that before they installed it?

10 MR. CROMWELL: Your best bet for obtaining
11 that sort of information would be to ask the company
12 folks here who specifically dealt with that. If you
13 have specific questions about what the company did --

14 MR. HANSEN: -- did they go ahead and get
15 prior permission, because they may have spent 32
16 million dollars of the State of Oregon, five million
17 bucks on their auto licensing thing for naught, so the
18 same thing can happen to anyone else is they can spend
19 money foolishly and not be worth what they spend for,
20 even though on your accounting procedures you may have
21 a depreciation and --

22 MR. CROMWELL: Not to cut you off, but I
23 think I understand your question. Just so you know,
24 the way the regulatory structure works here in
25 Washington, the company can incur costs like the

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1 computer information system, and the Commission is not
2 required to preapprove those costs before they are
3 incurred, but if the company wants to place those costs
4 into the rates they recover from customers of their
5 regulated operations, they then have to get permission
6 from the Commission to do so, and that's part of what
7 this case was, and I'm sure Ms. Ackerman can correct me
8 if I'm wrong on this, but --

9 MR. HANSEN: It's like real estate.
10 Sometimes you can pay too much and you don't have the
11 value there afterwards. They do the same stupid
12 mistakes.

13 MR. CROMWELL: I can't comment on that
14 analogy --

15 MR. HANSEN: -- it does happen.

16 MR. CROMWELL: What I can tell you though is
17 in this case specifically, the computer system, the
18 company requested an amount be placed into rates that
19 was substantially greater than the amount that was
20 agreed upon. Do you recall the exact figure,
21 Ms. Ackerman?

22 MS. ACKERMAN: We had spent 40 million
23 dollars on that investment. We requested 37 million
24 dollars of recovery, and the settlement was 32 million
25 dollars of recovery, which doesn't translate into a

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1 32-million-dollar increase. It translates into
2 something less than that, but that was the planned
3 amount we agreed was prudent.

4 MR. CROMWELL: If I'm getting the gist of
5 your comment, which was that they could have spent a
6 lot more than they should have on the computer system,
7 I think that our settlement agreement reflected in
8 large part the findings that had been made in Oregon
9 regarding that very fact.

10 MR. HANSEN: Okay. Another thing I somewhat
11 noticed in this settlement agreement is that they show
12 all the income that don't expenses. Is that normal?

13 MR. CROMWELL: Yes, that's normal. In fact,
14 we spent six or eight months going over all the
15 company's expenses, which I can tell you in my office
16 occupies a shelf about 10 feet long if I were going to
17 run it across the table. So we had just binders and
18 binders of spread sheets that went through each of the
19 costs, and part of how these cases work is that the
20 company comes into the Commission and asks for the
21 increase. In this case, I believe it was 6.3 million.
22 They make an initial filing that I think in this case
23 was about this big --

24 MR. HANSEN: If you just take the amount of
25 the rate increase and divide it by the number of

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1 customers served in Washington, it's going to cost each
2 Washington customer 187 bucks. Kind of reminds me of,
3 back in talking about the rise in prices and stuff,
4 about a little over 20 years ago, I was managing an
5 apartment in a trust capacity for a bank, and we were
6 paying about 1.10 a therm, and all of a sudden, we were
7 notified by Northwest Natural Gas that there was an
8 earthquake up in Canada, gas was cut off, but you know
9 it was really truly amazing when that price almost
10 doubled and how that fault cured itself real quick.
11 It's just amazing, and just like they say, Well, gas
12 prices fall, other petroleum products, et cetera.

13 I read in the paper, I think, three days ago
14 where in the Midwest, the Department of Energy, they
15 had surveyed all the petroleum suppliers and
16 wholesalers and said, Yeah, we have plenty of supply,
17 but amazingly, about in May, the price escalated
18 because -- that's truly amazing again, because the gas
19 price goes up and natural gas goes up, so I think
20 consumers sometimes take a hit, but I guess that's
21 life, so that's about all I have to say.

22 I'm aware that the gas prices are controlled
23 to a certain degree by the Canadians, but yet again, we
24 get a lot of gas from over here by the coast from
25 the -- by Northwest Natural that they have there, so it

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1 isn't all Canadian gas, and I assume that's probably
2 factored into the rate structure. Thank you.

3 MR. CROMWELL: Yes. Thank you.

4 CHAIRWOMAN SHOWALTER: I just wanted to
5 remind people that the purpose of this proceeding is to
6 take statements from you and for the commissioners to
7 hear your views. The proceeding proper is not a place
8 to get your questions answered, but there are plenty of
9 people here who can answer your questions. So after
10 this proceeding is over, you are very welcome to ask as
11 many questions as you want, either of the company or of
12 the staff here, and if what you learned changes your
13 opinion or adds something that you would like to convey
14 to us, you are very welcome at that time to write or
15 communicate with us in some way, but I want to make
16 clear that this is not a question answer kind of
17 proceeding.

18 MR. KITZMAN: Julius Kitzman. I'd like to be
19 heard. I will be very brief.

20 MR. CROMWELL: Please come forward.

21 MR. KITZMAN: Good evening. I'm Julius
22 Kitzman, K-i-t-z-m-a-n.

23 MR. CROMWELL: Were you sworn in earlier?

24 MR. KITZMAN: Yes, I was.

25 MR. CROMWELL: Could you tell us, are you a

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1 Northwest Natural Gas customer?

2 MR. KITZMAN: Yes, residential.

3 MR. CROMWELL: Where do you live, sir?

4 MR. KITZMAN: 2719 Southeast Spyglass Drive.

5 It's Cascade Park in Vancouver.

6 MR. CROMWELL: Do you receive business,

7 residential service or both?

8 MR. KITZMAN: Residential only.

9 MR. CROMWELL: Are you testifying just on
10 your own behalf tonight?

11 MR. KITZMAN: Yes, sir.

12 MR. CROMWELL: Please, go ahead.

13 MR. KITZMAN: The rate increase I think is
14 not necessary, and I cannot afford it. The reason why
15 it's not necessary I think is that the companies, the
16 gas companies, airlines, buy commodities on a commodity
17 exchange -- but the gas and jet fuel is much cheaper
18 months ago. I heard two or three days ago on the
19 financial station that the airlines, they book so much
20 in the future market and then when each month comes to
21 an end, they have to buy the fuel of selling it now at
22 a higher price so they are making money on it. So I
23 think that the gas company is not any less intelligent
24 than the airlines, and they are probably doing the same
25 thing.

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1 Now, I'm an Italian senior. I worked for an
2 oil drilling company, and after Reagan got elected, the
3 barrel of oil was \$43, and the money supply, the price
4 of oil dropped from \$43 to \$8, and I was slowly pushed
5 out of work because nobody needed our oil draining
6 equipment. I went there. I lost my hearing, got
7 operated on. One doctor was trying to improve it. He
8 killed it, and that's all I have left. I started in
9 1976. By '83, we were so much down I was laid off for
10 a year. When I came back, I worked for 15 months, and
11 the company's policy was that if the layoff was more
12 than one year, you lose your seniority. They kept me
13 off for one year and three weeks.

14 When I got pushed out the door in March 1986,
15 I was 58 years old, and my pension got to be \$98.45,
16 and there is no increases. And then I got Social
17 Security, of course. Only I don't get the full Social
18 Security because I didn't work too much, and I could
19 not work somewhere else because of the little hearing I
20 had, and the doctor said I should stay away from noise
21 as much as possible, and as a tool and die-making
22 machinist, when you work in a machine shop, there is
23 noise.

24 So I'm asking you that this will not be
25 increased. We seniors already -- the gasoline is high

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1 and medical expenses are high for us. People are
2 driving across the border to buy medicine in Canada and
3 Mexico. Now the gas is expensive so even that is hard.
4 By the time we drive to Vancouver, you lost a lot of
5 money and haven't gained very much. So we are in a
6 pinch no matter which way, and then you want to raise
7 the gas on us. It's going to be a cold winter. Thank
8 you.

9 MR. CROMWELL: Thank you, sir. Was there
10 anyone else that wished to speak this evening? I don't
11 have the names of anyone else who signed up to speak.
12 That appears to complete the public testimony portion
13 of this hearing. I would just like to say that as a
14 reminder, the Commission does accept written comments,
15 and further, that this agreement does not cover all the
16 regulatory issues that are before the Commission at any
17 given time, and there are other avenues for customers
18 to take up problems that they might have with the
19 company. There are avenues for customer complaints and
20 other means by which specific problems, some of which
21 the type that have been raised here can be addressed by
22 the Commission. At this point, I'll turn it back to
23 Judge Caille.

24 JUDGE CAILLE: I would like to thank everyone
25 who has participated tonight and thank you for coming,

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1 and I'm sure the commissioners thank you as well. If
2 there is nothing further from anyone, I will now
3 adjourn this meeting. Thank you.

4 CHAIRWOMAN SHOWALTER: Thank you for coming.
5 (Public hearing concluded at 7:20 p.m.)

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