

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
2 COMMISSION

3	WASHINGTON UTILITIES AND	)	
	TRANSPORTATION COMMISSION,	)	
4	Complainant,	)	DOCKET NO. UE-930622
	vs.	)	Volume IV
5	PUGET SOUND POWER & LIGHT	)	Pages 147-171
	COMPANY,	)	
6	Respondent.	)	
	-----	)	
7			

8 A hearing in the above matter was held on  
9 September 14, 1993 at 9:30 a.m., at 1300 South  
10 Evergreen Park Drive Southwest, Olympia, Washington,  
11 before Administrative Law Judge ALICE L. HAENLE,  
12 Commissioner RICHARD D. CASAD and Commissioner RICHARD  
13 HEMSTAD.

14 The parties were present as follows:

15 PUGET SOUND POWER & LIGHT COMPANY by  
16 James M. Van Nostrand, Attorney at Law, 411 108th  
17 Avenue Northeast, Bellevue, Washington 98004.

18 THE PUBLIC by Robert F. Manifold, Public  
19 Counsel, 900 Fourth Avenue, #2000, Seattle, Washington  
20 98164.

21 THE COMMISSION by Sally G. Brown, Assistant  
22 Attorney General, 1400 South Evergreen Park Drive  
23 Southwest, Olympia, Washington 98504.

24 Lisa K. Nishikawa, CSR, RPR  
25 Court Reporter

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I N D E X

WITNESS: DIRECT CROSS REDIRECT RECROSS EXAM

(None examined.)

EXHIBIT MARKED ADMITTED

(None marked.)

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

2 JUDGE HAENLE: The hearing will come to  
3 order. This is a fourth day of hearing in Docket  
4 Number UE-930622 which is the PRAM 3 filing. The  
5 hearing is taking place on September 14, 1993 at  
6 Olympia before the commissioners. The purpose of the  
7 hearing today is to take oral argument from the  
8 parties on the PRAM 3 issue. If you would just  
9 indicate your name and your client's name, please.  
10 Mr. Van Nostrand.

11 MR. VAN NOSTRAND: For respondent, Puget  
12 Sound Power & Light Company, James M. Van Nostrand.

13 JUDGE HAENLE: Thank you. Ms. Brown.

14 MS. BROWN: Sally G. Brown, assistant  
15 attorney general on behalf of Commission staff.

16 JUDGE HAENLE: Thank you. Mr. Manifold.

17 MR. MANIFOLD: Robert F. Manifold,  
18 assistant attorney general, appearing on behalf of the  
19 office of public counsel.

20 JUDGE HAENLE: I would note the Commission  
21 received by fax yesterday indication from Mr.  
22 Richardson that WICFUR would not be attending the oral  
23 argument. I'm not going to wait for anybody else. If  
24 we have anyone else we can allow them to give their

25 statements in the proper order. The only thing I know  
(COLLOQUY)

150

1 that we have left over from the previous days of  
2 hearing is a motion filed September 3 by Ms. Brown to  
3 correct transcript. That was distributed and I assume  
4 everyone has had a chance to look at it. Do you have  
5 any objection to those transcript corrections being  
6 made, Mr. Van Nostrand?

7 MR. VAN NOSTRAND: No, your Honor.

8 JUDGE HAENLE: Mr. Manifold?

9 MR. MANIFOLD: No.

10 JUDGE HAENLE: I'll grant the motion to  
11 correct transcript then. Is there anything else that  
12 we need to discuss before we take the oral argument?  
13 Hearing nothing, then why don't you go ahead, Mr. Van  
14 Nostrand.

15 MR. VAN NOSTRAND: Thank you, your Honor.  
16 Good morning Commissioners, Administrative Law Judge,  
17 this is the third proceeding implementing the periodic  
18 rate adjustment mechanism adopted by the Commission in  
19 April 1991. In this proceeding the company is  
20 requesting an increase of about \$76.3 million and this  
21 amount is proposed to be recovered over a two-year  
22 period, consistent with the rate moderation approach  
23 followed by the Commission in the PRAM 2 proceeding.

24 With this two-year recovery the amount to

25 be collected during the 12 months beginning October 1  
(COLLOQUY)

151

1 would be one-half of the increase or about \$38.1  
2 million. This represents a rate increase of about  
3 three percent.

4           The rate increase reflected in this filing  
5 consists of the recovery only of deferred amounts from  
6 prior periods. The costs associated with any new  
7 supply resources and additional conservation  
8 investment have been examined in the general rate  
9 proceeding where the revenue requirement for base  
10 costs and resource costs for the 12 months beginning  
11 October 1 will be determined.

12           The \$76.3 million at issue here reflects  
13 the underrecoveries in actual revenues below what the  
14 company was allowed by the Commission to collect  
15 during the first two PRAM periods.

16           \$24.1 million of the increase relates to  
17 deferred amounts from the initial PRAM period through  
18 April 1992. This \$24.1 million amount was determined  
19 by the Commission in the PRAM 2 order last September.

20           And about \$54.2 million in deferrals arose  
21 during the May 1992 through April 1993 period, and  
22 these deferrals relate almost entirely to the very  
23 poor hydro conditions which existed during this  
24 period. These adverse hydro conditions were among the

25 worst the company has experienced in the past 50  
(COLLOQUY)

152

1 years.

2           And finally, as a partial offset to these  
3 deferrals the requested increase is reduced by about  
4 \$2 million as a result of a correction to the method  
5 by which the PRAM increases are allocated to wholesale  
6 customers.

7           As the Commission is aware from these  
8 proceedings, this case has been virtually free from  
9 controversy. Staff has performed a complete audit of  
10 the company's filing and determined that the company's  
11 calculation of the deferrals was proper. The only  
12 issue discussed in staff's testimony relates to  
13 procedures for customer count trueup, and on this  
14 point staff is not making any alternative proposal or  
15 recommending any adjustment to the company's  
16 calculation.

17           Staff also reviewed the company's trueup of  
18 power supply costs and has determined that the company  
19 properly applied PRAM procedures in the application  
20 of the simple dispatch model in calculating deferrals.  
21 No party has recommended any adjustment to the dollar  
22 amounts as calculated by the company and reflected in  
23 this filing.

24           Public counsel, for its part, raised a number

25 of issues related to power supply costs, although it  
(COLLOQUY)

153

1 proposed no dollar adjustments to the company's  
2 calculations. Even though no dollar adjustments were  
3 proposed, however, the items discussed in Mr.  
4 Blackmon's testimony raise important issues regarding  
5 the calculation of power supply costs. I would like  
6 to spend a little time exploring those issues.

7           First, Mr. Blackmon suggests that a  
8 \$182,000 offset to the rate increase could be made  
9 because of the company's treatment of certain  
10 transactions with BPA's direct service industrial  
11 customers or DSIs. These transactions were very  
12 unusual. They involved operating the company's  
13 combustion turbines on oil and selling the output at  
14 70 mills per kilowatt hour under a sales agreement  
15 with BPA. Because of the unusual nature of these  
16 transactions the sales were not included in the  
17 calculation of secondary rates.

18           The inclusion of them would have distorted  
19 the calculation of the average secondary rate to the  
20 detriment of the company's customers by about \$2.7  
21 million. Mr. Blackmon seems to suggest that because  
22 of the apparent discretion in how these transactions  
23 were handled, there are no firm rules that apply and  
24 thus the Commission can feel free to make any

25 adjustment it chooses under some sort of rule of  
(COLLOQUY)

154

1 reason.

2           This is not correct. There are standard  
3 procedures that have been developed for the  
4 calculation of secondary rates, and the company's  
5 handling of these transactions was consistent with  
6 these standard procedures. In this regard it is  
7 important to note that staff's audit of the company's  
8 trueup of power supply costs did not take issue with  
9 the treatment of these transactions.

10           Two other possible offsets suggested in Mr.  
11 Blackmon's testimony relate to suggested modifications  
12 to the PRAM procedures for calculating power supply  
13 costs. These modifications were explored in the  
14 company's general rate proceeding. The first relates  
15 to calculation of separate purchase and sales rates  
16 for secondary transactions. Had this modification  
17 been applied to the deferrals in this case, it would  
18 have reduced them by about \$1.5 million.

19           The second relates to a proposed trueup of  
20 quantities of secondary purchases and sales. Had this  
21 modification been applied to existing deferrals, it  
22 would have reduced them by about \$3.3 million.

23           The suggestion that these possible offsets  
24 could be taken in this proceeding is a very serious

25 matter. It goes to the integrity of the PRAM process  
(COLLOQUY)

155

1 and bears directly on the issue of whether or not the  
2 company will be able to continue to record deferrals  
3 under the PRAM.

4           These modifications were proposed during  
5 the general rate proceeding for prospective  
6 implementation to apply to the trueup of power costs  
7 in PRAM 4 and thereafter. No party recommended or  
8 suggested that they be applied to existing deferrals.  
9 As to the deferrals at issue in this proceeding, there  
10 was no question that the company correctly followed  
11 the procedures in place at the time the deferrals were  
12 recorded and under the procedures now in place. With  
13 respect to both issues, Mr. Blackmon stated that the  
14 company's calculation of the deferrals was in  
15 accordance with the procedures in place at the time  
16 and in place now.

17           Taking these suggested offsets now would  
18 be changing the rules retroactively. It would create  
19 substantial uncertainty in the financial community  
20 about the recoverability of amounts deferred by the  
21 company under the PRAM. As may be recalled from the  
22 reaction to the PRAM 2 order last fall, there are  
23 serious consequences if doubt arises about the rate  
24 recovery of amounts booked as regulatory assets. The

25 reaction of the marketplace can be swift and painful.

(COLLOQUY)

156

1           Mr. Blackmon with good reason went to some  
2 lengths and declined to formally propose these  
3 suggested offsets as adjustments. Taking these  
4 offsets would strike such a fatal blow to the  
5 integrity of the PRAM that Mr. Blackmon wisely shied  
6 away from recommending it.

7           Apart from the issue of whether any  
8 modifications to the PRAM procedures should be  
9 implemented retroactively, I would like to make a few  
10 comments about the substance of the modifications  
11 themselves. As for the proposal to separately  
12 calculate purchase and sales rates for secondary  
13 transactions, the company agrees that this would be an  
14 improvement. We agreed to this proposal during the  
15 general rate proceeding and do not oppose it being  
16 implemented prospectively.

17           The company has serious problems, however,  
18 with Mr. Blackmon's proposed trueup of the quantities  
19 of secondary purchases and sales. To date there  
20 has never been any attempt to use the PRAM trueup  
21 process to take account of quantities of secondary  
22 purchases and sales. If the Commission wishes to  
23 incorporate such a trueup, it is essential that it be  
24 done correctly. As Mr. Lauckhart's rebuttal testimony

25 points out, calculation of such a trueup would be a  
(COLLOQUY)

157

1 somewhat complex procedure.

2           The method proposed by Mr. Blackmon is not  
3 a correct way to do it. For one thing, as pointed  
4 out in Mr. Lauckhart's rebuttal testimony, any trueup  
5 would have to take account of the fact that a certain  
6 level of secondary purchases and sales are reflected  
7 in general rates through the operation of the PCS  
8 model. Mr. Blackmon has incorrectly stated that the  
9 PCS model is incapable of reflecting both purchases  
10 and sales in the same month. His belief apparently  
11 comes from an incorrect understanding of how the PCS  
12 model works and how its output is used in setting  
13 general rates.

14           Mr. Blackmon's proposed method for truing  
15 up the quantities of secondary purchases and sales  
16 would double count because it does not take into  
17 account the amounts reflected in general rates under  
18 the PCS model.

19           A simple example illustrates the point.  
20 Suppose you ask a friend of yours to buy you a  
21 sandwich for lunch over at the County Seat Deli. Your  
22 friend says she needs some money to buy the  
23 sandwich, and since she doesn't know the exact cost,  
24 she asks you to give her an estimated amount of \$3.00

25 and you will settle up when she comes back with the  
(COLLOQUY)

158

1 sandwich. Later she returns with your sandwich and a  
2 receipt for \$3.75 and says that is the correct amount  
3 that you owe. It would be wrong at that point, of  
4 course, to give your friend another \$3.75. You've  
5 already given her \$3 and all you owe is the  
6 difference, or 75 cents.

7 Under Mr. Blackmon's proposed trueup of  
8 quantities of secondary transactions it's the same as  
9 paying 3.75 when you get your sandwich. By not  
10 considering that an estimated level has already been  
11 included in general rates, his trueup would require a  
12 second payment to reflect the actual amounts.

13 Admittedly, this is a simple example, but  
14 it is no more simplistic than the approach recommended  
15 by Mr. Blackmon for truing up quantities of secondary  
16 sales. It is precisely because Mr. Blackmon's  
17 approach is so simplistic that it doesn't work. A  
18 method can certainly be developed for truing up  
19 quantities of secondary purchases and sales if that  
20 is what the Commission desires, but it is a far more  
21 complex process than Mr. Blackmon's proposal  
22 recognizes, and the record in this proceeding simply  
23 does not provide the basis for determining the correct  
24 way to do this.

25                   This is the type of procedure that would  
(COLLOQUY)

159

1   best be explored in a collaborative process where  
2   the parties can explore all the complexities in a  
3   non-adversarial forum.  If the Commission is  
4   interested in having such a trueup developed, it could  
5   encourage the parties to collaborate and develop a  
6   mutually acceptable method.

7                   This PRAM proceeding has been virtually  
8   free of any controversy and should remain that way.  
9   Any changes to the PRAM procedures should be adopted  
10  only prospectively and upon agreement of the parties  
11  that the change represents an improvement.  This can  
12  be said of the proposal to calculate purchase and  
13  sales rates separately.  It is not true of the  
14  proposal to trueup quantities of secondary sales, and  
15  this is a matter best left for further examination by  
16  the parties.  Thank you, your Honor.

17                  JUDGE HAENLE:  Commissioners, do you have  
18  questions of Mr. Van Nostrand?

19                  COMMISSIONER CASAD:  I have no questions.

20                  COMMISSIONER HEMSTAD:  Not at this point.

21                  JUDGE HAENLE:  All right.  Ms. Brown.

22                  MS. BROWN:  Thank you.  Good morning.  My  
23  argument is very brief.  The staff reviewed the  
24  company's proposal in this case and recommends that

25 the proposal be adopted. Staff agrees with the  
(COLLOQUY)

160

1 company's dollar amounts. We believe, as does the  
2 company, that the mechanism was implemented in a  
3 manner consistent with the Commission's order on PRAM.

4           However, if I could, I would like to take a  
5 moment to ask that the Commission keep its collective  
6 mind open on a couple of issues. First, on the issue  
7 of customer counts. In your PRAM 2 order you ask that  
8 the parties reexamine the customer count issue. Staff  
9 has examined that issue in this proceeding and as Mr.  
10 Nguyen testified, while not agreeing with the  
11 company's customer count methodology, because the  
12 company is proposing to recover the deferrals over a  
13 two-year period, the problems caused by the fact that  
14 the company has tried up not to actuals but estimates  
15 are rendered moot.

16           In other words, it becomes a wash. It's a  
17 timing issue only. Nevertheless, staff would like the  
18 opportunity to perhaps make a more definitive  
19 recommendation on this issue in the context of the  
20 PRAM 4 proceeding. We would ask that you keep the  
21 customer count issue open for the taking of additional  
22 evidence until staff does complete that analysis.

23           Second, how does PRAM fit with the general  
24 rate case? Staff's proposal, if adopted by this

25 Commission, would be implemented on a prospective  
(COLLOQUY)

161

1 basis only, thereby affecting PRAM 4. This is due to  
2 deferred accounting. This is an example of some of  
3 the baggage that comes along with deferred accounting.  
4 These expenses are already booked. Once they are  
5 booked, the investment community assumes the company  
6 will recover them. Deferred accounting creates an  
7 investment-backed expectation of recovery. It is also  
8 important that rules not be changed retroactively. On  
9 this point staff agrees with company.

10 This brings me to my final point, and that  
11 is that PRAM review was appropriately a subject of the  
12 general rate case. The staff is in no position to  
13 modify its recommendations regarding PRAM in this  
14 case. That's all I have. Thank you.

15 JUDGE HAENLE: Questions, Commissioners?

16 COMMISSIONER CASAD: No questions.

17 COMMISSIONER HEMSTAD: No.

18 JUDGE HAENLE: Mr. Manifold.

19 MR. MANIFOLD: Yes. Good morning. Public  
20 counsel also agrees with the general case made by the  
21 company, the calculation of the 76-point-whatever-  
22 million-dollar number as a result of the prior  
23 Commission decisions in setting up the PRAM and the  
24 application of those decisions to the deferred

25 amounts.

(COLLOQUY)

162

1                   There are four additional points I would  
2 like to make. One is on the testimony of Dr. Blackmon  
3 regarding changes that could be made. We in essence  
4 provided these for the Commission's information so  
5 that it could choose what it chooses to do. I would  
6 note that in the company's own presentation they  
7 made a \$2 million, if you will, retroactive adjustment  
8 to previously booked amounts, so apparently changing  
9 what's been done is not sacrosanct and can be done if  
10 one wishes, at least under some circumstances.

11                   In Seattle you can't get a sandwich for  
12 3.75, so I'm going to pass on that one.

13                   The second point I would like to make is  
14 that the -- I think the parties are in agreement with  
15 this, but that the large amount of the deferral in  
16 this case is not a result of the concept of decoupling  
17 but is really a result of some particularly adverse  
18 hydro conditions. And I think for many people, and  
19 especially for consumers, to the extent that they  
20 understand PRAM, they see this as something that all  
21 it has to do with is decoupling, and I think it's  
22 important to keep in mind that the concept of  
23 decoupling and the particularly bad effects in this  
24 case because of the methodology of the PRAM which

25 allows weather trueup for a power supply, those really  
(COLLOQUY)

163

1 can be two separate questions.

2 Third point is the period of recovery.

3 It's a little difficult to make recommendations on the  
4 period over which this amount ought to be recovered  
5 without knowing what decision is going to be made for  
6 a rate reduction or possibly increase in the general  
7 rate case. As Dr. Blackmon indicated in his  
8 testimony, if the pricing signals out of the general  
9 rate case are more important, if you will, than the  
10 ones out of the PRAM, since this relates to past  
11 amounts that are going to be variable over a period of  
12 time in the future, so that our recommendation would  
13 be that if you have to choose between the two as to  
14 which one gets deferred over a period of time, it's  
15 this case amounts that should be deferred over a  
16 period of time. However exactly that works out  
17 depends on what the number is, which obviously I can't  
18 comment on because I don't know what it is.

19 The fourth item I would like to mention is  
20 the ratepayer comments. I personally was quite  
21 surprised at the number and level of ratepayer  
22 comments. As you know, we put in two illustrative  
23 exhibits containing letters from many, many  
24 ratepayers, including a large number of petitions

25 being circulated in the Renton area. Ratepayers are  
(COLLOQUY)

164

1 not understanding or sympathetic to this mechanism and  
2 have had it up to the eyeballs with rate increases.  
3 Thank you.

4 JUDGE HAENLE: Questions of Mr. Manifold?

5 COMMISSIONER CASAD: I have no questions.

6 COMMISSIONER HEMSTAD: No.

7 JUDGE HAENLE: I notice that a lot of them  
8 say we think Puget is asking for too many rate  
9 increases. Do you think customers understand this is  
10 going to be happening once a year because of the  
11 nature of the mechanism?

12 MR. MANIFOLD: I don't really know an  
13 answer to that, but what they see I think is these two  
14 going on at the same time and it may be that -- it is  
15 difficult to explain to someone even if you can sit  
16 down and talk to them one-on-one why these two things  
17 are going on at the same time and such very large  
18 numbers.

19 JUDGE HAENLE: Thank you. Any brief  
20 response, Mr. Van Nostrand?

21 MR. VAN NOSTRAND: I just have a brief  
22 response, your Honor. I would like to comment, as Mr.  
23 Manifold pointed out one aspect of the company's  
24 filing was to correct the manner that PRAM increases

25 were allocated to wholesale customers, and I guess I  
(COLLOQUY)

165

1 would take exception to the characterization that that  
2 represents a change in the PRAM procedures. That was  
3 an issue that was, I guess, brought to our attention  
4 during the rate design case. It was never intended  
5 that over or underrecoveries from the wholesale class  
6 would be allocated to retail customers under the PRAM,  
7 and to the extent it was happening, it was an error  
8 and we corrected it as part of this filing. It was  
9 not a change in the PRAM procedures. That's all I  
10 have, your Honor.

11 JUDGE HAENLE: Commissioners, any questions  
12 of any counsel?

13 COMMISSIONER CASAD: Yes. May I go back to  
14 Mr. Manifold?

15 JUDGE HAENLE: By all means.

16 COMMISSIONER CASAD: My interest was peaked  
17 concerning your comments regarding customer reaction  
18 to the two processes going forward. The history of  
19 the PRAM mechanism has been one which has -- there's  
20 been a demonstration of support from interest groups  
21 for the mechanism, and the objective, of course, was  
22 to increase the level of acquisition of cost-effective  
23 conservation and to design a mechanism that would  
24 leave the company neutral regarding the amount of

25 kilowatts sold. The Commission outlined an objective,  
(COLLOQUY)

166

1 a principle objective that the process be a simple one  
2 and easily understood by ratepayers. Your comments  
3 seem to indicate, and I guess anyone would agree, that  
4 it is not a necessarily simple process and it is  
5 probably not well understood by ratepayers.

6 Do you have any recommendation that would  
7 improve the acceptance by ratepayers of the process,  
8 and at the same time do you believe that this lessens  
9 the support for the process amongst the interested  
10 parties?

11 MR. MANIFOLD: I don't think I can really  
12 speak for the interested parties, but to the extent  
13 that I'm aware of it, I don't know that this has  
14 lessened the support for the concept of decoupling.  
15 To my understanding, and it may be a little limited  
16 here, the concept of decoupling and -- which I agree  
17 as you've accurately stated has been well embraced by  
18 a number of interest groups, is not necessarily the  
19 same thing as guaranteeing collection of revenues  
20 irrespective of weather. And it seems to me that it's  
21 the weather guarantee, if you will -- I know guarantee  
22 is a word that makes everybody in this room nervous,  
23 but it seems to me it's an accurate one in this  
24 instance. It seems to me that that's the part that so

25 far has driven the PRAM. You know, we, of course, could  
(COLLOQUY) 167

1 have a swell weather year and the numbers could go the  
2 other way and everybody will be dancing in the  
3 streets.

4 I'm concerned at what I'm hearing from some  
5 consumers that they may get the impression that buying  
6 conservation and a least cost plan and decoupling are  
7 equivalent to a \$76 million rate increase starting in  
8 October. My understanding is those things are not all  
9 aligned together, and the extent that all of us,  
10 company, Commission, public counsel, can further  
11 public education in how those are different will --  
12 you know, should lead to better consumer understanding  
13 and presumably acceptance.

14 People don't -- well, as you know the  
15 bottom line is people don't want rate increases, and  
16 if they perceive the reason for the rate increase is  
17 because somebody's decided to buy conservation, then  
18 suddenly they don't think conservation is such a  
19 motherhood issue any more. And I think that we have  
20 to make it clear that conservation isn't a motherhood  
21 issue. It's a least cost alternative when properly  
22 implemented, and that that is the course that the  
23 Commission has set the company and the other parties  
24 on.

25

COMMISSIONER CASAD: I question whether one

(COLLOQUY)

168

1 can have -- if one could answer that, I wonder if you  
2 can have a decoupling mechanism without a periodic  
3 rate adjustment mechanism.

4 And the other issue is the classic issue  
5 which it seems we have faced over time and that is  
6 the -- in a hydro-based system which is responsive to  
7 weather -- is excessively responsive to  
8 weather-related situations -- what mechanism is there  
9 available to allow the company to recover those costs.

10 We attempted the ECAC mechanism, with which  
11 you're familiar, over time and found that to be  
12 wanting, but the problem has not disappeared in a  
13 hydro-based system. So I would suspect we're going to  
14 have that problem regardless of whether or not we have  
15 a periodic rate adjustment mechanism or not, and it  
16 seems to me in one way that's an attribute because it  
17 seems ratepayers can understand poor weather and  
18 resulting increases in power cost, the hydro system  
19 just doesn't produce what it could ordinarily.

20 So I judge from your comments I think we're  
21 still -- I guess maybe your last comment is the most  
22 cogent one, and that is that I guess we have to  
23 continue to work to try to find some mechanism to  
24 educate and inform the public about these various

25 processes, and it's not an easy one when the public  
(COLLOQUY)

169

1 obviously and for good reason does not want additional  
2 rate increases.

3 MR. MANIFOLD: And, you know, we got a  
4 letter from a ratepayer which I think Chuck put in in  
5 the brief in the general rate case which I think  
6 summed up what some ratepayers feel, which is that  
7 hydro conditions and weather variability are, quote,  
8 acts of God, and ratepayers don't have any control  
9 over those, Puget doesn't have any control over those,  
10 the Commission doesn't have any control over those.  
11 You know, even public counsel has no control over  
12 those.

13 COMMISSIONER CASAD: It's that bad, huh?

14 MR. MANIFOLD: It's that bad. But the  
15 question comes, who is best able to plan for and  
16 prepare for any risks that are imposed by that and  
17 what is the compensation that anyone must bear for  
18 bearing those risks -- or must, you know, pay or  
19 should be receiving for bearing those risks, I should  
20 say. And that's where it really gets down to the nub  
21 of the question, it seems to me. You know, if you  
22 asked me if I'm willing to bear a particular risk, my  
23 question's going to be how much are you going to pay  
24 me for it, and then my answer is going to depend upon

25 whether or not the payment is related sufficiently in  
(COLLOQUY)

170

1 my mind to the risk I'm being asked to bear.

2 COMMISSIONER CASAD: Would the company not  
3 ask you the same thing?

4 MR. MANIFOLD: Yes, exactly and the company  
5 would ask the same thing. If we asked the company to  
6 as it traditionally has done, bear the risk of  
7 supplying power, then they're entitled to whatever  
8 that reasonable compensation is for bearing that  
9 risk. If ratepayers are bearing that risk then how  
10 are they to be compensated, or the other way around,  
11 how is the company not to be compensated for bearing  
12 that risk.

13 I think there may be another component to  
14 that and that is that I'm not sure what a ratepayer  
15 can do to bear that risk. I mean, they can pay a  
16 little less. I think you and I will both have a very  
17 hard time convincing any ratepayer that they are in  
18 fact paying less for bearing that risk, but we -- you  
19 know, there are, as you know, through the formulas  
20 ways of doing that, but the question is, are they  
21 helpless in this situation. And I think people who  
22 feel that they are helpless do not react favorably.

23 COMMISSIONER CASAD: They're not helpless.  
24 They have public counsel, of course, to represent

25 them, and the staff. Thanks.

(COLLOQUY)

171

1 JUDGE HAENLE: Anything more, Commissioners?

2 COMMISSIONER HEMSTAD: Yes. This is  
3 addressed to Mr. Manifold, I think. From the comments  
4 of all three of the parties here today, and this is  
5 really focusing narrowly on the issue to be decided  
6 here, the company's asking for \$76 million to be  
7 recovered over two years. And as I understand it, the  
8 staff is accepting that position, and public counsel  
9 accepts that position with the suggestion that the  
10 Commission could make some modifications to that if we  
11 so choose, but that public counsel is not necessarily  
12 recommending that that be done. Is that a fair  
13 summary of your position?

14 MR. MANIFOLD: Yes, it is. And if I  
15 may make one comment on that, this whole thing is  
16 retroactive. I mean, the very essence of the PRAM is  
17 retroactive, and to not make an adjustment because  
18 that is retroactive is sort of begging the question,  
19 it seems to me. And we -- well, I'll stop there.

20 JUDGE HAENLE: Anything else? All right.  
21 Thank you for your comments. Then is there anything  
22 else we need to cover now in the PRAM proceeding? All  
23 right. The hearing will be adjourned then and a  
24 Commission order will issue. Thank you.

