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1 BEFORE THE WASHINGTON UTILITIES AND
2 TRANSPORTATION COMMISSION

3

4 WASHINGTON UTILITIES AND)

5 TRANSPORTATION COMMISSION,)

6 Complainant,)

7 vs.) DOCKET NO. UG-060256

8 CASCADE NATURAL GAS) Volume III 55 - 98

9 CORPORATION,)

10 Respondent.)

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13 A prehearing conference in the above matter
14 was held on August 29,2006, at 6:30 p.m. at 128
15 North Second Street, Yakima, Washington, before
16 Administrative Law Judge Robert Wallis.

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18 The parties were present as follows:

19 THE WASHINGTON UTILITIES AND TRANSPORTATION
20 COMMISSION, by GREGORY J. TRAUTMAN, Assistant
21 Attorney General, 1400 South Evergreen Park
Drive Southwest, Post Office Box 40128, Olympia,
Washington 98504; telephone (360) 664-1187.

22 CASCADE NATURAL GAS CORPORATION, by
23 MARKHAM A. QUEHRN, Attorney at Law, Perkins
Coie, 10885 N.E. Fourth Street, Suite 700,
Bellevue, Washington, 98004; telephone
24 (425) 635-1402.

25 Jori Moore, CCR, RPR

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1 PUBLIC COUNSEL, by JUDITH KREBS, Assistant
2 Attorney General, 900 Fourth Avenue, Suite 2000,
3 Seattle, Washington, 98164; telephone
4 (206) 464-6595.
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P R O C E E D I N G S

MR. SIDRAN: Good evening. And welcome to a public hearing of the Washington Utilities and Transportation Commission related to a proposed increase in the rates of Cascade Natural Gas Company. My name is Mark Sidran. I chair the commission. And I'm joined by my colleague, Commissioner Philip Jones. There is a third commissioner, Patrick Oshe, who is unable to be here tonight. But he will have able to him and I'm sure will review the record of this proceeding. And everything that is said this evening is going to be recorded by our court reporter.

I also want to introduce one of our administrative law judges, in fact, our chief judge, Robert C. Wallis, who will actually be conducting the proceedings this evening and will describe for you in just a moment the procedure that we follow.

I will just say that this is one of two public hearings that we will be holding with regard to this proposed rate increase. The second hearing will be in the Bellingham area, which is also served by Cascade. The public

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1 hearing process is an important part of the rate
2 case proceeding. It's not only an opportunity
3 as you will hear in just a moment for the public
4 to comment, there are other ways to submit
5 comments. So if you know someone who is unable to
6 be here tonight or if you choose not to comment
7 tonight but wish to comment later, there are ways
8 to do that. Whether that's through electronic
9 means or through mail, so there are other
10 opportunities to provide comment. We take all of
11 the comments that we receive with regard to the
12 rate case and consider it seriously. We consider
13 all of the testimony that's offered by all the
14 parties throughout the proceeding.

15 This case will, unless there is a settlement
16 of some sort, will go to a hearing, which is
17 somewhat similar to a trial. And that will happen
18 about the first week of October. So that is the
19 time frame. Judge Wallis, as I mentioned, is
20 going to conduct the proceeding and he'll explain
21 that to you in more detail. I will only comment
22 that if there is anyone signed up to testify
23 for whom Spanish is a first language or more
24 comfortable language to provide testimony, we
25 do have with us a Spanish language interpreter,

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1 Mr. Carlos Barr, who is standing up. And if you
2 wish to testify in Spanish or have the assistance
3 of Mr. Barr with respect to translation of
4 something that you hear this evening you can
5 contact him by coming up or waving your hand to
6 indicate to him that you'd like his services.

7 And with that, I would like to ask Judge
8 Wallis to get us underway.

9 JUDGE WALLIS: Thank you, Chairman
10 Sidran. And welcome, ladies and gentlemen, to
11 this evening's hearing. I have a couple of
12 introductory remarks for the record. This is
13 hearing docket UG-060256, which involves a rate
14 increase request by Cascade Natural Gas. This
15 hearing is being held in Yakima, Washington, on
16 August 29th of the year 2006. My name is Bob
17 Wallis. I am an administrative law judge. I will
18 be presiding this evening.

19 Tonight's hearing is a part of the
20 commission's formal hearing process as it reviews
21 Cascade's request for a rate increase. The
22 commission's job is to decide whether the request
23 for the rate increase under the statute is fair,
24 just, reasonable and sufficient. The purpose of
25 tonight's hearing is to hear information from you

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1 that you think might assist the commissioners in
2 making that decision. This is a hearing and it's
3 not a meeting. There is an opportunity for you to
4 address the commission with the comments that you
5 have. But it is not a forum where you can ask
6 questions of the commissioners on the bench.
7 Instead, we will introduce people early on from
8 the parties that will be available to respond to
9 your questions, so that if you do have any
10 questions you should be able to have those
11 answered before the evening is finished and you go
12 home.

13 All of the comments this evening will be
14 given under oath. And they will be recorded by
15 the court reporter. Your comments will become
16 part of the formal record that the commission will
17 use to make its decision. There are a number of
18 parties to this proceeding, that is, individuals
19 or institutions that have the status of party that
20 have the right to sit at counsel table and ask
21 questions of others and to present evidence and
22 argument to the commissioners. These include the
23 company, the commission staff and public counsel
24 who are represented here tonight. Those include
25 the Northwest Industrial Gas Uses, the Northwest

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1 Energy Coalition, the Energy Project, and Cost
2 Management Services Incorporated.

3 I'm going to give a very brief description of
4 the case and its schedule, then I will ask the
5 party's representatives to introduce themselves
6 and staff that they have here that can respond to
7 your questions. And then I will ask them to make
8 a brief statement about their position in the rate
9 case if they care to do so. So let me start off
10 on that process by identifying what the case is
11 about.

12 Basically, the case is about what the
13 company has presented and the issues that others
14 see in that presentation. Cascade is asking for a
15 rate increase of about \$12 million. The average
16 residential customer would see an increase of
17 about 9 1/2 percent or slightly more than 9 1/2
18 dollars a month. That's for the average customer.
19 If you're a customer of theirs, your bill might be
20 higher or lower than that.

21 The issues that have been identified in the
22 case so far include how much are the company's
23 expenses and the company's revenues. What rate of
24 return or profit should the company be allowed to
25 pursue. How should rates for industrial,

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1 residential and commercial customers be set to
2 make sure that all customers bear the costs of
3 their own services. Should the company be allowed
4 to decouple revenues from the volume of gas sold.
5 This proposal is offered to encourage conservation
6 by consumers and yet allow the company to earn
7 sufficient revenues so that it can stay in
8 business. Should the company be allowed annual
9 revenues to pay the costs of replacing old gas
10 masons and other equipment.

11 Basically, it all boils down to the decision
12 the commission must make at the end of hearing all
13 that evidence, and that is whether the company is
14 entitled to any increase in its rates. And if so,
15 what level of rates and how should those rates be
16 spread among the customers.

17 Cascade filed its request in February of this
18 year along with supporting written information.
19 The other parties have filed testimony and other
20 information in response. And there's going to be
21 another round of written information that will be
22 filed in about two weeks. The commissioners will
23 hold a second public hearing for opinions of
24 members of the public on September 7th in
25 Bellingham. And the formal hearing where the

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1 witnesses will present the evidence, the written
2 evidence that's been proposed so far, is going to
3 be held beginning on October 9th in Olympia, and
4 is scheduled for four days of hearing.

5 As a part of the commission's hearing
6 process, we take evidence from members of the
7 public in sessions such as this and we will
8 continue to accept written comments from the
9 public until Tuesday, October 10th. That's after
10 the start of the evidentiary hearing. All of the
11 written comments that are received will be
12 included in exhibits of public comments. And
13 Ms. Krebs will give you information about how to
14 send those comments to her or to the commission to
15 ensure that they become a part of the record.

16 Now I'm going to ask counsel to introduce
17 themselves and any representatives that are here
18 with them tonight that might respond to questions.
19 Let's begin with the company.

20 MR. QUEHRN: Good evening commissioners,
21 Judge Wallis, counsel, members of the public. My
22 name is Mark Quehrn. I'm here this evening on
23 behalf of Cascade Natural Gas Corporation. With
24 me this evening I have Mr. David Stevens, the
25 company's president and chief executive officer;

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1 I have Mr. John Stolts, senior vice president of
2 regulation and gas supply. We also have a number
3 of other representatives of the company here this
4 evening. We're here to listen and to respond to
5 questions at an appropriate time and in an
6 appropriate manner. We do not have a prepared
7 statement this evening. And we're prepared to
8 proceed.

9 JUDGE WALLIS: Thank you, Mr. Quehrn.
10 Would you ask your staff people to if they
11 would raise their hands so that members of the
12 audience would know who to approach if they have a
13 question for the company?

14 MR. QUEHRN: Sure.

15 JUDGE WALLIS: Thank you very much.
16 For commission's staff.

17 MR. TRAUTMAN: Thank you. Good evening,
18 commissioners, Judge Wallis, and members of the
19 public. I'm Greg Trautman, Assistant Attorney
20 General, representing the commission staff. And
21 with me here tonight in the last row in the back
22 of the room we have Gene Wa, who is the
23 assistant director for energy, and I also have
24 Mike Parvinen of the energy commission staff. And
25 they are both available to answer whatever

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1 questions you might have at the conclusion of the
2 hearing.

3 We just have a brief statement to make. And
4 we would note that the company has asked in this
5 case for a revenue increase of approximately
6 \$11.7 million. And staff has filed its direct
7 opening testimony in the case. And staff is
8 recommending that there be an increase of only
9 \$1.6 million in total, which is approximately
10 10 million less than the company requests. And
11 that would be made up of approximately a \$250
12 million decrease in regular rates and an increase
13 of about \$1.8 million of various miscellaneous
14 charges. We also agree with the company's method
15 to so-call decouple certain revenues in a way that
16 would not discourage conservation. We agree
17 with that as a laudable goal. We, however, reject
18 the proposals by the company to eliminate the
19 risk that is currently on the company for changes
20 in weather and also proposals that would allow
21 them to track their infrastructure changes and
22 make changes in the rates without coming in for a
23 general rate case. Thank you.

24 JUDGE WALLIS: Thank you, Mr. Trautman.
25 For public counsel.

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1 MS. KREBS: Yes. Thank you
2 commissioners, Judge Wallis, representatives from
3 the company and staff. My name is Judy Krebs,
4 and I'm an Assistant Attorney General representing
5 the public counsel section of the Attorney
6 General's office. I too have some comments if
7 this is the appropriate time.

8 JUDGE WALLIS: Please proceed.

9 MS. KREBS: Thank you. I won't
10 reiterate the overall rate increase that is sought
11 by the company, \$11.7 million. There's discussion
12 about that in our fact sheet as it describes. If
13 you didn't get a fact sheet there's some at the
14 back table exactly how that rate increase breaks
15 down for residential customers.

16 I want to focus a little bit more on the fees
17 because some of that needs to be kind of specific.
18 Cascade is asking for increases in existing
19 service charges and new fees that are fairly
20 substantial. For the existing services there are
21 increases requested anywhere between 100 to 200
22 percent. And there are new fees, that is things
23 that are now zero dollars that are going up or
24 being asked for in a very substantial way. And so
25 there are some examples in the fact sheet. For

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1 instance, the current disconnection service charge
2 is \$8. And it would go up to \$25 under the
3 company's proposals. The account activation fee,
4 meaning that you open an account with Cascade, now
5 zero dollars. Understandable. You're joining the
6 company. You're starting out. Now the company's
7 asking for \$32 as an activation charge. All
8 together the company is asking for over a million
9 dollars in new and existing service fees and
10 service charges and fees.

11 One of the questions that we point out here
12 is, well, if the company gets even a \$1.6 million
13 rate increase, which is what staff is proposing,
14 you know, can we expect that to be it for awhile?
15 And the answer is likely not. The mechanisms
16 that have been discussed, and we call them tracker
17 mechanisms as a way of helping folks understand,
18 they are accounting methods in which one very
19 specific aspect of the company's books is
20 tracked. And the way rate-making traditionally
21 worked is when a company comes in for a rate
22 case, a general rate increase as this is, all of
23 their accounts are on the table. Their expenses
24 and their revenues. And there's a balance of what
25 that is. And if revenues don't match up with

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1 expenses then they perhaps need more revenue. In
2 this case where trackers are proposed that doesn't
3 happen. What happens is a specific need is
4 identified. This expense went up or this revenue
5 went down, and we're just going to fill that hole
6 and we're not going to look at everything. So not
7 everything is on the table.

8 There's been a lot of discussion about
9 decoupling as one of the trackers. So there's
10 two kinds, infrastructure, tracker and decoupling
11 tracker. And both act the same way in that the
12 company is able to at the end of the year seek
13 recovery of what they need to get under the
14 proposal. And that will be an increase in rates.
15 It will be a general rate case. It will be a
16 surcharge on your rates.

17 A lot of the discussion around decoupling has
18 focused on conservation. And public counsel
19 strongly, strongly supports conservation.
20 Absolutely needs to happen. The shortage of
21 natural gas in this country is declining. The
22 prices will continue to go up. However, this is
23 not the right proposal for conservation. There
24 is no requirement in the company's proposal that
25 they will do any level of conservation. And the

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1 company has a very poor record of conservation.
2 So public counsel stands on the decoupling
3 proposal as we recommend the commission reject
4 it.

5 The other positions we have taken in the
6 case, and this is based on the experts we've
7 retained and what they have recommended from
8 a policy perspective, is also one of the
9 recommendations we have made is in regards to the
10 changes in or the shifting of rates from
11 industrial customers to residential customers. It
12 is essentially -- the question is how do you
13 assign responsibility for the overall cost of
14 service. And we believe the company has taken a
15 somewhat unprecedented, extreme and unwarranted
16 approach by shifting -- significantly shifting
17 industrial rates in which industrial rates are
18 lowered and residential rates are increased. So
19 those are just some of the -- those are some of
20 the issues.

21 We support staff on a couple of other issues
22 including their proposed decreases in revenue
23 requirement and their recommendations on rate of
24 return.

25 Public counsel is the conduit through which

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1 residential rate payers and small business
2 customers can participate in this case. Folks can
3 comment, as you heard, up until October 10th. On
4 the fact sheet there are a number of ways to
5 comment. We also have our phone numbers and our
6 address by which you could reach us. And if you
7 have any questions we're happy to answer them
8 today or in the future. And we really hope that
9 you will both comment here today, if you haven't
10 signed up to comment, as well encourage others to
11 submit comments. Thank you very much.

12 JUDGE WALLIS: Thank you, Ms. Krebs.
13 At this point we're going to prepare for the
14 public testimony. I would like to point out that
15 even though Mr. Barr is seated at counsel table,
16 he is not appearing tonight as a lawyer for any of
17 the parties. He is the Spanish interpreter. And
18 if you do prefer to speak in Spanish, when you
19 address the commission he is here to assist you
20 with that and to translate your comments. And the
21 court reporter will take it down in English. I
22 would suggest as we go into the public comment
23 portion of tonight's session that if you plan to
24 speak, you think for a few minutes about what you
25 want to say and organize your thoughts and try to

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1 be concise in how you present things. I think
2 you'll find that doing so will make your comments
3 stronger and more understandable to the people who
4 are listening to you. If you want to make a
5 comment that is the same as opinions presented,
6 information presented by a former speaker, it is
7 okay to identify that speaker. It has just as
8 much force as though you were repeating them.

9 If you have any written materials that you
10 would like to give to the commission, please pass
11 the information in writing that you want to
12 present. It is part of an exhibit that is
13 presented to the commission. Along those lines, I
14 would like to note for the record that Ms. Krebs
15 did identify a fact sheet. And I will ask that
16 Ms. Krebs add that document to the written
17 documents that are a part of your exhibits so that
18 the record will be clear about the content of that
19 fact sheet.

20 Now we did mention that we are going to ask
21 those who testify tonight to testify under oath.
22 That is a state law. And it requires us to do
23 that. So if you have signed up to testify or if
24 you believe you might testify please stand now and
25 raise your right hand.

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1 (OATH GIVEN)

2 MR. WALLIS: We are working from a
3 sign-up sheet, if you now or at any time during
4 the session this evening have changed your mind
5 and now want to testify, whereas you didn't think
6 so earlier, it's quite all right to go back to
7 Ms. Johnson and sign up. She'll bring that
8 information up to me and we will make sure you
9 have that opportunity.

10 So now I'd like to begin. And the first
11 person who's identified a desire to testify is
12 Bob Ponti. Would you step forward, please.

13 Now as you begin, I would like to ask you a
14 couple of introductory questions. First of all,
15 would you state your name and spell your last name
16 for the court reporter.

17 MR. PONTI: My name is Bob Ponti,
18 P-o-n-t-i.

19 JUDGE WALLIS: Where do you live,
20 Mr. Ponti?

21 MR. PONTI: I live in Zillah,
22 Washington.

23 JUDGE WALLIS: Are you a Cascade
24 customer?

25 MR. PONTI: Yes, I am.

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1 JUDGE WALLIS: And are you testifying on
2 your own behalf tonight or as the representative
3 of a group or organization?

4 MR. PONTI: As a representative of my
5 organization, which is the Northwest Community
6 Action Center in Toppenish.

7 JUDGE WALLIS: Please proceed with your
8 comments.

9 MR. PONTI: All right. The Northwest
10 Community Action Center is an affiliate of the
11 Yakima Valley Farm Workers Clinic. My job is as
12 an administrator to weatherization and energy
13 assistance serving low income people in the
14 Yakima, greater Yakima, Lower Yakima Valley area,
15 excuse me. We are one of 29 weatherization
16 programs in the State of Washington. And our
17 protection on a yearly basis is approximately 95
18 homes. The cost to provide weatherization
19 services can range from \$2,000 up to \$12,000. I
20 leverage funds from Department of Energy, from
21 Health and Human Services, from state energy
22 matchmaker funds and also from Pacific Power
23 funds. At energy assistance we serve about 3,500
24 families in a year. And that's actually 13,000
25 individuals. And the average benefit to a family

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1 is about \$345 for a year, for a season.

2 We're able to -- we have funding levels that
3 allow us to serve approximately an estimated 15
4 percent of the eligible people in our part of the
5 county. Through energy assistance I administer
6 light/heat funds, which are federal funds, and the
7 Pacific Power program, which is a rate reduction
8 assistance. So total, we're touching about 3,500
9 families.

10 I would like to agree with Ms. Krebs'
11 comments. Especially our concern for low income
12 folks on the fee increases for our customers, for
13 our clients. And the main point of consideration,
14 and I'll wrap up here pretty quickly, but we want
15 to congratulate Cascade Natural Gas on their
16 participation. They've voluntarily come to the
17 table to help the low income folks through a
18 program we call -- that's called Winter Help. And
19 last year that produced \$7,000 for our
20 organization. And we're able to serve about 44
21 families with the benefit there.

22 Last November they instituted a
23 weatherization program that puts about a thousand
24 dollars -- well, actually, a maximum of a thousand
25 dollars towards the weatherization program. My

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1 concern there is that with that contribution on a
2 project that can range up to \$12,000, there is not
3 a lot of incentive to pursue.

4 The other comparison I have is working with
5 Pacific Power. Their contribution is 50 percent
6 of the project up until energy matchmaker funds
7 are exhausted. And then they cover 100 percent.
8 So that's the comparison I have. I'm not -- we
9 need to work together on some kind of an
10 equitable situation with Cascade. We would like
11 to -- when we leverage other funds it makes it
12 more palatable to our funding agencies.

13 We would propose through this process if a
14 rate increase is granted, and I don't know the
15 actual breakdown of the proposal by Cascade as to
16 their \$800,000 that they intend to send towards
17 low income folks, but we would like to partner
18 with them to develop those programs. We think we
19 have some input that makes them effective. And
20 without them being delegated from the company to
21 us to administer. So we would propose that
22 partnership and look forward to whatever comes
23 from that.

24 JUDGE WALLIS: Thank you, Mr. Ponti.
25 Let me ask if there are questions for Mr. Ponti.

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1 Let the record show that there are none. Thank
2 you for your testimony.

3 The next person on our list is Jim McLean.
4 Please step forward.

5 Please state your name and spell your last
6 name for the court reporter.

7 MR. MCLEAN: Jim McLean. M-c-L-e-a-n.

8 JUDGE WALLIS: Where do you live,
9 Mr. McLean?

10 MR. MCLEAN: Yakima.

11 JUDGE WALLIS: Are you a Cascade
12 customer?

13 MR. MCLEAN: I am.

14 JUDGE WALLIS: And are you testifying on
15 your own behalf tonight or as a representative of
16 a group?

17 MR. MCLEAN: On my own behalf.

18 JUDGE WALLIS: Please proceed.

19 MR. MCLEAN: I think we're here for one
20 reason, the greed of a company that has no
21 competitors and gets a healthy rate of return.
22 If they get what they are asking for, I'll sell
23 all my stocks and buy theirs.

24 Their proposal rate increases as far as
25 signing up and getting off natural gas and that

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1 sort of thing is going to rip the poor here in
2 town. I mean, they have to move more often. And,
3 you know, those fees are extremely high for the
4 poor people. It is really ridiculous.

5 The decoupling, I mean, if the price of
6 natural gas goes up I agree, I'll pay more. But
7 these -- the rate of increase should have to do
8 with the rise of natural gas. It has in the past,
9 not any type of decoupling or anything else. If
10 it goes up I'll pay more. But a guaranteed rate
11 of return of over nine percent is extremely
12 high. They don't have competitors. Their
13 shareholders will suffer a little bit if the
14 weather is good for them. But we suffer a lot
15 more if the weather is bad. And I encourage you
16 to reject their proposals on behalf of the small
17 guys. Yakima is a poor town and they are going to
18 fill their pockets on this deal. And it is not
19 going to do any good to the residents of this
20 city. Zero.

21 JUDGE WALLIS: Thank you. Are there
22 questions for Mr. McLean?

23 Let the record show that there are none.
24 Thank you for appearing.

25 MR. MCLEAN: Thank you for listening,

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1 gentlemen.

2 MR. WALLIS: The next person I believe
3 is Nichola Wiley.

4 MS. WILEY: Hi. How long do I have?

5 JUDGE WALLIS: Concise remarks.

6 MS. WILEY: I will try my very best. I
7 kind of timed myself. It was like eight minutes.
8 I condensed it to almost three minutes.

9 JUDGE WALLIS: Could you state your name
10 and spell your last name?

11 MS. WILEY: My name is Nichola Wiley.
12 And it is spelled W-i-l-e-y.

13 JUDGE WALLIS: Could you spell your
14 first name?

15 MS. WILEY: Nichola, N-i-c-h-o-l-a.

16 JUDGE WALLIS: Thank you. Where do you
17 live?

18 MS. WILEY: Zillah, Washington.

19 JUDGE WALLIS: And are you a Cascade
20 customer?

21 MS. WILEY: Yes.

22 JUDGE WALLIS: Are you testifying
23 tonight on your own behalf or as the
24 representative of a group or an organization?

25 MS. WILEY: As a representative of an

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1 organization.

2 JUDGE WALLIS: What organization is
3 that?

4 MS. WILEY: Northwest Community Action
5 Center and the program Be Smart Energy
6 Education.

7 JUDGE WALLIS: Is this the same program
8 Mr. Ponti represents?

9 MS. WILEY: He works at Northwest
10 Community Action Center, but we have a different
11 program.

12 JUDGE WALLIS: Fine. Please proceed.

13 MS. WILEY: Okay. Here I go. Can
14 everyone hear me? Here we go.

15 JUDGE WALLIS: People in the back are
16 nodding yes.

17 MS. WILEY: Okay. My name is Nichola
18 Wiley. And my teaching partner is behind over
19 there, her name Leanne Morris. And we work
20 for Northwest Community Action Center. As most
21 of you know, Northwest Community Action Center
22 is a division of Yakima Valley Farm Workers
23 Clinic. They provide programs for the
24 economically disadvantaged individual and families
25 to help them have a better quality of life.

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1 Our program is again called Be Smart Energy
2 Education. We contact 1,600 sixth graders in the
3 Lower Yakima Valley. We go into eight school
4 districts. We have 61 classes. And we teach
5 energy education with an emphasis of saving
6 energy.

7 As far as details of our program, we'd be
8 more than happy to explain that at a later time.
9 In a nutshell, we're there for five days all
10 together. There's a three-day presentation, then
11 we have a one-day follow-up during spring time and
12 then we have a year-end assembly where prizes are
13 awarded to winning students and teens for their
14 efforts.

15 Anyhow, one thing I wanted to say what we do
16 is we provide energy kits to each student. And we
17 also have them complete surveys because we want to
18 see what they've done before they receive the
19 energy kits. And then when we come back during
20 follow-up we want to see if there's been a change
21 in behavior.

22 In these energy kits there's all kinds of
23 energy items such as compact fluorescent
24 light bulb, five-minute shower coach, energy
25 saving aerator. There's nine items all

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1 together. I love this program. I have a passion
2 for it. Because students are empowered with
3 information and tools to help their families do
4 something positive. As a result, families are
5 saving energy and saving money. But not only do
6 families benefit from this program, but utility
7 carriers also do too. The reason why I know this
8 is because our program is monitored by a
9 collection data agency, called Quantech, and they
10 monitor our success of our program via the surveys
11 that we receive from the students. As a result,
12 this last year when we had our meeting there was a
13 cost benefit ratio for natural gas and water, and
14 that was for every dollar that was spent in our
15 program, \$3.30, there was a savings of \$3.30
16 for natural gas and water. And the very exciting
17 thing for Cascade Natural Gas was we found that
18 there was a savings of \$35,000 for them through
19 our program.

20 Something that you should know, in our
21 program students and their families have a
22 combination of utilities comparing Pacific Power
23 and Cascade Natural Gas. The only utility that is
24 funding our program is Pacific Power. They fund
25 \$122,917 a year. We have a two-year contract with

0082

1 them. It is ending March 31st of 2007. But
2 because our program has been successful, it's
3 promising that the contract will be renewed.

4 I know that there's an energy crunch. We
5 all have felt that in our pocketbooks. There are
6 people who live in poverty. And it's been really
7 tough for them. And more than anything, some of
8 them have to commute to work and, of course, the
9 gas prices are pretty bad. So they are really
10 hurting.

11 There's two things I would like for you to
12 consider. One, I always think about a successful
13 businessman, a wise, successful businessman will
14 do everything in his power to carry -- what's the
15 word I'm looking for -- carry a community service
16 oriented image. And that's something that you
17 need to think about what your image is.

18 And secondly, the least expensive energy is
19 the energy we don't have to produce. And that is
20 why I believe energy conservation education is so
21 vital and is a must. We would like to invite
22 Cascade Natural Gas to hop on board in helping
23 programs like ours that are all ready in place,
24 that are all ready successful, but most
25 importantly, they are saving energy for Cascade

0083

1 Natural Gas and their customers. Thank you very
2 much.

3 JUDGE WALLIS: Thank you. Any
4 questions?

5 MR. SIDRAN: Yes. Ms. Wiley, I have a
6 question. I just want to clarify what I think I
7 heard. When you mention the \$35,000 savings for
8 Cascade, was that due to --

9 MS. WILEY: For this year.

10 MR. SIDRAN: -- avoided uncollectibles?
11 In other words --

12 MS. WILEY: That was not used. I
13 believe that was not used. In other words --
14 here, I have a little thing. It says here
15 benefits -- it says dollar savings natural gas
16 \$35,000. If you would like I have a rough draft
17 of the evaluation. But we're going to be getting
18 the official one very shortly. I would be more
19 than happy to send it along your way. So if you
20 have specific questions I can answer that later
21 for you.

22 MR. SIDRAN: Thank you. If you'd submit
23 that that would help me understand what the source
24 of the savings is.

25 MS. KREBS: If you submit it to public

0084

1 counsel we will put in the record.

2 MS. WILEY: Thank you.

3 MR. JONES: I have a question. These
4 energy kits, are they provided in Spanish as well
5 as English? And what percentage of your outreach
6 to the sixth graders is to Spanish-speaking kids?

7 MS. WILEY: I would say mostly all. I
8 would say Caucasians are a minority. And yes, we
9 do provide information in Spanish. We provide
10 -- something I did not mention, of the 122,000,
11 that does not include the cost of the energy kits
12 or the handbooks that we provide either in English
13 or Spanish. The surveys are either in English or
14 Spanish. And we provide a letter to the parents
15 in Spanish and English. On one side English, the
16 other -- so yes, we do meet the needs of the
17 Hispanic community.

18 MR. JONES: Have you approached Cascade
19 Natural Gas for funding and what has their answer
20 been?

21 MS. WILEY: No, we never have. This is
22 our first approach. We're inviting them. We'd
23 be more than happy to show them what we have for
24 them.

25 MR. JONES: What is the overall source

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1 of your funding?

2 MS. WILEY: Pacific Power provides
3 122,000 for us. There are other programs, too.
4 There's a program over here in Yakima through OIC
5 that is growing that needs help. Then there's one
6 over in Walla Walla. But we'd be more than happy
7 to talk to anybody. I even have an energy kit
8 with me to show.

9 MR. JONES: Thank you. I would be very
10 interested in the five-minute shower coach for my
11 14-year-old.

12 JUDGE WALLIS: Are there any further
13 questions? It appears that there are not.

14 Ms. Krebs, when you receive that be sure to
15 issue that in the exhibit of written materials.
16 Thank you.

17 The next person on our list is Mike
18 Morrisette. Would you state your name and spell
19 your last name for the court reporter, please.

20 MR. MORRISETTE: Mike, and last name is
21 spelled M-o-r-r-i-s-e-t-t-e.

22 JUDGE WALLIS: Can you tell us where
23 you live, please.

24 MR. MORRISETTE: Yes. I reside at 708
25 South 87th Avenue here in Yakima.

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1 JUDGE WALLIS: Are you a Cascade
2 customer?

3 MR. MORRISETTE: I am.

4 JUDGE WALLIS: And are you testifying
5 on your own behalf tonight or are you representing
6 a group or organization?

7 MR. MORRISETTE: I'd like to do both, if
8 it is permitted, as a customer as well as
9 representing the Greater Yakima Chamber of
10 Commerce.

11 JUDGE WALLIS: Please proceed.

12 MR. MORRISETTE: Thank you. Well, first
13 of all, as the chamber president, let me welcome
14 you to Yakima. And I've been talking to
15 Ms. Johnson about some great places for you to
16 eat following the meeting tonight.

17 JUDGE WALLIS: Thank you.

18 MR. MORRISETTE: I'm here on behalf of
19 myself and my organization, the Greater Yakima
20 Chamber of Commerce, in support of Cascade Natural
21 Gas general rate case before you. I have both
22 pragmatic and maybe non-pragmatic reasons for
23 taking that position. I'll start with the
24 non-pragmatic.

25 I think sometimes in making decisions like

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1 you must make in these cases, that you need to
2 look at the heart and soul of a company and how it
3 is performing outside the parameters of their
4 rates structure. I have been a chamber executive
5 in Snohomish County, South King County and Spokane
6 as well as here in Yakima. And I have worked with
7 a lot of utility providers. And they have all
8 been great companies. I have to say since I have
9 arrived in Yakima over a year ago, it seems like
10 100 years, but over a year ago I have really been
11 impressed with their performance as a corporate --
12 a good corporate neighbor.

13 We find Cascade Natural Gas employees
14 imbedded in practically all of our service clubs,
15 churches and so forth. And they have taken
16 leadership positions to improve our community and
17 as contributors to our charitable, nonprofit
18 needs.

19 I find that this is an important aspect of a
20 company insofar that it is not a program that they
21 have that really creates a return on their
22 investment in terms of revenues and so forth.
23 Maybe some public relations benefits. But they
24 seem to go well beyond that norm when you compare
25 them with the other companies that I have worked

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1 with around the Northwest.

2 I think one case in particular kind of
3 impressed me. And I have only read about this and
4 that was enough. Back in 2003 a Cascade employee
5 construction crew was on their way to a job. And
6 driving through the neighborhoods they came upon a
7 house that was on fire. And they stopped, of
8 course. And one of the kids in the neighborhood
9 thought that there might be somebody in the house.
10 And the fire department had been called but hadn't
11 arrived yet. The two men in question jumped out
12 of their car and found a way to get into that
13 house. And crawling under the smoke, it was
14 pretty well-engaged, the fire was pretty well
15 engulfing the house, and were able to find one
16 woman, drag her out and save her live. That was
17 because the training that they got they were
18 able to execute that rescue successfully. Also, I
19 find that they are eager to work with our fire
20 department and police department in working
21 through training exercises and so forth that have
22 to do with public safety and so forth. I felt
23 tonight they just need to get credit for some of
24 those maybe intangible contributions that they
25 make to our community that you don't often know

0089

1 about.

2 I also want to talk about the pragmatic side
3 of it. I want to talk about economic development
4 a little bit. I firmly believe that quality of
5 life starts with a good paycheck from a
6 progressive, successful company that has good
7 prospects and that can advance its employees and
8 itself and so forth and so on. In terms of
9 economic development, I can tell you from my
10 vantage point as president of our local chamber
11 here, that the Yakima Valley is on the verge of
12 really growing and growing rapidly here in the
13 next decade. All the conditions that need to be
14 present to attract new investment and jobs are
15 here already. We have land at very affordable,
16 competitive prices. And a lot of it has already
17 been through an environmental impact statement.
18 A lot of it is already special economic districts
19 and so forth.

20 We have a very good work force, very
21 trainable work force. Very competitive prices as
22 well. We have the ability -- if you come from the
23 west side, my previous job was in Burien,
24 Washington. I spent a lot of time in Seattle. We
25 have no abilities here is which this is a big deal

0090

1 right now in terms of just inventories and time to
2 market. We have a lot of folks that arrived in
3 town just in the last two years that have put
4 options in property here, over 600 acres with
5 options on it. The availability of inexpensive,
6 competitive energy has always put Washington, and
7 I think the Northwest, it's given us a cutting
8 edge when we're competing with other markets in
9 the east and southeast and southwest.

10 And I want to always as a chamber guy I want
11 to make sure that we have that availability and we
12 have the structure and infrastructure in place so
13 that we can deliver that product quickly to serve
14 these customer investments that's coming and need
15 a quick turnaround time, both permits and in terms
16 of having access to the infrastructure to get the
17 gas.

18 So the flexibility that our utility companies
19 need to accomplish that requires that they have
20 sufficient capitol in reserve to be able to step
21 up to bat when, of course, six months a new
22 project arrives at the municipal city hall or the
23 county planning department and away you go.
24 That's extremely important to us here.

25 I do support the decoupling concepts here

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1 because any effort to remove the disincentive from
2 a company to encourage conservation of the very
3 product they sell to me sounds like a good idea.
4 Just plain good idea. Gas and power supply,
5 conservative efforts are kind of contrary to the
6 basic business principle which is to gain more
7 customers and provide more service and develop
8 more product and profit and then reinvest that
9 profit into your infrastructure and into your
10 company. So I have to say that from a business
11 point of view, gentlemen, I have to disagree with
12 Ms. Krebs.

13 I also notice from Ms. Krebs' testimony that
14 there's a discrepancy. And I got a little bit of
15 a report here about the rate increases by
16 category. And I see a large volume for firms
17 actually do go down 6.13 percent. And there are
18 some adjustment upwards for residential, which
19 will effect me personally. But I have to point
20 out to you that this very category is the very
21 category that we have targeted in our vision for
22 economic development efforts. In fact, it is
23 the kind of company which has already been here in
24 our community because it does create jobs, and it
25 does produce a few jobs in one stroke. And I

0092

1 think that it would be a wonderful incentive that
2 we could use in our economic development efforts
3 to make Yakima Valley even more competitive in our
4 state, even more competitive in terms of
5 attracting new investment here. And I think
6 that's something we need to keep in the forefront
7 of our thinking when we address a rate increase.
8 That's about all I have to say.

9 MR. WALLIS: Thank you. Were there
10 questions?

11 MR. KREBS: I have one.
12 Mr. Morrisette, thank you for your comments. I
13 just want to ask you one: You mention sufficient
14 capitol. You support Cascade's proposal for a
15 11.15 return on equity in this case, do you think
16 that's appropriate?

17 MR. MORRISETTE: Yes.

18 MS. KREBS: Thank you.

19 MR. WALLIS: Anything further? It
20 appears not. Thank you for appearing. You're
21 excused.

22 The last person that I have on the list that
23 I have is Katrine Smith. Would you step forward,
24 please.

25 MS. SMITH: Good evening.

0093

1 MR. WALLIS: Thank you. Would you state
2 your name and spell both your first -- well, spell
3 your first name.

4 MS. SMITH: My name is Katrine,
5 K-a-t-r-i-n-e.

6 MR. WALLIS: Thank you. Where do you
7 live?

8 MS. SMITH: In the Tri-Cities.

9 MR. WALLIS: Are you a Cascade customer?

10 MS. SMITH: I am.

11 MR. WALLIS: And are you testifying on
12 your own behalf tonight or as the representative
13 of a group or organization?

14 MS. SMITH: I'm testifying on behalf of
15 Special Olympics Washington.

16 MR. WALLIS: Please proceed.

17 MS. SMITH: Special Olympics Washington
18 is a statewide organization or, actually,
19 statewide, national and international company.
20 My role is to administrate all of Eastern
21 Washington. Special Olympics Washington is a
22 5013C nonprofit company serving currently over
23 8,000 athletes. And with a much larger base that
24 is eligible for our program here in Washington.
25 We serve our athletes at no fees to our athletes

0094

1 or their families. Most of our athletes work in
2 low income jobs or are unemployed due to
3 disabilities that make them harder to employ or
4 most are unemployable due to profound
5 disabilities. They live in and work well below
6 the poverty level, to say the least. They are
7 some of our truly most needy citizens within
8 communities throughout the state.

9 However, we're able to provide power programs
10 through individual and corporate donations, grants
11 and foundations. We receive no state or federal
12 funding.

13 Also, the way we provide our program is at a
14 grass roots level. By using volunteers to run and
15 organize our events and competitions as well as
16 seeking out in kind donations of items and
17 services so that we're able to lower the cost of
18 our program.

19 Cascade Natural Gas has been a longstanding
20 corporate and community partner of ours, making
21 this a possibility. They give both financially as
22 well as with employees working and volunteering at
23 our events.

24 I would agree with the comments from the
25 gentleman with the Yakima Chamber. The employees

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1 of Cascade Natural Gas live and work in the
2 communities throughout Eastern Washington and the
3 areas that they serve. And because of that they
4 are giving both as individuals and of their time
5 to organizations and charities that they have
6 placed value with. And we are honored to be one
7 of those charities.

8 Cascade Natural Gas is a benevolent and
9 philanthropic company that gives generously to our
10 organization and several communities, and we're
11 honored to be partners with them. It's also
12 important to note that as Cascade Natural Gas
13 donates to these companies and services in these
14 communities, that it's truly their way of giving
15 back to the community and making an impact on low
16 income participants in ways that a lot of people
17 just don't realize. There's so many charities and
18 athletes and people that are living at poverty
19 level that we see only sometimes you need to give
20 them food and housing and they do that also. But
21 they go even beyond that and make sure that they
22 have a livelihood and experience a life that's
23 rich and what we sometimes take for granted with
24 our ability to pay for those services and
25 recreation. Those services aren't provided any

0096

1 other way. But it is companies like Cascade
2 Natural Gas that allow us to continue doing so.
3 Thank you. And I hope that you'll look at them as
4 a whole corporate and community partner, not just
5 the rates and fees that they may charge.

6 MR. WALLIS: Thank you. Are there
7 questions? It appears that there are none.

8 The questions that I'm calling for are
9 questions from either from the lawyers or from the
10 commissioners right now. If you have a question
11 of Ms. Smith, please talk with her at the
12 conclusion of the session.

13 Now there are no other persons who signed up
14 to testify. If you are our mystery guest would
15 you sign in now, please. Otherwise, we are
16 approaching the conclusion of tonight's session.
17 Is there anyone who would like to testify who
18 has not so far? Let the record show that no one
19 is indicating affirmatively. We will close
20 tonight's hearing with that and we'll encourage
21 those of you who would like to add your comments
22 to send them to Ms. Krebs in care of the locations
23 that are specified on the sheet that she has
24 distributed. And again, thank you for coming this
25 evening. Thank you. Thank you for your

0097

1 participation. If you do have questions of the
2 commission staff, of public counsel or of the
3 company or their representatives, now's your
4 chance to do that. With that this hearing session
5 is concluded.

6 (WUTC HEARING CONCLUDED)

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C E R T I F I C A T E

As Court Reporter, I hereby certify that the foregoing transcript is true and accurate and contains all the facts, matters and proceedings of the hearing held on: August 29, 2006.

JORI MOORE, CCR, RPR
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