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1                   CHAIRMAN SIDRAN: Good evening. I chair the  
2 Washington Utilities and Transportation Commission and I  
3 welcome you to our public hearing on September 7, 2006 in  
4 Bellingham on Cascade Natural Gas's proposed general rate  
5 increase. Joining me at this hearing on my right is  
6 Commissioner Patrick Oshie, and on my left is one of our  
7 distinguished Administrative Law Judges Ann Rendahl. Our  
8 third commissioner, Phillip Jones, is unable to be here  
9 this evening as he is currently in Washington D.C. on  
10 commission business.

11                   I want to thank all of you for coming out  
12 tonight. This is our second public hearing on this rate  
13 case. We met approximately two weeks ago in Yakima. And  
14 this is part of the process that will continue with a  
15 formal hearing akin to a trial that will take place at the  
16 commission offices in Olympia several weeks from now.

17                   This is just one opportunity that the public  
18 has to comment with respect to this case. You'll hear  
19 more about that this evening. So if you know someone who  
20 was unable to attend tonight or if after this evening you  
21 have other comments that you wish to offer, there is still  
22 an opportunity to do so. You can submit further comments  
23 or other comments by providing those comments either  
24 through the commission's web site, which is WUTC.WA.GOV.  
25 And there will be information there that will link you to

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1 this case. And it will explain how to provide comments  
2 over the web or, of course, you can submit written  
3 comments by mail to the commission. All of these comments  
4 are helpful to us in considering cases that we are  
5 obligated to decide and we appreciate very much the fact  
6 that you've taken the time to come here this evening and  
7 share your comments you might wish to offer.

8           Judge Rendahl will be formally conducting this  
9 hearing and she will explain the process to you. And I  
10 will turn the hearing now over to Judge Rendahl.

11           JUDGE RENDAHL: Thank you, Chairman Sidran.  
12 Thanks again for being here tonight. The purpose of this  
13 hearing, as the chairman described, is to provide the  
14 commissioners with information they can use to make a  
15 decision about whether Cascade's request for a rate  
16 increase is fair, just, reasonable and sufficient. And as  
17 the chairman described, this is just one part of the  
18 formal process. We will have formal evidentiary hearings  
19 in October, where the parties present information that  
20 will again help the commissioners to make a decision.

21           The parties in this preceding are, of course,  
22 the company, Cascade Natural Gas Company. The commission  
23 staff, and they represent -- they are represented by the  
24 Attorney General's office and they present an opinion to  
25 the commission about the case. There is also the public

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1 counsel's office of the Attorney General's office. A  
2 separate section of the Attorney General's office  
3 represented by a separate Assistant Attorney General,  
4 representing the citizens. And then the Northwest  
5 Industrial Gas Users are an interested party in the case  
6 as well as the Northwest Energy Council, the Energy  
7 Project and Cost Management Services Incorporated.

8           After I briefly describe the case and the  
9 schedule, I'll ask the representatives for these parties  
10 to identify themselves to you if they are here, and give  
11 them an opportunity to make a brief statement if they  
12 wish. And then there will be time to take your comments.  
13 We will be taking your comments under oath. They will be  
14 transcribed, so we can read them later. As the chair  
15 described, you may also submit written comments, and we  
16 will take those written comments up until October 10. So  
17 you can send those to the Commission, and if you would see  
18 Pam Smith at the back she will describe how you can go  
19 about that process if you wish.

20           About the case, Cascade is requesting a rate  
21 increase of 4.47 percent or approximately \$11.7 million.  
22 And the issues in the case include the company's expenses  
23 and revenues, and whether the company is entitled to that  
24 increase in rates that they are requesting. The rate of  
25 return or the profit that the company should have an

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1 opportunity to earn. And how to establish rates for  
2 residential and commercial customers, as well as other  
3 classes of customers. And the company has also requested  
4 several mechanisms for recovering costs that they can go  
5 into more detail on if they wish.

6           The company filed its request with the  
7 Commission on February 14. And submitted written  
8 testimony supporting their request. Other parties have  
9 filed written testimony, and we're going to resume another  
10 round of written testimony next week. The Commission held  
11 public hearing in Yakima on August 29, and we'll have a  
12 formal hearing beginning October 9 in Olympia.

13           I'm going to ask counsel to make their formal  
14 appearance at this time. And I'm going to hand the mic  
15 first to Mr. Trautman of the Attorney General's office.

16           MR. TRAUTMAN: Thank you, Judge Rendahl. I am  
17 Greg Trautman, the Assistant Attorney General representing  
18 the commission staff on this docket. And with me tonight  
19 is Mike Parvinen, and he's a commission staff. He can  
20 answer any questions that you might have about the case at  
21 the conclusion of the hearing.

22           I would just briefly state our position is we,  
23 the staff, reviewed the company's filed case. As Judge  
24 Rendahl indicated, the company is seeking approximately  
25 \$11.7 million in a rate increase. And the staff, we are

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1 recommending that the company's net increase be  
2 approximately \$1.6 million, which would be approximately  
3 \$10 million less than what is requested by the company.

4           And if you have any additional questions, you  
5 can ask Mr. Parvinen at the conclusion of the hearing.

6           MS. KREBS: Chairman Sidran, Commissioner  
7 Oshie, Judge Rendahl, representative of staff, and  
8 company, I believe the union is here, thank you for  
9 coming. My name is Judy Krebs and I'm the Assistant  
10 Attorney General representing the public counsel section  
11 of the Attorney General's office.

12           We're tasked with the job of representing you,  
13 the public, residential and small business customers in  
14 cases such as these. I want to talk a little bit about  
15 the impact of this rate proposal on residential customers,  
16 in particular. A four percent figure is an overall  
17 figure. When you look at the figure for actual  
18 residential customers, you're talking about a 9.5 percent  
19 increase, or about \$9.64 a month.

20           In addition to this monthly increase, Cascade  
21 seeks to increase the basic monthly charge. That is the  
22 flat fee charge that you pay regardless of how much -- how  
23 much therms of gas you use. And they are seeking to  
24 increase from \$4 to as high as \$10 a month.

25           Cascade also seeks to increase numerous fees.

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1 And all this is outlined in the fact sheet we handed out.  
2 If you didn't get one, there is more on the back table or  
3 you can ask me for one afterwards. For instance, the  
4 current disconnect service fee for Cascade is \$8. It's  
5 proposing an increase to \$25. Reconnection now costs \$16.  
6 It's proposing to double that, to \$32. It also wants two  
7 new fees that don't currently exist. A \$32 account  
8 activation fee, which means that every time you move, and  
9 re-sign up for the service, you have to pay a \$32 fee. It  
10 also seeks a \$32 equipment service charge fee. So that  
11 when you call the company for equipment service, you have  
12 to pay that fee. All together, the company seeks \$1  
13 million a year in increased fees and charges.

14           The next thing I want to briefly talk about  
15 are the -- what we call the tracker mechanisms. You'll  
16 hear it referred to in different ways. One of them is a  
17 de-coupling mechanism. The other is an infrastructure  
18 tracker mechanism. Essentially what these do is they  
19 allow the company to recover costs for very specific  
20 things without having all of their costs and expenses on  
21 the table. This is particularly problematic, because it's  
22 done without a rate case. So that there is a, for  
23 instance, when you have a rate case such as this, the  
24 company comes in, and everything is on the table. All of  
25 its costs and all of its revenues. And if the costs don't

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1 match up with the revenues, and the costs are higher than  
2 the revenues, then the company is entitled to a rate  
3 increase. That's a simplistic view, but that's in a  
4 nutshell what it is.

5           This would allow somebody to get regular rate  
6 increases without everything on the table. You'll hear  
7 the company argue that in particular de-coupling is about  
8 conservation. And the reality is, it will recover money  
9 that is due to increases in prices in which people use  
10 less gas. So if people use less gas, the price of gas  
11 goes up, they get to recover more money because of that.  
12 If people use less gas, they get more money because of  
13 that. So the public counsel is opposing those trackers.

14           Lastly, I'll mention that the company is  
15 proposing what is an unprecedented shift from residential  
16 -- industrial customers to residential customers.  
17 Industrial customers would actually see a substantial  
18 decline and residential customers would see a substantial  
19 increase. We think that is unwarranted, unprecedented and  
20 actually extremely an enormous departure from historic  
21 Commission practice.

22           Lastly, I want to say that we are supporting,  
23 though we have not put testimony in, we are supporting  
24 staff's proposal to reduce the company's revenue as  
25 mentioned by Mr. Trautman. And also its recommendation



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1 concerning the company's authorized rate return, capital  
2 structure, and return of equity.

3           Just to point out that on the fact sheet that  
4 we give you, there are numerous ways for you to comment,  
5 for other people that you know to comment. If you did not  
6 sign up today to speak, I urge you to. If you don't feel  
7 comfortable speaking, that's fine, send a letter or  
8 e-mail, or use the comment form on the UTC web site. It's  
9 important that people participate. Anything you put in  
10 will become part of the record in this case. There is an  
11 exhibit, it's the public comment exhibit, and very often  
12 it will make it into -- somebody's comments will make it  
13 into the actual briefing of the case. So it's very  
14 important that folks participate. And I urge you if you  
15 haven't signed up today, please do so. Thank you.

16           MR. VAN NOSTRAND: Thank you. On behalf of  
17 Cascade Natural Gas corporation, I'm James Van Nostrand.  
18 And I'm pleased to introduce tonight president and CEO of  
19 Cascade, David Stevens, and the senior vice president of  
20 Cascade Natural Gas, Jon Stoltz.

21           I think Judge Rendahl has described some of  
22 the -- outlined the company's case. I would like to take  
23 the opportunity, we have a hearing in Olympia in a couple  
24 of weeks where we're going to spend a lot of time in the  
25 hearing room together. We'll have a thorough discussion

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1 of all of the things that Mrs. Krebs talks about tonight.  
2 And I appreciate, the company appreciates the folks coming  
3 out to the public hearing tonight.

4 I just want to talk about a couple of the  
5 remarks. This is the first general rate case Cascade has  
6 asked for in Washington in over ten years. Cascade has  
7 the benefit of serving some very fast-growing areas of  
8 Washington. Bellingham happens to be one of them, because  
9 Bellingham is a great place to live. And people are  
10 discovering that. There are costs associated with serving  
11 this new growth, which requires Cascade to come in and  
12 seek rate relief.

13 And one of the mechanisms that Ms. Krebs  
14 referred to is one of the infrastructure cost mechanisms  
15 which is designed to help Cascade recover some of the  
16 costs of serving new growth in a manner that doesn't  
17 require them to come in for general rate relief.

18 We have Jon Stoltz and Christine in the room  
19 tonight. That's two thirds of the Cascade regulatory  
20 team. This company is very lenient, they like to stay out  
21 of rate cases. And our hope was with the infrastructure  
22 recovery mechanism, by being able to recover good costs  
23 such as replacing, reinforcing and putting new pipe in the  
24 ground. Those are the kinds of costs that they should be  
25 able to recover on a streamlined basis and try to keep the

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1 company from having to come in for general rate increases.

2           The other mechanism which Ms. Krebs referred  
3 too as the de-coupling. There is a conservation element  
4 of it. When you design ways, the gas company has to  
5 recover some of those fixed costs with the amount of gas  
6 that customer uses. And if utilities are expected to  
7 encourage customers to conserve, utilities are basically  
8 cutting their own throats. They are acting against their  
9 economic self interest, because every therm of gas you  
10 don't use is a portion of a fixed cost they don't recover.

11           So members of utilities around the United  
12 States have implemented these mechanisms called  
13 de-coupling, which removes that and makes the utility  
14 where they can go out and encourage conservation, knowing  
15 if the customers actually reduce their use of gas, that  
16 they will still earn the margin that they are entitled to  
17 earn. They are not acting against their self interest by  
18 encouraging conservation.

19           And I would like to discuss briefly  
20 miscellaneous charges. That is sort of -- it's an element  
21 of rate making is sort of cost causers bear the cost. If  
22 you have customers who disconnect and reconnect, or late  
23 payment charges. The vast majority of Cascade customers  
24 pay their bills on time, and they don't abuse the system  
25 by asking a lot of services of the company. So the

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1 question is, do you want the general body of rate payers  
2 to bare the cost for a few bad customers who are over  
3 using the company services, or should you try to shift  
4 some of those costs on to the customers who are causing  
5 them.

6           So yes, the company is trying to raise some of  
7 those miscellaneous charges. I think they looked at some  
8 of the utilities in the state and region and tried to put  
9 them more in line. There is a debate about whether or not  
10 the company has done that. The point would be to the  
11 extent the company recovers those costs through specific  
12 charges, they don't recover them through their general  
13 rates. It comes from one place or the other. By trying  
14 to raise the miscellaneous and reducing level of revenue  
15 recovered from everyone else, that's a fairer way of  
16 charging for service. It's controversial. I think Ms.  
17 Krebs would say we need to be more mindful of the impact  
18 on all of the customers, but at the same time, we would  
19 like to have a consideration of sending the economic  
20 signal so those customers who imposed these costs actually  
21 bare some of the consequences. Other than that, I think  
22 I'll pass it on. Thank you very much.

23           JUDGE RENDAHL: If you want to leave the mic  
24 there. Is there any other representative of another party  
25 in the case here who wishes to make a brief statement?

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1 And if you can use that mic, it's probably the best.

2 Introduce yourself and who you represent.

3 MR. EBERT: I'm Chuck Ebert, and I'm the  
4 director of the Energy Project. And we are one of the  
5 interveners in the case. I wasn't planning on being here  
6 tonight representing the Energy Project, but I live in  
7 Bellingham, so I'm here because I'm an interested Cascade  
8 customer. With the lead-in by the other three parties, I  
9 thought perhaps it would be a good thing to do.

10 We are involved in this case primarily because  
11 we're concerned about the low income citizens that are  
12 Cascade customers. And the rate increases that have  
13 occurred, whether due to the cost of gas, or due to other  
14 reasons in the last ten years are substantial. In the  
15 last five years alone, Cascade's rates have gone up 80  
16 percent and that's a big ding in the pocket book.

17 As Ms. Krebs outlined for you, the cost of the  
18 increased rates and increasing the basic charge alone  
19 would be almost \$200 a year more for a household. If you  
20 add on to that some of the other charges that might hit a  
21 low income household, like an initiation or account  
22 activation fee of \$32, you're now putting up a barrier to  
23 getting service for the first time that is a substantial  
24 barrier. And that's a real concern for us. Because  
25 having heat, and being able to cook dinner are things that

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1 we think people should have.

2 Jamie mentioned that Cascade hasn't been in  
3 for ten years. Cascade hasn't been in for ten years  
4 because they chose not to be in for ten years, because  
5 obviously things were going pretty well for them. Because  
6 if they weren't making money, they would be in.

7 And so there are concerns with the tracker  
8 mechanism. As far as I'm concerned, it's just a signal  
9 they need to come in more frequently so they could get  
10 those things taken care of, rather than have an automatic  
11 mechanism. And I'll leave it at that. We have concerns  
12 about the miscellaneous charges. And thanks very much. I  
13 really appreciate you folks coming out.

14 JUDGE RENDAHL: Thank you, Mr. Ebert. And I  
15 thank all of you for bearing with us through those  
16 introductory remarks. There is someone else. Please come  
17 in to the podium. Identify yourself and who you  
18 represent.

19 MR. DIEZ: Vincent Diez. Can you hear me  
20 without the mic? I'm generally fairly loud. Vincent  
21 Diez. I represent the local 121C of the International  
22 Chemical Workers Council, who are employees of Cascade  
23 Natural Gas.

24 I'm here to speak in opposition to the  
25 company's rate case, on behalf of the employees of

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1 Cascade, members of our local. The company has been  
2 engaged in the last year with some extreme concessionary  
3 bargaining with the members of our local for the first  
4 time in probably since 1963.

5           The concessions received by the company in the  
6 area of medical alone could amount to as much as \$800,000  
7 over the life of the agreement. The company also demanded  
8 concessions in the area, and received them, of the  
9 employees defined benefit pension plan, which will no  
10 longer be offered to new employees as of January 1, 2007.

11           The union cannot begin to calculate the amount  
12 of savings the company will enjoy by that concession  
13 alone. The company has touted itself as a summer service  
14 oriented facility. Customer service has suffered through  
15 the reduction of work force, primarily in the customers  
16 service representative area, which has a call center right  
17 here in Bellingham, Washington. We are currently engaged  
18 in contract negotiations with those customer service  
19 representatives, and Cascade Natural Gas. These contract  
20 negotiations have been extremely contentious, and not very  
21 fruitful.

22           It is our opinion the company has no desire to  
23 reach a contract with their employees who are customer  
24 service representatives. All of these things the company  
25 has enjoyed in concessions, while paying select few of

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1 their upper-level executives some of the highest or most  
2 comfortable executive employment packages that I know in  
3 the area.

4 We respectfully request that the Commission  
5 side with the public counsel, and the Utilities Commission  
6 recommendation. Thank you very much.

7 JUDGE RENDAHL: Thank you. I'll clarify, I  
8 think that was the Commission staff recommendation. They  
9 appear before the commissioners to assist the Commission  
10 in making its decision, thank you very much. And again,  
11 if there is no other representative of a party -- Mr.  
12 Ebert.

13 MR. EBERT: May I amend my comments?

14 JUDGE RENDAHL: Can we hear from the other  
15 members of the public?

16 MR. EBERT: Fine.

17 JUDGE RENDAHL: Now it's time to hear from all  
18 of you. And I just have a few tips. If you haven't done  
19 any public speaking before, it's helpful for speakers to  
20 limit their comments to about three minutes. And those of  
21 you who have spoken in public know you can actually get  
22 quite a lot across in about three minutes. It's not  
23 necessary for you to repeat what another speaker has said.  
24 If somebody has said something you agree with, and you  
25 have nothing else to add, simply say I agree with what



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1 so-and-so has said. Come up and identify yourself, and  
2 we'll take you down as a witness. But just don't repeat  
3 what they have had to say. If you have any written  
4 materials this evening, if you can provide them to Ms.  
5 Krebs, she will compile them along with other written  
6 comments submitted to the Commission. And then we will  
7 introduce them as an exhibit in the case at the very end,  
8 along with any other written comments that come into the  
9 Commission. So before we start, I'll ask any of those of  
10 you who are planning to speak tonight if you could you  
11 stand up and I am going to swear you in under oath. So if  
12 you would please stand up if you can.

13 We're going to take the first witness. And  
14 what I would like to do is have you come to the podium,  
15 and state your name, and spell your last name so the court  
16 reporter can take it down. Identify where you live, and  
17 whether you're a customer and then go ahead and make your  
18 statement.

19 So the first person who indicated they wish to  
20 speak tonight is Glen Robertson. Mr. Robertson.

21 MR. ROBERTSON: My name is Glen Robertson, R O  
22 B E R T S O N. I live in Anacortes, Washington. And what  
23 other information?

24 JUDGE RENDAHL: If you're a Cascade customer.

25 MR. ROBERTSON: I am a Cascade customer and

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1 have been for approximately 20 years.

2 JUDGE RENDAHL: Are you affiliated with any  
3 organization or group?

4 MR. ROBERTSON: No, I'm speaking as a private  
5 individual.

6 JUDGE RENDAHL: Go ahead.

7 MR. ROBERTSON: Okay. I have two comments.  
8 First, the rate increase requested by Cascade Natural Gas  
9 is probably necessary. I don't take issue with that. My  
10 issue is with the structure of the increase. Once again,  
11 the bulk of the increase returned to Cascade will come  
12 from those who use the least of its product, and do the  
13 most to conserve energy, the residential customer. At  
14 every level, even in summer, the residential rate payer  
15 will find the bill higher. In winter, when gas serves a  
16 real need, the cost is projected to be almost ten percent.  
17 The irony in the increase is that the commercial  
18 customer's highest increase is only slightly more than  
19 four percent, and that increase will be passed along to  
20 their customers. And those customers may very well be the  
21 same people who were shouldering the almost ten percent  
22 increase in their own rights. And they can't pass a  
23 single cent along to any of the people that they know.  
24 Reducing the commercial customer's cost does  
25 not mean it's going to be passed on to their customer.

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1 Normally it doesn't. Increases are, reductions are not.  
2 They get lost in the fiscal accounting of the company. A  
3 real service the Commission could provide the people of  
4 Washington, whom they serve, would be to have the  
5 residential rates remain the same or lower, while the  
6 business community, who will just pass the increase along  
7 to their customers, pay an increase.

8           An interesting rate reduction in the Cascade  
9 summary table they sent to me concerned noncourse system  
10 transportation, which the rates were going to be reduced  
11 by about 50 percent. I wondered if that meant if I  
12 converted my car to natural gas, my cost of driving would  
13 be about 50 percent less.

14           My second item does not directly apply to the  
15 rate case. But it does apply to the cost to the customer.  
16 Ever since I've been a customer, and that's almost 20  
17 years, I noticed anomaly in any billing. Each billing  
18 cycle, a portion devoted to the state utility tax is  
19 slightly higher than the quoted rate which is currently  
20 3.852 percent. When I questioned Cascade with this  
21 several years ago I was told that was because they  
22 calculate the state tax on the total bill and not on the  
23 cost of the gas used. The translation of that is each  
24 month I pay a tax on the Anacortes city utility tax. In  
25 the last ten years alone, the excess tax has varied from

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1 \$.63 in 1997 and 1998 to \$4.35 in 2004. It's long since  
2 time to put a stop to taxing taxes.

3 Thank you for the opportunity to offer the  
4 comments.

5 JUDGE RENDAHL: Thank you, Mr. Robertson. Are  
6 there any questions for Mr. Robertson? Thank you very  
7 much.

8 The next speaker is Tom Goetzel. Please let  
9 me know if I mispronounced your name.

10 MR. GOETZEL: You have not. My name is Tom  
11 Goetzel, G O E T Z E L, and I thank you for the  
12 opportunity to speak here. I have several observations I  
13 would like to share. These proceedings are extremely  
14 complex, and very difficult for nonexperts to follow. So  
15 my observations are necessarily general.

16 First of all, I want to sign on to what Mr.  
17 Robertson said. I find the structure of any proposed  
18 increases to be insulting. I don't know why there should  
19 be any decrease. If Cascade Natural Gas is so hard up for  
20 funds, why are they reduced rates for commercial  
21 customers.

22 More generally, I would like to speak to the  
23 process where as a general proposition, utility companies  
24 take their costs and are allowed to pass them through.  
25 Utilities commissions routinely approve that and rate

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1 payers pay it. What happens is there is disincentive on  
2 the part of the utility companies to question their  
3 suppliers.

4 I've been a rate payer of Cascade now for  
5 about seven years. Before that, I was a customer of  
6 Pacific Gas and Electric which blithely passed on  
7 extraordinary costs to the customers even as Enron was  
8 stealing money right and left. I don't know who the  
9 suppliers are now. But there is a simmering anger all  
10 over. Because PG needed not pay attention, we individual  
11 customers had no opportunity to check what Enron was  
12 doing. Pacific Gas and Electric should have been doing  
13 that. Instead of doing that, their executives were,  
14 excuse me, investing in Enron as individuals.

15 So that is something that I think should be  
16 looked at, is some way to structure the rates, so that the  
17 utility companies in the state of Washington have an  
18 incentive to make sure their suppliers, their sources of  
19 energy they are bringing to the retail customers are  
20 providing honest value.

21 The spokesperson for Cascade also referred to  
22 the fact that it's understood that the rates have to go up  
23 because this has been such a fast growing area. Well, it  
24 suggests to me the approach is wrong. If the increase in  
25 costs to Cascade Natural Gas is due to the growth, that

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1 cost should be assessed to the developers, and to the  
2 people who are buying the new homes. The hook-up fees  
3 need to be high enough to cover all of the infrastructure  
4 costs they impose. Those of us who are already here  
5 should not have to pay those costs spread out amongst us  
6 so the developers are subsidized. That is simply wrong.

7           Insofar as all of these costs -- the fourth  
8 point and last point I want to make, the costs that are  
9 passed on to low income people, the threat of losing  
10 service is just extraordinarily scary for low income  
11 people. Many of these people are faced with should we  
12 keep the house warm, can I afford my prescription drugs,  
13 can I pay the rent so I'm not evicted, can I buy food.  
14 And I want to remind the commissioners, every one here  
15 will recall it was last week six little children died in a  
16 fire in Chicago. The fire was started by a candle. It  
17 was burning because they had not had electric service for  
18 some months. This should not be happening in my United  
19 States of America, the richest country on the planet, and  
20 it's a shame. Thank you very much.

21           JUDGE RENDAHL: Thank you. Are there any  
22 questions for Mr. Goetzel? Thank you. The next person  
23 who has indicated they wish to speak is Richard Bowyer.  
24 Please come up.

25           MR. BOWYER: I'll try this without the mic,

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1 and if it's a problem, please say so. My name is Richard  
2 Bowyer, B O W Y E R, and I live in Mount Vernon. And I am  
3 a customer of Cascade Gas, unfortunately. I'm tempted to  
4 say that these rate increases -- my response to these rate  
5 increases should be not just no, but hell no, but I  
6 wouldn't say this in a public meeting. I think the people  
7 responsible for these proposed rate increases, and you  
8 know who you are, ought to be ashamed of these. These are  
9 unconscionable. I don't see any benefit coming to me as a  
10 customer from these rate increases. And when you start  
11 charging more and more money just to have the gas  
12 available, your job is to sell the gas, not to make as  
13 much money as you want. Were it in my power, all natural  
14 gas, all resources in the United States would be  
15 nationalized, and the people who deliver it to us as  
16 customers would be given a reasonable amount of money to  
17 transmit it to us. And the other prices would be set.

18 I don't understand, and cannot see any  
19 rationale to doubling and tripling some of these prices  
20 that are proposed. And you want to be leaders of the pack  
21 on the amount of money that is given to the company for  
22 these various services. And as one gentlemen in front of  
23 me said, if we are a growing area, let those that are  
24 getting the new service pay for it. Those that have  
25 established service and paid these bills for a long time,

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1 there is no reason to ding them for it.

2           Likewise, if you're going to lower rates for  
3 businesses, and raise them for individuals, that does not  
4 work either. Businesses can write those things off as a  
5 business expense. Residential users cannot. And  
6 therefore, it should be the other way around. If you feel  
7 that you have to raise those rates, let the people who  
8 write those expenses off do it and not the people who are  
9 needing those on a daily basis just to keep warm or to  
10 take care of their daily needs.

11           I would urge the commission or counsel to  
12 reject these rates wholesale, not just give them a piece  
13 of it. Cascade Gas would not stay in business if it was  
14 not making money. So I'm assuming that they are already  
15 making a reasonable return on this. And these are  
16 unreasonable rate increase requests, and should be denied.  
17 Thank you.

18           JUDGE RENDAHL: Thank you very much. Are  
19 there any questions? Is Debbie Payton here?

20           MS. PAYTON: Hello, my name is Debbie Payton,  
21 I live in Bellingham, Washington. I am a Cascade Natural  
22 Gas customer, but I'm here today to represent the  
23 Opportunity Council. Opportunity Council is community  
24 action, and we serve Cascade Natural Gas customers in  
25 Whatcom and Island Counties.



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1           Any time there is proposed rate increase, that  
2 raises a flag for us, because we represent low income  
3 people. And we know it will be especially a burden on low  
4 income people.

5           I would like to thank the company for the  
6 proposed \$800,000 energy assistance program. That is very  
7 exciting and we've been looking forward to something like  
8 that for a long time. We experience extremely high  
9 demands, especially over the past few years for energy  
10 assistance. I know the staff of Cascade Gas know that,  
11 also.

12           We have been fortunate the past couple of  
13 years to have additional funds at the federal level and  
14 this season at the state level, which is a huge help. But  
15 looking ahead, we don't -- that funding won't be there  
16 possibly again. So we don't know what we would do. We  
17 were able to serve approximately 200 additional households  
18 with those funds and we don't want to go back to turning  
19 away those numbers of people.

20           Most large private utilities in the state have  
21 energy assistance programs and most of the community  
22 action agencies administer those programs. We deliver the  
23 Puget Sound Energy Assistance program. So we have trained  
24 staff and we have systems in place, so we are available to  
25 the company throughout this process for any input on

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1 design they want to talk to us about.

2                   Lastly, I would like to say when customers  
3 come through energy assistance programs, I would just like  
4 to note there is a large education component to our  
5 programs around energy and conservation education, and  
6 also about paying your bills. We talk to people about the  
7 importance of paying your bills and communicating with the  
8 utility, and making payment arrangement that make sense.  
9 And helping people do that. And contacting us and the  
10 utilities even before they are in a dire disconnect mode.  
11 So thank you.

12                   JUDGE RENDAHL: Thank you. Are there any  
13 questions for Ms. Payton?

14                   MS. KREBS: I have one. Can you address --  
15 Cascade has a condition that is \$800,000 for low income  
16 assistance on a waiver of the prior obligation rule. Can  
17 you address that question?

18                   MS. PAYTON: My latest understanding is that  
19 that has been dropped from the proposal of the energy  
20 assistance program. But I could be wrong about that. But  
21 no, I would not like to see that attached to this program.  
22 We don't encourage people, and the company energy  
23 assistance, there isn't any proof that I'm aware of that  
24 anybody is abusing it. My latest understanding is that  
25 won't be attached to the energy systems program.

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1                   JUDGE RENDAHL: Thank you. The waiver of the  
2 prior obligation rule is a rule on the Commission's books.  
3 And it has to do if a customer has a prior obligation to  
4 the company bills that they are in debt, in certain  
5 circumstances for signing back up again with the company.  
6 It's an issue in the case. If you're interested in what  
7 that issue is, you can talk to the company representative,  
8 Mr. Stoltz and Mr. Parvinen if you're interested after the  
9 meeting in finding out more about that detail of the case.

10                   The next person who indicated they wish to  
11 speak is Mr. John Davies.

12                   MR. DAVIES: Good evening, and thank you. My  
13 name is John Davies. I live here in Bellingham. I'm a  
14 Cascade customer. And I'm also the program manager for  
15 the weatherization and home repair program at the  
16 Opportunity Council here in town. We serve Whatcom,  
17 Island and San Juan Counties. And we deliver the energy  
18 efficiency program.

19                   And I just have a couple of comments. Like  
20 Debbie said, the Opportunity Council represents low income  
21 families in the area. And whenever we see any type of  
22 increase in costs to these families, it shows up at our  
23 offices. People -- we have lines at our doors, we have  
24 calls, and the phone ringing off the hook that they have  
25 disconnect notices and things like that.

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1                   So I do want to comment. Or I want to make a  
2 couple of comments about both energy efficiency, and rate  
3 increases. First, all my life I've supported energy  
4 efficiency as really the right thing for individuals,  
5 companies, and politicians to support. As Americans, I  
6 think it's -- with all that has been going on in the  
7 world, I think it's incumbent upon us to think about  
8 energy conservation. And what we as citizens and  
9 corporations can do to increase the energy efficiency in  
10 our houses. We have a program in place that historically  
11 can get into existing homes, and reduce energy use for  
12 heating costs 20 to 30 percent. That's significant,  
13 especially if it's over a large number of houses. So as  
14 we go, the commissioners go forward, I hope you keep  
15 energy conservation in mind.

16                   Secondly, I wanted to acknowledge and thank  
17 Cascade. They recently initiated an energy efficiency  
18 program for low income households that we are  
19 participating in. They are paying 50 percent of the  
20 installed cost for energy conservation measures. Of  
21 course, we would like to see them pay 100 percent of the  
22 install costs, because that would allow us to serve more  
23 families. And they also have a limit of \$1,000. It costs  
24 about \$6,000 to properly insulate a home, take care of the  
25 ventilation, the mechanical system tune-ups and the duct

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1 sealing and things we do.

2 So we applaud the program. We would like to  
3 see it patterned more after the Puget Sound Energy  
4 program, just because running two different programs is  
5 logistically difficult for us. But like I say, I have to  
6 tip my hat to Cascade for coming up with the program.

7 And I just have one more thing that I wanted  
8 to say, and I guess that is that I came here, moved to  
9 Bellingham in '97. And I was looking at my bill this  
10 morning, and the service charge was \$3 per month, and the  
11 price of gas, a therm of gas was \$.53 a therm. And I  
12 pulled out my September bill, and the service charge had  
13 only gone up \$1. It's \$4 today, which I think is  
14 admirable. However, there is now a delivery charge that  
15 is \$.22 cents per therm and a cost of gas which is \$.98  
16 per therm. So we went from \$.53 a therm to \$1.20 here in  
17 2006. And how I started was increases are tough on the  
18 people we represent. Thank you. That's all I have.

19 JUDGE RENDAHL: Thank you very much, Mr.  
20 Davies. Do the commissioners have any questions? The  
21 next person who wishes to speak is Karen Whitling.

22 MS. WHITLING: Thank you for giving me this  
23 opportunity. My name is Carol Whitling, W H I T L I N G.  
24 I live here in Bellingham and I'm a Cascade customer. I  
25 would like to say that I moved to Bellingham a year ago,

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1 and as a retiree on a fixed income. And I spent my first  
2 year here discovering that the place I rented wasn't  
3 insulated. And that is my problem with my landlord, but I  
4 did spend a lot of time at the library, because I wanted  
5 to conserve on using the heat. And I was concerned about  
6 how much it would cost, since the rate had gone up 25, I  
7 think 25 percent last year.

8           And I just wanted to say I was totally  
9 flabbergasted when it talked about there being an  
10 impingement on people who are trying to conserve. It just  
11 didn't make any sense to me that as a customer, I would be  
12 getting charged a higher rate for being careful about my  
13 use on the natural gas in the place that I live in. And  
14 that industrial or commercial people would be getting a  
15 break. I'm not very good at economics, but it just didn't  
16 make sense to me that here I tried to turn off lights for  
17 the electrical company, and try not to turn the gas on too  
18 long. And I just don't understand why I should be  
19 penalized for conserving or trying to conserve on the use.

20           And for some of us, the rates of rental go up,  
21 you have to move sometimes if you're on a fixed income.  
22 So if I get hit with a reconnect rate, that would be very  
23 hard on a person of a fixed income. And I represent the  
24 people that are just a notch above those who are eligible  
25 for the programs for assistance. So what is going to

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1 happen to me is I'll probably end up in the poverty area  
2 at some point because of all of the rising costs.

3 I just wanted to speak from my heart. And  
4 the other question I had was are you looking at what the  
5 profits are of this company at Cascade. Because the  
6 quarterly profits for Enron shocked me this past quarter.  
7 I mean -- so I don't know what the company's profits look  
8 like, how they justify increases. And how much is  
9 allowable or reasonable for a company to make in profits.  
10 Those parts I don't understand. Thank you.

11 JUDGE RENDAHL: Thank you very much. We do  
12 look at how much the company is earning for its regulated  
13 activities. And if you have more questions, you can talk  
14 to Ms. Smith of the consumer section or the company staff  
15 or other representatives in the room to know exactly how  
16 the process works.

17 Next person who wishes to speak is Bill  
18 Sargent. Please come up to the podium.

19 MR. SARGENT: Thank you for this opportunity  
20 to speak. Can you hear me? My name is Bill Sargent, S A  
21 R G E N T, and I have a glass blowing studio in downtown  
22 Bellingham. I've been a Cascade customers for 17 years.  
23 And it's become more and more painful to pay the gas bill.  
24 So I was looking -- I'm looking at a decade. In '96 a  
25 therm was \$.56 and 2006 it's \$1.20. I sell a product, and

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1 I haven't been able to sell my product for three or four  
2 times what I was getting in 1996. So it's a problem. So  
3 I guess this increase was the straw. That's why I had to  
4 come out and voice my opinion about it. I don't think a  
5 rate increase is appropriate. And I want to clarify some  
6 nomenclature here. Commercial customers and industrial  
7 customers are a lot different. A commercial customer pays  
8 a rate at 450 therms, and industrial customer pay a rate  
9 at 3,500 therms. And they get quite a decrease in their  
10 price. So an industrial customer would be GP, Cold  
11 Storage. I am a commercial customer, and I pay pretty  
12 much the same as you. Thank you.

13 JUDGE RENDAHL: Thank you. Are there any  
14 questions for Mr. Sargent? The next person who signed up  
15 to speak is Ronald Nicholes. Mr. Nicholes.

16 MR. NICHOLLES: I am going to read a letter  
17 that I sent to the Commission. But there was a couple of  
18 points I'll mention after that. In regards to proposed  
19 increase in monthly base rate from Cascade Natural Gas  
20 corporation, from \$4 to \$10 per month, for six months of  
21 the year, October through March, it's hard for me and my  
22 wife, us, to seek the justification. We realize that  
23 inflation is a reality, and energy costs are going up.  
24 But this huge increase percentage-wise in the base rate,  
25 this increase will come in the winter heating season when



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1 increases in the cost of gas itself are higher, much  
2 greater than they were in the past. We fail to see how  
3 charging more per month at that time of year is fair to  
4 customers who are dealing with a large increase in the gas  
5 price itself. If the base charge must be increased, it  
6 should be distributed, equally distributed throughout the  
7 year. We would much rather see an increase in the form of  
8 an increase to the delivery charge, which is on our bill.  
9 This would add to the cost of the gas use, leaving the  
10 customer the possibility of improvements in efficiency,  
11 encouraging conservation of this resource in the future.  
12 We hope that this approach can be taken. An increase in  
13 the cost of the delivery of natural gas we believe should  
14 be reflected in an increase in the delivery charge, as  
15 seen on the bill as a per therm formula. It should not be  
16 a cost increase for simply being a customer based service  
17 charge.

18 Most of the other points I have have been  
19 covered by other people, and in probably a better way. So  
20 I'm open for questions.

21 JUDGE RENDAHL: Are there any questions?

22 Thank you. If you could provide a copy of that letter or  
23 the letter to Ms. Krebs at the end of the hearing, that  
24 would be useful.

25 Are there any other individuals who wish to

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1 speak? Jerry Davis?

2 MR. DAVIS: My name is Jerry Davis, D A V I S.  
3 I've been around here all of my life. Born in 1939.  
4 Family is in the history books here. My grandmother was  
5 an Indian from Orcas Island. So I guess we've been here  
6 for a long time.

7 I've been paying natural gas or Cascade Gas  
8 bills for 35, 40 years. And since 1992, I have been  
9 tracking every bill that I've been getting. And, well,  
10 let me retract. I used to work for the oil companies.  
11 And I worked -- I built the refineries around here. I've  
12 worked in every one of these refineries. As insulator,  
13 laborer. I put in 72 miles of pipeline for Cascade one  
14 year. I hauled tanker fuel in and out. You name it. So  
15 I've worked as a mechanic in the refineries, and it's all  
16 the same to the oil companies or gas companies, are pretty  
17 much the same. It runs on the same stuff. And refineries  
18 -- there is the rate increases have started with the oil  
19 companies, and has just gotten out of hand. EXXON is  
20 making billions and billions of dollars in excess profit.  
21 And now everyone wants to jump on the band wagon,  
22 including Cascade.

23 In December of 1992, we were paying,  
24 residential, \$.44645 per therm for gas. Today, I'm paying  
25 \$1.20718. December of 1997, we paid \$1.139 for a gallon

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1 of gasoline, and today it's \$2.89, an increase of about  
2 253 percent. During the same period, gas went up 225  
3 percent from Cascade. A minimum wage in 1997 was \$5.15 an  
4 hour. Today it's \$7.63 an hour, and increase of 32.50  
5 percent. So that sure doesn't add up. Something is wrong  
6 there. Looks like gross profit to me.

7           Prior to September of 1996, there was no  
8 service charge on gas. And then they put a \$4 service  
9 charge and we're paying that today. Now they want to go  
10 to \$10, a 250 percent jump in that. And there is no  
11 shortage of natural gas. The gas comes out of Canada,  
12 piped down here. I put the pipelines in. And there is no  
13 shortage of -- what really bothers me is all of these oil  
14 rigs and all of these refineries, you look out and you see  
15 these burners going. They are burning the natural gas  
16 off. It's the biggest contributor of global warming in  
17 the world. And they blame it on the people like you and  
18 me driving cars. They are burning off tons and tons of  
19 natural gas in the atmosphere, and then digging it out of  
20 the ground and charging us more. And they want to keep  
21 charging us more. And if they start charging us more --I  
22 burn wood to try to keep my heat bill down. The price of  
23 a cord of wood is going to go up. And everything else is  
24 going up. And it's an unending spiral upwards. And it  
25 comes out of the little guy. And we all disappear.

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1                   That's basically all I have to say.  If there  
2 is any questions, I'll answer them.  But I think I can go  
3 back to 1992 right here, my records on every gas bill I  
4 paid.

5                   JUDGE RENDAHL:  Thank you.  Are there any  
6 questions?  Thank you very much.  Thank you, Mr. Davis.

7                   Is there anyone else who wishes to speak?  If  
8 you signed up?  There is no one else who indicated that  
9 they wish to comment.  Anybody else now who wishes to make  
10 a comment?  At this point, this is the -- Mr. Ebert, I  
11 asked you to wait, so now it's your turn.

12                   MR. EBERT:  Thank you for allowing me to  
13 return.  As much as I do this, I still get nervous and I  
14 forget things.  So it still happens.  What I wanted to say  
15 is I was quick to point out a lot of things that Cascade  
16 is doing wrong, but I want to underscore the two things  
17 that John Davies mentioned.  Cascade, when they filed this  
18 rate case, they also filed a proposal for an \$800,000 low  
19 income assistance program.  And we think that's important  
20 and good that they are doing that.  And I want to give  
21 them credit.

22                   And the other thing is they did start a low  
23 income efficiency program last fall.  And we're trying to  
24 work with them on that.  And they should get credit for  
25 that.  They joined in the ranks of other utilities in the

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1 state that are doing that. And it's important to  
2 encourage them to keep doing that. And it's important to  
3 have them file the details of those programs so that the  
4 Commission can accept them. Thank you.

5 CHAIRMAN SIDRAN: Well, thank you all again  
6 for coming this evening. The process as I think we  
7 previously described it is all of the comment the public  
8 made, whether it was in Yakima or Bellingham or comments  
9 that are submitted to us otherwise, which you and others  
10 are welcome to do until I believe October 10, all become  
11 part of the record that the commissioners use in assessing  
12 the evidence. As I said, in October we'll have a hearing  
13 where all of the parties that you heard from this evening,  
14 as well as some that you did not hear from, will present  
15 all of the various arguments, and some of the comments  
16 that were made here tonight. And they will vigorously, I  
17 think, pursue their perspectives. And from their  
18 representations, from the comments of the public provided  
19 to the commission, we'll then do our best to make a  
20 decision, which I will expect will probably come out  
21 sometime towards the end of the year, perhaps early in the  
22 new year. Thank you. And any closing comments?

23 JUDGE RENDAHL: No.

24 CHAIRMAN SIDRAN: We're adjourned. Thank you  
25 for coming.

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(Hearing concluded at 7:35 p.m.)

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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: September 7, 2006.

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JEANETTER VAN LEEUWEN

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